

## CMA Speech

It's a pleasure to be here this morning and I want to thank my colleague John van Dongen and our other colleague Mike De Jong is in Ottawa and couldn't be here today but I want to thank John very, very much. John is a very, very hard-working colleague as you folks know and it's a pleasure to be here today. And thank you Amanda for that kind introduction.

I'm travelling around on behalf of Premier Gordon Campbell and the government of British Columbia as we celebrate Small Business Week in British Columbia. You know, sound management, sound fiscal management is important for our government, as it's important for you and your clients that you represent. And our economy in British Columbia today is booming. I see this in every region of the province that I've been travelling in. We're seeing unemployment rates at all-time record lows. Instead of people chasing for jobs, jobs are chasing for people. And this is particularly true of the chartered accountants. As I noted in the 2006 BC Check-up to chartered accountants released two weeks ago, it indicates that you too are managing success as you look for additional students, additional chartered accountants. I understand enrolment is up some 35 per cent, since 2004, 1348 students, it's a record, and I actually have firsthand knowledge of that, because my daughter's boyfriend in Penticton has recently started with a chartered accountancy firm in Penticton.

So, the increasing demand for chartered accountants and skilled workers will continue in the Province of British Columbia. In fact, since 2001, 307,000 new jobs have been created throughout British Columbia. 34,000 new jobs created this year alone. So I call this managing success because it wasn't that many years ago, ladies and gentlemen, we were all out looking for customers and we were wondering how we were going to survive.

So, Small Business Week, I started in the Okanagan, I've been up to the Cariboo, I've been to the Island, I've been to Vancouver, and this year, I can tell you, people are so positive. In fact, small business is big business in British Columbia. 98 per cent of all the businesses in British Columbia are small businesses. 57 percent – 57 percent of all the private sector employment in British Columbia comes from the small sector-- small business sector. In fact, we've seen increases of over 10 percent in incorporations and British Columbia-- British Columbia, as part of its GDP, 26 percent of our GDP, comes from small business, the largest percentage of any jurisdiction in Canada.

And as I said, when we look back just 5 years ago, we've all come so far. You folks and your clients are a great part of the success of British Columbia. We can't forget the 1990s, where we were. We should actually never forget where we were. As you know, we faced as a government, you faced as British Columbians, some very, very tough decisions. But we made all those tough decisions and we got through that difficult time. Last year in British Columbia, retail sales for the first time ever hit \$50 billion. Jobs in the retail sector increased by 10,000.

Canadian Federation of Independent Business, 2 weeks ago released a study which showed 68 per cent of their members, of their survey, are very very confident in the future, in fact they have the highest level of confidence of any jurisdiction in Canada. And last week Scotiabank released their report on small business as they look to the future, and British Columbia had the highest confidence level of any jurisdiction in Canada, 10 points above the national average. So yes, British Columbia is back, and we're moving forward together. And our goal as a government is to be the most friendly small business jurisdiction in all of Canada. That's our goal, that's what we're working on, and we need you to work with us, and we want to work with you. And we're focused on customer service, just as, no doubt, you are in your businesses.

Maintaining an economic environment for success is a most important thing, and that's why in the last four and a half years, we've reduced taxes 53 times, putting over \$2 billion back in the pockets of small businesses and individuals. We've increased the small business tax threshold from 200,000 to 400,000. Our small business tax rate of 4 and a half percent is very competitive. We've reduced income tax for businesses from 16 and a half percent to 12 percent. And those making \$70,000 or less in British Columbia, pay the lowest rate of personal taxes. And those making above \$70,000 pay the second-lowest in all of Canada. And with respect to red tape, which has been one of John's favourite topics in government and one of my favourite topics, is that we have reduced red tape by 157,000 regulations since forming government.

And just last week, we got a vote of confidence by Moody's Investor Services gave British Columbia back its Triple A bond rating. That's the highest possible rating you can receive which we lost 23 years ago. So British Columbia is back, but what did Moody's say? Moody's said that they gave us this Triple A rating, all British Columbians this Triple A rating, because of regulatory reform, because of tax reductions, because of prudent forecasts, and a very disciplined approach to fiscal management has restored British Columbia's fiscal management. There are only two -- there's only one other jurisdiction in Canada for a province, that has a Triple A, and yes, it's Alberta. So British Columbia and Alberta, the leading two western provinces, with a combined population now greater than Quebec, are leading the fiscal pack in all of Canada.

We have challenges; success does bring challenges, there's no question about that. And as I've travelled around the Province of British Columbia and recently received this report, here, the first report from the Small Business Roundtable, it pointed out some opportunities that we all have together, as we go forward. We know that there's going to be a million jobs created in the next 12 years in British Columbia. We know that there is an opportunity that we all can reach out and find more skilled and skilable workers. But we're going to have to work hard, and that's why we've committed 400 million dollars to train skilable and skilled workers. We've set aside 90 million dollars so that we can have a tax training program to help employers and that will be announced, the details on that will be announced later this year. We've also set aside 39 million dollars for the industry training authority. You know, I do hear some people say, we need more apprentices, we need more apprentices. Today we have 28,000 apprentices in British Columbia. Two years ago we had 14,000. So we are making progress.

We've also committed 14 and a half million dollars to BC's Skills Connect program for immigrants, and this is a program where we want to match skilled immigrants to the jobs and move them more quickly into those areas. We expect over the next three years that will assist in the placing 5,000 immigrants.

We've also, as we've travelled around, and it's interesting when you travel around, and we travelled to 18 communities in the last few months, with members of the Small Business Roundtable, and one of the things we heard, and I actually heard it here in Abbotsford, when we were here, actually it was this hotel, that people were concerned that our students weren't hearing enough, weren't learning enough, about business and small business and entrepreneurship in schools. So I went back and I had a conversation with the Premier and I had a conversation with the Minister of Education, and in May of this year Premier Gordon Campbell announced a 2 million dollar contribution to Junior Achievement. Junior Achievement now in British Columbia is in 27 school districts. With this contribution from the provincial government to Junior Achievement, by the year 2010, the Junior Achievement program will be in every school district in the Province of British Columbia. In its design, they actually have some programs that start at Grade 3. The primary focus though, is in the high school ages. It's all designed about teaching young people about entrepreneurship, about small business, and hopefully, having some mentors from the small business community come out and work with students. I would ask you that when you have the opportunity or you see an opportunity to get involved in the school system with Junior Achievement, please, give a little bit back of your time because really, what you're not only doing is investing in our students future, our children's future, but you're also investing in your own future.

The Small Business Roundtable as I said, we travelled around British Columbia and they have come up with some recommendations here, and this was presented to me, on Tuesday by Kevin Evans, the Vice-Chair of the Small Business Roundtable and Linda Larson, the former mayor of Oliver, British Columbia. And what they're saying to the government, is yes, we've made progress, but we have to stay focused, we have to stay focused on making sure we have a competitive tax regime as we move forward. Let's not forget that we need to stay competitive. They're also saying that you have to stay focused on regulatory reform. We've come a long way, we set a goal of reducing it by 33 percent in three years, we achieved 37 percent and we're now at 41.15 percent. But it's interesting. People really don't know that we've achieved that much, so we have to tell them that, we have to keep working at it. But it's also interesting that people are saying, if the province has done that, then we need you to focus and challenge the federal government, we need you to start challenging municipal government, because small business is telling us, that they are being strangled by red tape at a federal and municipal level. So I have challenged the federal government and the municipal governments to start working with us. There's only one taxpayer so hopefully we can have a unified approach to regulatory reform, from the provincial government to the federal government to the municipal government.

One of the things that is also talked about of course is the need for skilled workers. And we have, as I've mentioned, a number of programs. There's not a quick fix, and I would be very interested today and hopefully we're going to get a chance for some dialogue here, that you would have some ideas on what you think we could do. We know we have to streamline immigration. We know we have to do better at getting students out of our schools. We know we have to work harder at increasing apprenticeships. But I would certainly be interested in your thoughts because you know, that's how we're going to continue to have a healthy economy, is by having those new workers come into our system.

Talking about health, I would be remiss if I didn't just talk, that the Premier has recently announced a conversation on health. As we know, our healthcare system today is simply not sustainable. It's 43 percent of the provincial budget. If we continue on the same trendlines as we are today, in the year 2017, it's going to be 70 percent of the budget. And when you take that, and you combine it with education, those will probably in 2017, be the only two items in the provincial budget if we don't look at ways to adapt, change, or find sustainability.

And of course, our critics, and they're predictable who they are, think that the status quo is wonderful. Life will just go on. Well ladies and gentlemen, you and I, for the most part, have enjoyed, I'm a heart survivor, have enjoyed, a very good healthcare system. It's time we stopped just thinking about ourselves. It's time we started thinking about our children, and in my particular case, and I'm getting the feeling there might be a couple of other grandfathers out there, or grandmothers out there, it's time we started thinking about our grandchildren and how we're going to do this. And you have an opportunity as British Columbians to engage in a dialogue conversation on healthcare. Please do not think it's your next door neighbour's responsibility, or your friend's responsibility. Get involved. Share your views. Because your views do count, just as British Columbian's views counted as we went around on the Small Business Roundtable. The Premier and the Minister of Health are going to be travelling around British Columbia and it's really really important that we hear your views.

You know, regulatory reform, I've talked a little bit about that, we're going to be moving forward continually. Our goal for ministries is to make sure that they have no increases, that it's in their service plans, zero, zero, and zero, but we're also introducing what we call citizen-centred regulatory reform or as I call it, Track 2, and that's where we're now wanting to work with small businesses on how we can save them time. We know that when we can save them time, they have more time to invest in their business, grow their business, and when people grow their businesses, they actually hire more employees. Again, I need you not just to tell me that we need regulatory reform. I need you to tell me specifically where it is, because you actually know the details.

The other thing that we're committed to and which I have been, my staff have been fairly aggressive on, is Taxpayer Fairness and Service Code. I've talked to some of you about this in the past and this was, the Taxpayer Fairness and Service Code, was about actually committing to a code, what government's responsibilities are and how we can actually

assist taxpayers. What I am particularly pleased about this is that it was done in partnership with the chartered accountants of British Columbia, the retail merchants of British Columbia, the Chamber of Commerce of British Columbia, the Canadian Federation of Independent Business. And when we announced this in January 2005, we said there would be different versions as we moved forward. And in September of 2005, we put in place service standards, it's called excellence in customer service standards, and it talks about sales tax inquiries and rulings, and let me just give you a couple of examples. Regular questions we will reply to in two business days. Complex issues we will respond to in 20 days. I think if you're going to set objectives, you'd better be able to measure them, you'd better be able to tell people when you're going to get back to them, and you'd better be able to report out on it. One of the ones that always was of interest to me, and I don't know how many of you have written letters to governments over the years, and wondered, when you get the response, you usually say, geez, I don't even remember writing the letter, because it took so long to get the reply. Well, I said to my staff, that's not actually acceptable in the ministry I'm responsible for, so I want to set a benchmark for answering on correspondence. And they looked at me and they looked at each other and I said, I'm sort of thinking about 14 days. And they looked at each other and everybody stopped talking, and I said no no no, not 14 days, like 14 working days, which is not much difference, but -- and they said, yeah okay, so they said it a little bit reluctantly. And so we started. And when we started, we were only getting our letters out 20 percent. Last month, I'm very happy to tell you, that we were at 91 percent. So when you actually do set goals, and you actually do get people focused, and you keep driving the story of customer service, then I think you can make some results. Are we where we have to be? From their perspective, I know the answer's no. From my perspective I know the answer's no. But you know what, we're making progress. That's the most important thing.

And one of the things that came out in some of our consultations was, you know one of the things, and you might have some views on this, and one of the things that we don't understand is, why does it take so long to do an audit? Why do people show up for an audit, and then, I don't know where they go, and then we hear back from them 3 months and then they go, I don't know where they go, and you know, my finest -- fondest one is an audit that took almost 3 years, which I -- and it didn't seem to be that complex to me. So I said, well maybe what we should do is have Version 3 of the Taxpayer and Fairness Service Code which will outline what we expect to the audit process to be. We will release that in November. And again, will there be exceptions to those? Certainly there will, just as you work with files, there are some very complex files. But what we're trying to do is establish an approach where we go into small business and whatever the timeframe is going to be for the audit, that the small business operator knows where the on-ramps are, where the off-ramps are, where they can ask for help, where you guys can ask for help, and that we actually have some service benchmarks there. So we'll be releasing that in November.

The other thing that I've done as part of small business week is in -- being in the small business portfolio. We've found out that one in four -- one in four small businesses in British Columbia, their first language is not English. Now isn't that interesting that our

Taxpayer and Fairness Service Code is in English, but one in four of our small businesses is – that’s not their language. So we embarked upon getting some other languages and Wednesday I guess it was, Wednesday evening I announced, no there is no Dutch, John. (Laughter) It’s not a real – thanks, Les (laughter). It’s much more professional when you say it, Les. But we released it in 8 languages. And let me tell you, that I believe very strongly, that our cultural diversity, as we look to the future of British Columbia, as we look to the Asian-Pacific, as Canada’s gateway, our cultural diversity is actually going to be one of our biggest strengths as we continue our economic success.

You know, the most important thing for me when I have these opportunities to visit the communities and groups like yourselves, is to actually hear from you, to answer your questions. But I do want to close by saying this: yes, our government has put some policies in place. But you know, for the success, for the results of British Columbia go to, go to folks like yourselves and the businesses you represent and the communities you represent because all British Columbians deserve the credit for the tremendous success that British Columbia’s achieved in the last 5 years. And I believe strongly that is the result of people working together, of people putting issues on the table, of people coming forward with solutions. And I know, and I believe that when we commit to working in partnership as we move forward that we can continue to lead Canada and we not only are in my opinion the best place on earth to live, but that it can be even better for our children and our grandchildren. And I would ask you to commit with us because I will commit to you, to working with you so that we can continue to enjoy the fantastic life that we enjoy in every part of the Province of British Columbia. Thank you very much and have a great day. (applause)

I’d be pleased to take questions, that’s the only way I can engage with Les. Yes Les.

Audience member (Les):

I have two important questions. The Tax Code I think is terrific. But I’m concerned that it really doesn’t have enough... (inaudible)... if you get into a dispute with an auditor, the way that’s resolved is a letter to the auditor and at that point they already hate you, and then you’ve got a letter to the supervisor, and then finally to you, and it ends at the Supreme Court. Is there some way to get some mediation in there, some sort of independent person to review things?

The second part of that is, the PST and GST really based on the same taxpayer

HRT:

Harmonization

Audience member:

Harmonization -- you’ve got to get the ugly feds out of here, I mean they’re killing us.

HRT:

I didn’t know that they were ugly.

Audience member:

Okay, mean.

HRT:

Well, let me answer the harmonization question first of all. Because I actually do know it's the position of the Chartered Accountants of British Columbia to root for harmonization. And you know harmonization sounds wonderful and it sounds easy. But first of all and I think I may have said this in Abbotsford that means giving our taxing sovereignty away to Ottawa. And I actually haven't had many people call me since I've been in public life for 11 years saying Ottawa does it so good so why don't you guys give it to them to look after? So, one, we're not about to give our sovereignty away. Two, harmonization has not been on our agenda, our sales tax code has become over the years like anything else very complex. It's never been reviewed in detail, that's why I did what I did the last year. I am working with the Minister of Finance, and I am hopeful that we'll see some streamlining initiatives in the next budget. I am hopeful of that. Time will tell because a lot of that has to do with fiscal capacity. So we're going to continue to work on that, but harmonization also, the competition council, which we had a real blue panel of experts pull together some stuff for us on competitiveness for the Province of British Columbia. They actually recommended against harmonization because, this is my belief, I don't know if this is your belief, when a lot of people talk about harmonization they're actually trying to, they're really thinking about how do I get credit for the PST that I paid. The net effect of all of that is estimated at just under 2 billion dollars that somebody's going to have to pay for and it's actually their friend Mary the consumer, they're the ones that get to pay for that. So that's an issue for us too. The other thing on harmonization there are certain things in British Columbia that are exempt that under harmonization wouldn't be exempt. Whether people like to think about these things, those do become some significant political issues we have to deal with. So, harmonization is not on our agenda at this point in time. The Feds are talking about it a lot lately, they're really talking a lot about it. I had the pleasure of representing British Columbia at the Finance Minister's meeting in June, the Minister of Finance couldn't be there for family reasons. They are talking a lot about it, but it's not on British Columbia's agenda at the present time.

With respect to the audit process, I too was in the private sector. I too have had some experiences. It takes a long time to change culture. It takes as many of you know a long time in the private sector to change culture. And I can tell you it takes perhaps a little bit longer, well actually it does take longer, I don't have to guess about, in government service. I think we are making progress; I want to believe we're making progress but one of the other things you do have the right to do is for the Deputy Minister to conduct a review. It was in the second version of our package but that's one of the things, Les, that I wanted to have the audit process as part of Version 3 so that we can show to people where they can have another check-in. You know if people honestly believe and can point out to me that they don't think there's any fairness there when you talk to the supervisor, or to the manager or whoever it is, then I will check in to that because that is not our intent, that is not our goal. And I may have mentioned this to people in the past: I personally review every appeal. Staff do not make the decisions on the appeals. The

only appeals I don't make the decision on is if I happen to know the people and I have to step aside on those particular cases. Our Appeals Branch is completely independent and does not answer to the Consumer Tax Branch. It answers directly to the Deputy Minister, and I meet regularly with the directors of the appeals branch. Interestingly enough, when we went back and checked history on appeals, which when I became Minister on average were taking about 13 months, on average, 13 months to hear, which I was told is pretty good, the Feds are over 2 years but you know, 13 months wasn't good enough for me so we set some benchmarks on what we wanted to achieve. We said that March 31<sup>st</sup> of this past year our goal would be to be down to 6 months, from 13 months to 6 months. We hit 5.6 months. Our goal in 2 and a half years is to be down to 4 and a half months. So again, we are making some progress. Looking back at history, the appeals, the decisions used to be about 99 percent in favour of the government, 1 percent in favour of the taxpayer. Last year we were 53 percent in favour of the government, 47 percent in favour of the taxpayer. So I believe and I know my colleague John Van Dongen knows this for a fact that we go through the appeal process fairly rigorously and when -- matter of fact, here's what I'm going to do, Les, and if you can get me a little working group of no more than 4 people before I release Version 3 of the audit process that's going to go in here I want to meet with you guys, we'll get John to organize it, and walk through and see if it makes any sense. That's my commitment to you. So I have to make sure we tell staff about that, they'll be really happy about that commitment I made today, won't they? (Laughter)

Audience member 2:

As you know Rick, I teach accounting at Trinity Western University, and some of the –

HRT:

Are the (inaudible) still next to the window?

Audience member 2:

Some of my best students, not all of my best students, but some of them are from China and Korea and they're out here on student visas and at the end of their 4 years they want to work in Canada but they end up going back and the provincial nominee program has been instituted to expedite the process of permanent residency but it seems that accounting firms and other firms are not using it or something. What is going on with the provincial nominee program? Is it effective in your eyes?

HRT:

In my eyes? I would say, since I was the Minister that had the responsibility in my first portfolio, I would say that both the government and the business community were not using the program the best they could. But I can tell you that my colleague Colin Hansen -- immigration in our government is not a social portfolio, it's an economic portfolio and that's why it's with the Minister responsible for Economic Development. I can tell you that we've just recently we've been working a lot with the federal government to streamline immigration and immigration issues. We have just recently signed an MOU that's going to bring a streamlining into effect and Colin is leading that charge and actually John has done a lot of work too as the Min responsible for Intergovernmental



Affairs. The provincial nom program is being geared up. We expect to process increasing number of qualified people to stay in Canada, most importantly stay in British Columbia. So I would suggest strongly to you that if you have any questions follow up with John or I'll hand out my card to people that want it, you could follow up with me, and we'll get staff from PNP to get in touch with you and see how we can facilitate that.

Now I know you're all going to have a lot of questions after, because I used to sit in these meetings too. So, ask your questions now. Please. John, I didn't mean you. Put your hand down. No questions?

Host/Amanda(?):

In closing, I just want to thank you Rick for coming here today and during your busiest week of the year to give us the results of the roundtable discussions and tell us how our government is working together with business in BC to make BC the most business friendly province in Canada. So please give a warm thank you for Rick Thorpe.

HRT:

I did fail to mention that this is available and if you'd like a copy just let me know and it's also available online, so it is available for you. And your inputs are always welcome.