

September 2021

Select Standing Committee on Financial and Government Services

Budget 2022 Consultation



Resource Municipalities
COALITION

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Moving Ahead Together

As we look forward to 2022 - we look to an improved economic future that demonstrates and supports the world leadership of British Columbia in responsible and sustainable resource development that drives economic prosperity for communities and British Columbians, while supporting the initiatives of reducing the impacts of climate change.

British Columbia has seen a solid rebound in 2021, with forecasted growth of 5.8% in GDP, followed by an optimism of 4.8% growth in 2022. Resource-based exports and capital invested in large construction projects has reduced the impacts of the economic downturn of 2020 and have set the stage for a solid rebound within the economy.

By recognizing the importance of resource-based exports and by government supporting this sector we will further ensure sustainable growth in 2022 and beyond. The resource-base sector contributes roughly \$58.7 Billion in revenue to the province (2019-20) and has a spinoff impact of .93 jobs throughout British Columbia for every 100 jobs within the sector^A, verses a .66 spinoff for the rest of British Columbia.

With employers facing hiring challenges in many sectors throughout the province, government policy needs to align with attracting and retaining skilled and non-skilled labour. Likewise, Budget 2022 needs to provide the financial resources to support initiatives that encourage a growing economy.

The Resource Municipalities Coalition offers recommendations that we feel support the provincial economy while supporting regional growth and opportunities.

- Health Care for British Columbia by addressing the challenges of recruitment and retention for nurses within rural and remote communities of British Columbia,
- Transportation and Infrastructure that Encourages Economic Growth by recognizing the significance of multiple project consultation simultaneously, and
- Improving Competitiveness for British Columbians through amendments to PST legislation.

Representing municipalities and organizations in a region that occupies 24% of the provincial land mass with 1.5% of the population and contributes 8.7% of the provincial exports, we feel our recommendations support the mandates of putting people first and building a strong economy that works for everyone.

^A 2021 Northeast BC Exports and Provincial Revenue Report, Resource Municipalities Coalition

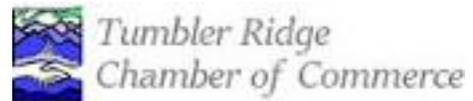
Who We Are

The Resource Municipalities Coalition (RMC) is a collaborative initiative of the Northern Rockies Regional Municipality, City of Fort St John, District of Taylor, District of Tumbler Ridge, and the District of Mackenzie. The shared objective of the RMC is to promote responsible resource development as it should sustain communities by addressing impacts on ecosystems as well as cumulative impacts to a healthy natural environment, and to citizens by ensuring the provision of effective social services that improve quality of life while building a sustainable future.

Sustaining Members



Associate Members



Our Mission

“To be a constructive part of creating a more equitable and inclusive society protecting and enhancing sustainable development of resource communities and provide high quality of life to citizens through the provision of services that ensure safety, education, health, economic vitality and a healthy natural environment and mutually respectful relationship with First Nations.”

Our Purpose

The RMC is a strategic partnership of communities, business associations and service sector associations that are focused on all aspects of resource development.

As a unified voice for regional districts, municipal governments and Indigenous governments, business and communities on responsible resource development, the RMC works to ensure resource communities, and businesses are involved and engaged in resource development decisions that impact them directly or indirectly.

From a regional perspective, and whenever able, the RMC will work to prepare and maintain economic planning models to assist in researching and analyzing economic impacts of resource development on resource communities.

Likewise, the RMC will work to represent the collective interest of its members in provincial or federal planning processes for delivery of services and infrastructure including health, education, transportation, policing and other provincial or federal initiatives.

The RMC will work to represent its members interests in pertinent project reviews and approval processes as part of collaboration with federal and provincial governments, and industry to promote responsible resource development.

Our Advocacy

- **Protection and Enhancement of Resource Communities**

Support continued development of communities as permanent, sustainable, and vibrant centers that support agriculture, forestry, mining, tourism and oil and gas.

- **Mitigate Impacts**

Ensuring that economic, social, community and financial impacts of resource growth are fully mitigated and compensated by government and industry.

- **Maximization Local Content and Increased Residency**

Working to ensure local content of goods and services are considered as is local residency of the workforce, as an important consideration in decisions to grant social license to industry while reflecting industry needs in recruitment and retention.

- **Engagement in Resource and Infrastructure Development**

Advocate that resource communities be involved and consulted in all resource development decisions that directly or indirectly affect their interests.

- **Promote and Extending Funding Agreements**

Working with government to ensure agreements are protected and extended to ensure adequate tax base or revenue support addresses the financial impacts on resource communities.

- **Protection of Environment**

Working with industry and all levels of government to ensure that resource development takes place in a manner that protects the natural environment and the safety and health of residents.

- **Collaboration and Partnerships with First Nations**

Working to sustain and further develop relationships with First Nations to help address issues of mutual concern related to future resource development.

- **Support Investment to Expand Municipal Services and Infrastructure**

Ensuring that the Provincial Government makes timely investments in the expansion of provincial services and infrastructure within resource communities.

Health Care for British Columbians Considerations

In support of our regional health care professionals, the Resource Municipalities Coalition encourages the Province of British Columbia to improve the following, so that it may attract and retain health care professionals in rural and remote communities:

- Optimize RN and NP scope of practice - Nurses who are able to optimize their scope can positively impact the health outcomes of British Columbians through increased access to care. However, many rural and remote nurses across B.C. find themselves unable to provide the care they are educated to deliver, despite their ability, knowledge, and skills. This is a result of barriers in optimizing scope including limited resources and supports offered when compared to their urban counterparts. In order to be able to respond to the changing population health needs, be flexible and innovative, and provide care closer to home, nurses need to be supported to utilize their full scope.
 - Recognize the role and practice context of rural and remote nurses, ‘expert generalists’, and provide continuous funding and locum support for on-going accessible post-graduate rural and remote education and training for practicing nurses.
 - Financially support and work with Northern Health to provide rurally relevant, responsive supports in practice settings to enable nurses to enact full scope of practice.
 - Develop and build structures and policy that optimizes nurses’ use of technology in order to enhance the consultation, delivery, and referral practices of rural and remote nurses.
- Enhancing rural and remote RN education, continuing education, and professional development – Rural and remote nurses are often required to have a skill set that is much broader compared to their urban counterparts. However, there are many difficulties in ensuring that nurses who are required to practice as ‘expert-generalists’ have the education, skills, and support to care for changing needs of the population. The Nurses and Nurse Practitioners of BC noted in their report of 2018, that only 10% of nurses working in this environment held a rural and/or remote certificate.
 - Conduct a third-party review that will assess current and future entry to practice expectations and requirements of rural and remote nurses; and the educational models required to support competent practice.
 - Provide funding to increase access to rural and remote education, including certified practice education for registered nurses.
 - Ensure that rural and remote certified practice education aligns with current, and future needs of rural and remote communities.
 - Partner with nursing organizations and Northern Health to establish strategy that enables rural and remote nurses to complete continuing education while ensuring staffing needs and patient care is maintained.

Health Care for British Columbians Considerations (cont.)

- Implementation of an effective human resource plan – Nursing shortages, meaning RNs and NPs, have led to unmet patient needs, safety risks, and longer wait times. Likewise, RNs and NPs are working beyond their set hours to keep up with increased workloads, leading to burnout, mental health issues, and possible departure from the profession.
 - Work with Northern Health and the British Columbia Nurses' Union to develop an effective RN and NP recruitment strategy with clear goals and performance measures that are reflective and relevant to rural and remote nursing practice.
 - Work with Northern Health to ensure recruitment managers receive comprehensive training on recruitment and retention roles and responsibilities. Provide oversight on all aspects of recruitment and hiring practices.
 - Conduct a third-party audit of Northern Health to ensure the work culture supports retention challenges as they relate to rural and remote communities by implementing other industry incentives that have been proven to help retain staff in challenge geographical locations.

Health Care for British Columbians Background

Health care within most industrialized countries have achieve universal and equitable access to primary health care. While the approach and structure of this important service may vary, primary health care service is the point of first contact with health services and facilitates the entry to the rest of the health care system.

The shared concerns amongst British Columbians reside with maintaining access, quality of care, and prevention of disease as the province works to manage the supply of an adequate level of health care workers. This challenge is amplified by the change in demographics of professionals, as well as the challenges of geographic locations of services.

While some British Columbians may perceive the province as being advanced from a technological perspective, many challenges exist in rural or geographically remote communities, government supports to connect or stabilize the fundamentals of 21st century life in these areas, is critical. These areas have little return on investment for competitive business and therefore, advancement in these regions is solely dependent on government support and initiative. This is further complicate by vote weighting and influence.

Advancement of fundamental health services has become an expectation of British Columbians and its access is a public mandate of the provincial government. So, why, after many studies and commitments by various levels of government, does the issue of equitable access to primary health care still exist?

The answer to this question remains relatively simple, however, the solution is challenging and complicated. During discussion and reviews of previous works, one thing remains clear: recruitment and retention are the drivers of this challenge. Unlocking this challenge is key to overcome the challenges of access, mental health, and end of life care.

In 2007, the Province of British Columbia developed the Primary Health Care Charter (the Charter) that set out direction, targets, and outcomes to support the creation of a strong, sustainable, accessible, and effective primary health care system for British Columbia.

The completion of the Charter resulted in seven priorities being established:

- 1) Improve access to primary health care.
- 2) Increased access to primary maternity care
- 3) Increased chronic disease prevention.
- 4) Enhanced management of chronic diseases
- 5) Improved coordination and management of co-morbidities
- 6) Improved care for the frail elderly
- 7) Enhance end-of-life care.

These priorities are supported by the following principles and methods that define and reflect the work in and for British Columbia:

- Improving patient health outcomes will drive what we do.
- Patients and families assume the role of partners in their care.
- A population-based approach will ensure inequalities and needs are identified and addressed.
- We will re-orient health services to align with the patients journey through patient-centered integrated health system.
- Family physicians are the cornerstone of primary health care. They are a part of a broader community network and professional team that includes nurse practitioners, public health staff, community nurses, midwives, pharmacists, mental health professionals, clinical counsellors, physiotherapists, chiropractors, home and community care workers, dietitians, specialists, and many other health professionals and non-government organizations who work as a team with patients and their extended families.
- Patients should receive accessible, appropriate, efficient, effective, safe quality care at the right time in the right setting by the right provider.
- Patients and their clinicians must receive key information to make informed decisions at the point of care, and decisions support also must be available for managing patient populations.
- We will implement the Expanded Chronic Care Model through structured collaborative approaches because this model has derived the best results in clinical improvement and system change in BC.

The Charter outlines ambitious priorities and while the supporting principles are there to provide direction and advice on the engagement of the priorities, the key influence on success of the priorities is missed. Recruitment and retention are the foundations of a strong, effective, and efficient health care system.

The RMC recognizes the complexity of recruiting and retaining qualified health care professionals to rural and remote communities, as these communities compete with the attraction of urban centers to young progressive professionals. This challenge is further supported by a report from the International Energy Agency, *“Empowering Cities for a Net Zero Future: Unlocking resilient, smart, sustainable urban energy systems”* July 2021, in which they forecast that by 2050 - 70% of the global population will live within cities. This forecast further emphasises the challenge faced by Northern Health to recruit and retain health care professionals within its region.

Northern Health’s region consists of 2/3rd of the province of British Columbia and is mostly made of rural and remote communities and as noted in the Auditor General’s report of February 2018, *“An Independent Audit of the Recruitment*

and Retention of Rural and Remote Nurses in Northern BC”, more than 25% of Nurse Practitioners positions in rural and remote communities were vacant. Likewise, it noted that 15% of Registered Nursing positions were vacant as well.

This data does not reflect current retention issues within the Northern Health region, nor does it reflect the impact of a global pandemic, and while we recognize the challenges and burdens that the pandemic has placed on the provincial government, it must be recognized that these challenges and burdens are shared by all British Columbians and now, more than ever, British Columbians need their health care system to function effectively and efficiently.

Noted within the Nurses and Nurse Practitioners of British Columbia report of July 2018, “Enhancing Rural and Remote Nursing Practices for a Healthier BC”, nurses working in rural and remote parts of the province often take on different roles than those working in urban centers. They can often find themselves as the only person on shift and presented with complex situations that they must resolve without the assistance of another health care professional and frequently without adequate resources, human or otherwise, to support their complex role.

While telehealth supports are appreciated, often the support needed are the physical presence of another health professional to assist in the physical activity of patient care, which would support improving patient health outcomes.

While the province transitions to recover from a deflated economy due to the pandemic, it must recognize the further strain to nurse shortages imposed by the pandemic on its health care workers. As recently reported by the CBC, “nurses are overwhelmed by the impacts of a pandemic and wildfires, nurses are considering leaving the profession because of the impact to their mental health.” This article was based on a community of 90,000+ residents, where access to urban amenities is greater than rural or remote communities in the Northern Health region. The impacts on rural and remote communities are demonstrated with hospital or medical centre closures within the Northern Health region, forcing residents of a 12,000+ community to travel hours for emergency health care, decreasing timely access to health care.

Transportation and Infrastructure that Encourages Economic Growth Considerations

In support of effective transportation networks in northeast BC, the Resource Municipalities Coalition encourages the Province of British Columbia to consider the following:

- **Merging of projects to improve transportation network** - While recognizing the economic benefits of road infrastructure in supporting our provincial and regional economies, we must also recognize that these same roads that transport goods and services, are the roads that connect British Columbians to neighboring communities, provide access to education, access to health care, and improve the quality of life for all British Columbians.
 - Recognize the link between the South Taylor Hill and the Taylor Bridge and seek input from the Bridge User Group for the Taylor Bridge to help guide the Ministry in the development of long-term solution to the South Taylor Hill.
 - Likewise, during public engagement through Open Houses, engage with residents on the impacts of the South Taylor Hill so that, the Ministry may understand the connectivity between these two critical projects impacting northeast BC.

Transportation and Infrastructure that Encourages Economic Growth Background

The Ministry of Transportation and Infrastructure's responsibility is to lead planning initiatives to address infrastructure needs of rural and urban British Columbia under the government's comprehensive infrastructure plan to build a Better BC.

In building a Better BC, the RMC recognizes the use of multiple tools that support highway planning, such as a Corridor Management Plan and a System Level Performance Analysis, both of which support the development of a business case for investment into capital funding that support infrastructure improvement and replacement.

The investment into infrastructure projects like the replacement of the Taylor Bridge, realignment of the South Taylor Hill and the widening of Highway 97 from the Alberta border to Fort St John improves highway safety, provides long lasting employment and training opportunities for youth within the region, and meet the first Performance Planning goal (*Invest in rural and urban infrastructure improvements that build a strong, sustainable economy*) of the 2020/21 – 2022/23 Service Plan, published February 2020 by the Ministry of Transportation¹.

The RMC is encouraged to see that engineering work has begun on the Taylor Bridge as this bridge is a critical link between Northeast BC and the rest of the province. Averaging 7,500 + vehicles a day with 30+% being large commercial vehicles, and has been sited by Scott Maxwell in May 2015, "*its' the link with the rest of the province – northern Alberta even.*"

¹ 2020/21 – 2022/23 Service Plan, Ministry of Transportation, and Infrastructure – February 2020

While recognizing the economic benefits of road infrastructure in supporting our provincial and regional economies, we must also recognize that these same roads that transport goods and services, are the roads that connect British Columbians to neighboring communities, provide access to education, access to health care, and improve the quality of life for all British Columbians.

Taylor Bridge

Communities of the north often are faced with one major corridor of transportation that is negatively impacted by infrastructure age, increased activity, and natural elements such as weather. The cumulative impacts provide further risk to users and continue to degrade the usable life of the infrastructure despite aggressive maintenance programs and risk mitigation strategies. Roadways and bridges are the backbone of moving people and product to market in northern communities, with reduced infrastructure replacement spending, the ability to provide a safe quality of life and improve industries competitiveness diminishes.

While we recognize efforts to improve the maintenance and quality of some infrastructure, the RMC believes that the critical pieces of the northern infrastructure are being swept to the side in favor of more densely populated regions of the province, while traffic increases within the region to support the provincial economy.

When considering the potential impact of major projects, \$45+ Billion within northeast BC², the increased activity will negatively impact business's ability to safely transport goods and services to and from the northeast. Compounding this is the life cycle of infrastructure, and at 61 years of age, the Taylor Bridge was constructed in 1960 and has surpassed what is considered a feasible life cycle limits for a bridge of this design.

With the Taylor Bridge connecting southern regions of BC with not only the resource sectors of northeast BC, the bridge is a critical link to the Yukon, Northwest Territories, and Alaska, therefore, suitable solutions that will reduce economic impacts to the region during replacement of the bridge must be found. Regional growth has negatively impacted the surface integrity of the Taylor Bridge and maintenance has increased to a greater frequency than twice annually. The bridge requires replacement with consideration of future development and growth of the region.

The RMC is encouraged to see that engineering work has begun and that the Province is developing a bridge user group to provide technical input on industrial road use, municipal infrastructure plans, and other options for long-term solutions, while engaging in public engagement through the use of an open house format.

While we recognize the efforts to develop long-term solutions to the replacement of the Taylor Bridge, the RMC encourages the Ministry of Transportation and Infrastructure to prioritise this critical project in support of an effective and efficient transportation network for BC.

² Major Project Inventory Q1 2021

South Taylor Hill

The South Taylor Hill remains one of the busiest corridors in northeast BC, with traffic volumes continuing to rise, the impact of insufficient truck climbing lanes, limited passing lanes and the absence of truck runaway lanes, impacts the safety of this landslide prone section of highway³.

Traffic load (weight and quantity) has been identified as being the primary cause of fatigue cracking in asphalt on stable subsurface - asphalt thickness and subgrade structure can also have significant impacts on the usable life of a roadway. In addition, the freeze-thaw cycle contributes to this degradation, seen in surface distress, roughness, and rutting - further compounded by landslide tendencies that increase a risk of incident.

Increased industrial activity is anticipated with 47 major projects in Northeast BC – \$45+ billion worth of investment. This activity, in the absence of rail infrastructure, realizes the need for larger, heavier trucks and increased frequency of these trucks on northern roadways, escalating existing hazards identified by municipal and provincial governments for years – slow response or lack of funding to correct these concerns reduces the quality of life for BC residents of the north and creates unnecessary obstacles for industry.

While the RMC applauds some work that has increased passing opportunities, provided safer chain-off areas and improved signage, northern highways like Highway 97, (Fort St John – Fort Nelson) are still ranked as numbers 4 on a list of “The Most Dangerous Highways in BC”³, as noted in an article by Hamed Amiri – 604Now.com, 2018.

This coupled with a report from the Provincial Government, “Motor Vehicle Related Fatalities 10-year Statistics for British Columbia 2008 – 2017”⁴ identifies aggressive driving and driver error as common factors in police reported crashes in the province.

While the report does not clearly identify these factors as directly related to physical road conditions or the lack of appropriate infrastructure; analysis of all factors including higher commercial traffic rates, heavier loads and deteriorating infrastructure or insufficient traffic control results in driver fatigue and anxiousness resulting in drivers taking unnecessary risks while traveling the highways.

The Highway 97 South Taylor Hill Stabilization Pilot has been completed with no visible signs to the public of continued or additional works being done. While the Taylor Bridge is cited as a critical link over the Peace River, it must be recognized that the South Taylor Hill is equally critical as it feeds traffic across the Taylor Bridge, and therefore, requires the attention of the Ministry of Transportation and Infrastructure to prioritise this critical project in support of an effective and efficient transportation network for BC.

³ The Most Dangerous Highways in BC” – Hamed Amiri, 604Now.com, December 28, 2018

⁴ Motor Vehicle Related Fatalities 10-Year Statistics for British Columbia, 2008 – 2017, Policy and Strategic Initiatives Branch

Improving Competitiveness for British Columbians Considerations

The Resource Municipalities Coalition offers the following recommendations as consistent with the understanding of current issues related to the payment of the PST by non-resident companies and the principles that are relevant to the development of solutions.

- **Increase Level of Monitoring and Enforcement of BC Tax Laws** - Increase the level of monitoring and enforcement of BC tax laws as they relate to the payment of the PST by non-resident companies working in BC Specifically:
 - Increase Ministry of Finance staff resources, particularly field staff in Northeast BC, to increase the level of monitoring and auditing of non-resident companies.
 - Establish policies and procedures to coordinate enforcement of PST laws and regulations between the Ministry of Finance, the BC Oil and Gas Commission, the RCMP, WorkSafe BC and the Ministry of Transportation and Infrastructure.
 - Establish a formal process to enable citizens and BC-based companies to report cases of non-compliance.
- **Implement Public Awareness Program** -Develop and implement a public tax awareness program for non-resident companies working in BC
- **Establish a Process to Enable the Public to Access Non-Confidential Information** - Implement a public reporting regarding payment of the PST by non-resident companies including identification of non-resident companies that have been fined for non-payment of the PST.
- **Review and Amend Existing Legislation and Regulations to Enhance the Ability of the Ministry of Finance to Monitor and Enforce the Payment of the PST by Non-Resident Companies** - Amend the BC PST Act, regulations, and policy to enhance the ability of the BC Ministry of Finance to monitor and enforce the Provincial Sales Tax Act. Specifically, implement similar measures to those enacted by the Province of Saskatchewan:
 - Require non-resident companies to register with the Ministry of Finance to file returns and report the PST.
 - Require non-resident companies to make a guaranteed bond of 7% of the total contract amount to secure payment of the PST with the Ministry of Finance.
 - Require non-resident companies to obtain a clearance letter from the Ministry of Finance upon completion of the contracts in BC
 - Require contracting parties to assume liability for payment of the PST where the non-resident company fails to comply with the PST Act.

Improving Competitiveness for British Columbians Background

British Columbia-based oil and gas service companies, contractors and suppliers are experiencing difficulty competing with companies based in Alberta and other provinces. This is due, in large part, to non-resident companies failing to comply with BC tax laws for the payment of the BC Provincial Sales Tax (PST). The major concern relates to Alberta based companies because of their proximity to British Columbia and the close business relationship between Alberta.

The inability of BC businesses to compete fairly is having negative consequences. Reduced business activity and revenue have led to reduced investment, declining employment, and an unstable business climate. The provincial government is also forgoing economic and financial benefits due to reduced employment and tax revenue.

The RMC believes amendments to the BC PST Act, increased efforts to raise awareness of BC's tax requirements and increased monitoring and enforcement would reduce the incidence of non-compliance. The Saskatchewan model provides an excellent example of how the BC system can be improved.

The RMC recognizes that the tax regimes of the two provinces are different and that in Alberta companies may enjoy an overall tax advantage. The RMC also supports the removal of barriers to inter-provincial trade, investment and labour mobility and does not oppose competition from non-resident companies. It is the contention of the RMC that non-resident companies' failure to comply with BC tax law is a major issue in the ability of BC companies to compete fairly.

The Importance of Requiring Non-Residents Companies to Pay the Provincial Sales Tax

Under the provisions of the BC Provincial Sales Tax Act, S.BC 2012, c. 35 ("PST Act"), all persons are required to pay PST⁵ in respect of non-exempt tangible personal property (TPP) that is sold or leased in BC (PST Act ss. 37, 39) or brought into BC and used or consumed whether under lease (PST Act s. 41) or otherwise (PST Act s. 49).⁶

The obligation to pay PST applies to persons in BC whether they are a BC resident or a person or entity resident outside BC who is using or consuming the TPP in BC during the person's business, whether or not the business is carried on in BC⁷.

Reporting of PST payable by persons other than collectors⁸ is on a self-reporting basis. Non-resident businesses may be unaware on the PST obligations associated with conducting business activities in BC, or simply choose not to comply with reporting and payment obligations. This creates a less than level "playing field" because non-resident companies:

- Do not bear administrative costs of reporting and paying tax in BC.
- Do pay taxes to which BC residents are equally subject.
- Would only be subject to prevailing taxes in their home jurisdiction, which in the case of Alberta would include no provincial sales tax rather than 7% PST in BC, in addition to the 5% GST payable in both provinces; and

⁵ The acronym PST for both BC and Saskatchewan provincial sales tax.

⁶ TPP that is in BC fewer than 6 days is not subject to taxation under s. 49 of the PST Act (s. 53 and PST Regulation s.17).

⁷ Section 5 of the PST Act defines "carrying on business" in the province based on factors including whether a person's name is advertised or in a telephone directory with a BC telephone number or address or has employees, representatives, warehouse, office or place of business in BC. Specific provisions apply to non-residents carrying on business in BC. The obligation to pay PST exists if TPP is used or consumed in BC in the course of the person's business regardless of whether the person is technically "carrying on business" in BC.

⁸ Collectors are entities registered under the PST Act or otherwise obligated to collect PST in connection with commercial transactions as an agent of the Crown (PST Act s. 178).

- Have the benefit of doing business in a BC economy supported and regulated at the cost of the BC taxpayer, without contributing to the payment of those costs (such as road and other infrastructure)

In addition to the apparent unfairness of an unequal tax treatment, the non-payment of PST by many non-residents creates an incentive for BC residents to avoid BC taxes or consider relocating to Alberta so that they can also enjoy the advantage of non-residents.

The implications of PST non-payment adversely impact the BC economies in several ways:

- Employment of BC workers is lower,
- Local, regional, and provincial economic benefits are reduced,
- Local and provincial government revenues are reduced,
- Non-resident businesses impose a cost on BC, through the use of BC provided infrastructure, while making a much lower (if not zero) financial contribution compared to BC businesses,
- The non-payment of PST by non-resident business results in a direct revenue loss to the provincial government.

The focus of the Resource Municipalities Coalition is to promote a "level playing field" where BC businesses are not at a competitive disadvantage in their own province.

The PST Problem in More Detail

Data for determining the extent to which non-resident companies are non-compliant with BC's PST requirements is not available due to:

- Reliance on self-assessment and reporting for the payment of BC's PST; and
- Tax information provided to the Ministry of Finance is confidential.

The information provided by BC companies competing for contracts with Alberta companies cannot be dismissed. The reports confirm that non-compliant Alberta companies is a result of two causes:

- Willful avoidance in paying the BC PST by Alberta-based companies to gain an advantage in a highly competitive market.
- Failure to understand and comply with the complex requirements and procedures for payment of the BC PST.

BC PST legislation does not require the payment of the PST on some services that may be provided in Alberta, but which have an impact on the ability of BC companies to compete fairly with Alberta companies. Examples include:

- PST is not payable on certain types of equipment (e.g. safety equipment, radios) that is installed in vehicles in Alberta. While the vehicle is subject to the PST, the equipment itself is not, when registered within BC.
- PST is not payable on major repairs undertaken in Alberta to equipment that operate in BC

There is also evidence that companies with offices in both provinces take advantage of their Alberta-based operations to avoid payment of the PST on major repairs, refitting and other maintenance carried out on equipment working in BC

There is a need to provide the legislative, regulatory and policy basis to strengthen the ability of the Ministry of Finance to monitor and enforce compliance.

A comparison of the PST legislation in BC and Saskatchewan provides an indication of how BC PST legislation could be strengthened.

Differences between the Approaches of BC & Saskatchewan in Dealing with Companies based in other Provinces

BC and Saskatchewan are similarly positioned to the large oil and gas industry in Alberta and both provinces have similar challenges in the application of their provincial sales tax regimes.

Under both the BC PST Act and the Saskatchewan Provincial Sales Tax Act, R.R.S. 1978, c. P-34.1 (SK. PST Act) there is an obligation on non-resident businesses to report and pay PST. Saskatchewan has responded to challenges by implementing administrative provisions related to reporting and security for payment of PST.

Sections 9 (general) and 9.1 (temporary) set out the provisions related to the reporting of TPP brought into Saskatchewan. Section 9.1 provides as follows for TPP brought into Saskatchewan temporarily for the purposes set out in s. 9⁹:

- " (9.1) Every person residing or ordinarily resident or carrying on business in Saskatchewan who, on a temporary basis, brings into Saskatchewan or receives delivery in Saskatchewan of tangible personal property for a purpose or in a capacity described in subsection (9) shall:
- (a) immediately report the matter to the minister or the minister's appointee.
 - (b) forward or produce to the minister the invoice, if any, with respect to the property and any other information required by the minister with respect to the property; and
 - (c) pay tax with respect to the consumption or use of the proportionate part of that property, determined in the manner prescribed in the regulations, that is attributable to its consumption
- or use within Saskatchewan, at the rate that would be applicable if the property had been purchased at retail in Saskatchewan. "

In addition, the Saskatchewan PST regime requires non-resident contractors who operate in the petroleum industry to:

- register with the Revenue Division to file returns and to report PST (Saskatchewan Tax Bulletin PST-13 (SK TB PST-13) section A).
- deposit with the minister or post a Guarantee Bond of 5% of the total contract amount to secure payment of the tax imposed by the SK PST Act in respect of TPP consumed or used pursuant to or in carrying out the contract (SK PST Act, s. 29(1)); and
- obtain a clearance letter from Revenue Division upon completion of their contracts in the province (SK TB PST-13, PST-38 section G(c))

The company is responsible for the payment of PST owing if the contractor fails to do so (SK PST Act, s. 29(2)). It is standard practice for contracts to have a holdback of 5% which the contracting party will then release to the contractor once the clearance letter issued by Revenue Division is received.

A comparison of the key provisions relating to non-resident (Alberta) companies' obligations under BC and Saskatchewan PST regimes is set out in Table 1.

⁹ " for his own consumption or use, or for the consumption or use of other persons at his expense, or on behalf of or as agent for a principal who desires to acquire the property for consumption or use by the principal or other persons at his expense

Adoption of provisions B, C, D, and E in Table 1 from the Saskatchewan PST regime would provide much enhanced rigour that should cause non-resident businesses to comply more fully with the intent of ss. 41 and 49 of the PST Act and restore some levelling in the playing field between BC and Alberta companies operating in BC ¹⁰

| Table 1 - Comparison of Provisions of British Columbia and Saskatchewan Related to Taxation of Taxable Tangible Personal Property brought into the province by Alberta Companies | | |
|---|--|--|
| | British Columbia | Saskatchewan |
| A. Obligation of AB companies to pay PST on TPP brought into the province | <p style="text-align: center;">Yes</p> <p>PST Act ss. 39, 41 for leased TPP</p> <p>PST Act s. 49 for unleased TPP</p> | <p style="text-align: center;">Yes</p> <p>SK PST Act s. 5 (9) and (9.1)</p> |
| B. Required to register with Revenue Division to file returns and to report PST | <p style="text-align: center;">No</p> <p>May register, but focused on collectors of PST</p> | <p style="text-align: center;">Yes</p> <p>SK TB PST-13</p> |
| C. Required to deposit with the minister or post a guaranteed bond of 5% of the total contract amount | <p style="text-align: center;">No</p> <p>Would be 7% in BC</p> | <p style="text-align: center;">Yes</p> <p>SK PST Act s. 29(1)</p> <p>SK TB PST-13</p> |
| D. Required to obtain a clearance letter upon completion of contracts in the province | <p style="text-align: center;">No</p> | <p style="text-align: center;">Yes</p> <p>SK TB PST-13, PST-38</p> |
| E. Contracting party to assume responsibility for payment of PST if non-resident company fails to pay | <p style="text-align: center;">No</p> | <p style="text-align: center;">Yes</p> <p>SK PST Act s. 29(2)</p> |
| Notes | | |
| (1) PST Act = Provincial Sales Tax Act, S.BC 2012, c. 35. | | |
| (2) SK PST Act = The Provincial Sales Tax Act, R.R.S. 1978, c. P-34.1. | | |
| (3) SK TB denotes a specific Saskatchewan tax bulletin. | | |

¹⁰ Ministry of Finance legal counsel can be counted on to ensure that no issues arise in drafting legislation, regulation or policy in regard to trade agreements and treatment of trading partner entities.

General Principles and Criteria Used in Identifying Solutions

The solution to the problem must consider the principles and criteria which have been established not only by the Government of British Columbia but also in various agreements that have been negotiated between the government of BC and other provincial governments. While the inter-provincial agreements address only the procurement of goods and services by governments and government agencies, they also provide some guidance to the objectives of the provincial governments on inter-provincial trade, investment, and labour mobility in general. The principles established in the following agreements and documents might be appropriate in the evaluation of solutions to address the non-compliance of non-resident firms to BC's PST requirements.

- Various inter-provincial agreements including the New West Partnership Trade Agreement, between the Provinces of BC, Alberta and Saskatchewan which came in effect in 2010; and the Trade, Investment and Labour Mobility Agreement between the BC and Alberta that came into effect in 1995.
- The B.C Government's Terms of Reference for the Commission on Tax Competitiveness established in 2016.

The trade agreements embody key principles such as enhancing competitiveness, economic growth, and stability; eliminating barriers that restrict or impair trade, investment, or labour mobility; and increasing opportunities and choice for workers, investors, consumers, and businesses. While the agreements deal with procurement by governments and government agencies, they are also relevant as broad principles for procurement by private companies. The RMC fully supports the objectives established in the trade agreements as well as the principles embodied in them not only as they relate to public sector procurement but also procurement by private companies. The Resource Municipalities Coalition fully supports increasing competitiveness, reduction in trade barriers, and increasing opportunities and choice for individuals and businesses.

While the trade agreements promote inter-provincial trade, investment, and procurement, they also point to the need for provincial governments to recognize the need and reconcile differences in their standards and regulations which impact fair competition.

The Commission on Tax Competitiveness is addressing the reform of the PST in detail and is evaluating options for reform based on several criteria including:

- competitiveness of BC businesses.
- business investment.
- economic growth.
- tax policy principles.
- impact on provincial government revenues; and
- impact on British Columbians in general.

The RMC interprets the principles set out in inter-provincial trade agreements and in the terms of reference for the reform of the PST as follows:

- While the provincial government aims to reduce barriers to inter-provincial trade, investment, and labour mobility to increase competitiveness and economic growth; it also intends to ensure BC based businesses remain competitive and increase overall economic growth and employment opportunities in the province.
- The provincial government objective is to ensure options for the reform of the PST reflect important tax policy principles. Commonly held principles include equity and fairness, simplicity, certainty, transparency, neutrality, stability, and the ability to produce required government revenues.

It is the objective of the provincial government to ensure that non-resident businesses comply with the laws of the province in the payment of the PST to ensure equitable and fair treatment of all businesses in BC.

Impacts of the Recommended Changes

Revenue Impacts - Adopting the recommendations will have a positive impact on the amount of revenue collected by government through:

- direct government revenue from increased PST payments by non-resident companies.
- local and provincial government revenue from indirect employment and spending of BC business as the comparative advantage of non-resident businesses is reduced and BC
- reduced incentive for BC businesses not to comply with PST reporting or payment as non-resident companies comply more fully; and
- reduced incentive for BC businesses to re-locate to Alberta to address their disadvantage.

Ease and cost of administration - Adopting changes in the BC PST regime to encourage non-resident companies to comply with the provisions of ss. 41 and 49 (payment of PST for non-exempt TPP brought into and used or consumed in BC) will increase administration of the PST system to:

- design and distribute reporting materials (distributed and submitted electronically).
- communicate with taxpayers to ensure correct provision of information and payments.
- receive, process and release security deposits and guarantee bonds (involve Provincial Treasury or Cash Management services);
- process returns and payments; and
- spot audit returns and resolve resulting compliance issues.

The Resource Municipalities Coalition welcomes competition from non-resident companies provided that such companies comply with the laws and regulations of the province in all respects including the payment of the PST. It is the RMC's expectation that the provincial government will ensure that its policies, procedures, and regulations respecting the payment of the PST are sufficient, effective, and clear in promoting compliance by non-resident companies. Finally, it is the expectation of the RMC that sufficient resources will be deployed by the provincial government to enforce its laws and regulations.