

# Making B.C.'s Future Come Alive

*By*

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The B.C. budget will be the right one for the times, following through on the Government's three-year plan to reduce taxes and the deficit. Now, the governing Liberals are set to select a new leader, with an opportunity to pursue a new vision and accompanying policy framework. That vision should include securing the province's place as a two-way gateway between North America and a growing Asia.

We anticipate that the B.C. budget will do what it is supposed to do, moving to bring the budget towards balance, holding down the public debt burden, and eliminating small business taxes next Spring while retaining low competitive personal and corporate tax rates. These measures will restore consumer and business confidence, and stabilize public finances following the massive 2008 financial shock and ensuing recession.

These measures will help generate investment and jobs, and build on the province's competitive advantages. That includes a healthy business environment – just look at higher deficits, debt and taxes elsewhere in Canada. And it includes something just as valuable – a global profile (bolstered by the successful Olympic Games) as a place to invest and live, and advanced transportation infrastructure and facilities, especially in the lower mainland.

The province is in an enviable position to benefit from the global zeitgeist embracing Asia's phenomenal growth. The Asian continent's growing economy and emerging middle class, the commodities super-cycle, and Canada's heightened profile sets the stage for expanding cross-Pacific trade and capital flows. British Columbia has the good fortune of sitting astride the transportation hubs for shipping, rail and pipelines, with its related economic activity, that link Asia with North America. Moreover, British Columbia is a potential beachhead for Asian business in the North-American economy, given proximity, time zone, cultural heritage, commercial and social infrastructure, and skilled workforce. These are all important advantages in any strategic vision for British Columbia.

What specific measures can help bring this vision to life – without heavy reliance on the public purse? The key is the right mix of catalysts to encourage and stimulate business investment – incremental measures to exploit the positive business climate and business confidence already in place. In most cases it means adapting to a more cooperative and coordinated policy approach with the federal government.

Six initiatives could promote investment and lay the foundations for B.C. as the Pacific gateway and beach-head:

- 1) The Northwestern Corridor near Prince Rupert offers the most efficient transportation route between Asia and North America. It must be exploited for all its worth by all levels of government, through investments in P3 partnerships and direct federal and provincial incentives to expand the rail, port and container facilities in Prince Rupert and northwestern B.C.

2) Oil and gas pipelines to the west coast would open up Canadian energy markets to the East while benefiting gas production in northeastern B.C. and infrastructure development in the lower mainland. The government should encourage expansion of the Trans Mountain Kinder Morgan crude pipeline to the west coast, expedite approval of the Enbridge pipeline, and maintain the competitive royalty scheme for B.C.-produced natural gas.

3) Anticipated delays in approving resource projects deter investment. Federal and provincial governments need to coordinate and streamline government review, contingent on the same standards, in the environmental assessment process from project approval.

4) Strong business and cultural connections help B.C. attract investment from Hong Kong – but tax barriers often stand in the way. The new Premier should encourage the federal government to approve a Double Taxation Agreement with Hong Kong, enabling Hong-Kong-based subsidiaries to repatriate dividends exempt from Canadian withholding tax. Low tax rates coupled with an exemption from withholding taxes would stimulate Hong Kong businesses to establish B.C.-based North American operations and encourage B.C. companies to establish in Hong Kong as a launchpad into China and other parts of Asia.

5) Given its vibrant venture capital marketplace, B.C. should encourage the federal government to lower capital gains taxes for listed companies – encouraging equity investment and lowering the cost of capital. The B.C. government should also continue to support efforts to build a single, accountable national securities regulator – building on existing strengths and creating globally attractive, cost-efficient and well-functioning markets for small and mid-sized businesses.

6) Lower corporate and personal income tax rates are big assets, but B.C. cannot ignore the need to overhaul its property tax regime, which is one of the worst in Canada. Giving local municipalities discretion to set rates and ratios without an administrative appeal mechanism has resulted in punitive tax regimes and entrenched unfairness that has damaged business investment in the province.

British Columbia has come a long way in the past 10 years, reversing the 1990s decline. With a positive business climate, sound public finances, restored confidence and a global profile, the province is well-positioned to take advantage of potential links to the dynamic economies of Asia. If the province fails to take the initiative, another government elsewhere will.

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