

**Colin Hansen, Minister of Economic Development**

May 28, 2006

**Speech to Hong Kong Canadian Chamber of Commerce (Transcript)**

I'm always a little bit defensive when somebody [introduces me as] my business. My wife and I, we did build a great little company based in Vancouver with about 20-some-odd employees, but ten years ago ... when I was first elected because of our conflict rules it meant that I had to totally get out of the company. So all of my shares got turned over to Laura, and she took over running the company on her own instead of the two-way partnership that had been with us previously, and if it's a testament to either my skills or my wife's skills, sales went up 42 per cent in the following eight months after I got out of the company, and it continues to be a success.

But that was many years ago, and if you think forward to one week from today, it's going to be June 5, and June 5 five years ago was the day that we were sworn in as a new government in British Columbia. Gordon Campbell became the new Premier of the province. And there is so much that has happened over this last five years that I want to just touch on some of the tremendous changes. [As I] travel outside of British Columbia, I often find that people have impressions about British Columbia that in fact go back to the 1990s and really are not as relevant today or not as accurate today.

You know, when I think about the challenges that British Columbia went through during the 1990s and ... the opportunities in the last five years, there's a lot of parallel between British Columbia and Hong Kong. We had some economic challenges in the late 1990s. We were both hit by the after-effects of the 9/11 terrorist attacks in the United States, and that delivered a blow to our respective economies. We were both hit by SARS in a big way..... There were two individuals travelled to Vancouver with SARS, and there were four people infected. Fortunately, nobody passed on because of that, but we bore much of the economic impact. Toronto did as well, and certainly Hong Kong paid a big price for that. But in the last couple of years we've seen things coming back, and I think that's reason for optimism for all of us in our respective jurisdictions.

You know, when I look back five years ago when we formed government, we set out on a very deliberate course of action, and we recognized that we had to make some changes in British Columbia to really get B.C. back on track again, because we had inherited a government and we inherited a reputation for British Columbia ... and that was a jurisdiction that was considered to be overtaxed, overregulated and a government that was running huge deficits. In fact, when

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we formed government five years ago, what was considered to be the structural deficit of government was \$3.4 billion of built-in deficits that we had to deal with if we were going to really get our house in order in British Columbia.

So we took some fairly decisive actions as a government five years ago. We got rid of taxes that were impeding investment in our province. First was the corporate capital tax, which was brought in by the previous NDP government during the 1990s; a huge disincentive to investment in British Columbia. We also got rid of sales tax on equipment and machinery so that once again we could actually encourage investors to invest in productivity and development in the province. We significantly lowered their corporate taxes in the province to make sure that we were competitive with neighbouring jurisdictions, and today we have one of the lowest corporate taxes of any province in Canada.

The other thing we set out to do was to make sure we could attract to British Columbia, and in many cases back to British Columbia, the entrepreneurs and the technology workers that were driven out of the province by some of our high personal income tax rates; and we went from being one of the highest tax rates for personal income tax in North America to one of the lowest. And in fact, for the first \$80,000 of income in British Columbia, we have the lowest income tax rates of any province in Canada, and for incomes over \$80,000 a year we're second only to Alberta, which still leaves us goals to work for in the future.

We also set out to get rid of the reputation we had as being an overregulated jurisdiction, and one of the commitments we made five years ago was that we were going to eliminate one-third of all of the regulatory requirements that were imposed by the provincial government in British Columbia, and that was a concerted effort that was driven by the Premier and everybody else in cabinet across government. A lot of people said it couldn't be done, but not only did we accomplish that within the first four years, we've now exceeded it, and we're now at 40 per cent reduction in regulatory requirements.

It doesn't mean that there's less protection for the environment or less protection for consumers, but what it means is that we were able to get rid of a lot of the unnecessary red tape that was simply strangling enterprise, strangling companies and really producing no net benefit in terms of what citizens look for in protection. And we figure there's more to be done there. There's more to go,

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even beyond the 40 per cent, to make sure we streamline those requirements so it makes sense.

We've also over the last five years embarked on a significant campaign to build our future infrastructure through public-private partnerships. We looked closely at the model that Australia has where they have been building hospitals and roads and bridges and schools and universities through a P3 system. It's been a big success in Australia, and we're going to copy that in British Columbia, and we've started now with some hospital construction, some road construction in British Columbia, and for each new project that we get under our belt, we realize there is actually more potential going forward, and we're putting in place a system to make sure we can streamline so decisions are being made faster and we can attract investors around the world to really be part of building that infrastructure we're going to need for the future.

We've also brought in labour peace, and that's something I often hear about British Columbia's reputation — is that we have very strong trade unions. And we do, but we've developed a labour code in British Columbia, working with trade unions, that has brought an unprecedented level of labour peace in our province. In 2003, for example, two years after we had formed government, we had a record low number of days lost due to strikes in British Columbia, and we've been able to build on that going forward from those years onward.

And in fact, a lot of people look at British Columbia, and they look at the public sector as being a particularly strong trade union environment. Well, on March 31 of this year we had collective agreements expiring that affected 77 per cent of the provincial government labour force, including our colleges, including all of the Crown corporations in British Columbia, including the government sector itself; 178,000 employees were affected.

I'm sure there's lots of people who said they would have loved to have been the fly on the wall in cabinet discussions when we had the deadline looming on March 31 of this year with all of those collective agreements expiring. Well, by March 31 we had settled with every one of those unions; we had 100 per cent acceptance and an environment that still allows us to maintain increases in public sector compensation that are actually lower than what is happening in the private sector today, going forward.

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May 28, 2006

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At the same time, we've been able to get rid of the huge, built-in budget deficit that we had five years ago. We went from a \$3.4 billion annual structural deficit to actually, a \$2 billion surplus, that we had just two years ago. There's been a huge turnaround, and it's allowed us to reinvest. It's allowed us to invest in further tax cuts, it's allowed us to invest in new programs, and it's allowed us to start paying down the debt — which is still the second lowest of any province in Canada, but we are well on the way to eliminating that debt, going forward.

So you're going to ask: with all of this working now, what are the outcomes of all of these changes that we made? Well, as I was flying here from Vancouver, a little over a week ago, I was reading an article that came out of the *Canadian Economic Review* in the May 2006 edition. In that publication, there was an article by Stats Canada, which is a government authority, a federal government authority. They were looking at the booming west, and I thought I would incorporate some of this into my speech.

Lo and behold, in the *Vancouver Sun* that came out the day before yesterday there was this great editorial, which I got on my Blackberry, the text of it. I thought: I need that editorial. So I actually dragged myself out of bed at two o'clock this morning, phoned my wife in Vancouver, and said: "Laura, would you please fax me a copy of that editorial?", because I want to share it with each of you here today. That's what's on the chair. So I don't have to go through all of that. I'll leave that for you to read.

But just to share with you just a couple of the points that are covered in that editorial, it's under the headline of "The West Coast Boom" — looking at not just British Columbia but Alberta as well. It talks about the 1990s, under the title of "The Lost Decade". This is after leading Canada's economic growth from 1984 to 1990, B.C. fell behind in the 1990s. Looking forward a bit, under the title of "Growth Recovery After 2001," GDP hit a low of 0.6 per cent in 2001, but since 2001 real GDP growth has averaged 3.4 per cent. I know that may not be impressive compared to China and Hong Kong, but for North America it's actually doing very well. It says that investment began to take off in 2003; corporate profits began to rise rapidly. Profits jumped from \$12.6 billion to \$20.1 billion in just two years.

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May 28, 2006

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If you look at some of the sectors, forestry exports have actually softened, but it says that exports of other goods have risen 47 per cent since 1999, to \$21.5 [billion].

Since 2001 the U.S. share of our exports has fallen from 70 per cent to 64 per cent, so our dependence on the U.S. is declining. Our opportunity and our growth in trade with the Asia-Pacific region is growing significantly. Orientation to Asia is five times greater than the 5 per cent in the rest of Canada.

"In conclusion," it says, "B.C. is [ideally positioned to] continue to grow. It has rightfully earned its reputation as Canada's gateway to the booming Asian economy."

But that is what we need to build on, and if you start to look at sector by sector, we see the oil and gas sector in British Columbia has tripled. A lot of people think of Alberta. Alberta's obviously doing very well, but the oil and gas sector in British Columbia is growing faster than Alberta's. In fact, I was told by the head of the Canadian Petroleum Association that British Columbia is the only jurisdiction in all of North America where the supply of natural gas is projected to increase in the years to come.

If you look at major pipelines that hook into those oil and gas reserves, there's \$10 billion worth of oil and gas construction on the books within British Columbia alone — a total of \$22 billion in projects, and some of them come through British Columbia as well.

If you look at some of the mining activity in the province, you get places like Tumbler Ridge, a coal mining community in northern British Columbia. It was shut down a number of years ago because of lack of demand. In Tumbler Ridge not only are the mines reopened; it's a whole town that has reopened to supply coal to the Asian markets. Places like Mount Polley, Gibraltar — copper mines that had been mothballed that have now reopened to meet the demand for copper internationally. Highland Valley copper, based out of Logan Lake in British Columbia, has now extended its life expectancy another decade because of copper demand around the world.

A lot of people say, well, it's commodity-driven, you know, and commodities go up, and commodities come down. Well, in the mining sector in British Columbia

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May 28, 2006

**Speech to Hong Kong Canadian Chamber of Commerce (Transcript)**

you've got to look at the rate of exploration. Exploration is not about feeding the commodity demand this year or next year, it's about the demand for commodities that's going to be there eight, nine and ten years from today, and in British Columbia the amount of money that the mining industry from around the world is spending on exploration has increased 800 per cent in the last five years.

If you start looking at technology - a lot of people think of British Columbia as a raw materials jurisdiction, but technology is booming, and in fact, if you look at the number of technology workers in British Columbia, we actually have more technology workers in British Columbia than Seattle does, even though Seattle is the home to Microsoft. If you look at the specific sectors in biotech, we're the eighth-largest sector for biotechnology in North America, but we are the fastest growing, and we are also the fastest to commercialize and the fastest to produce a rate of return for investors in our biotech sector in British Columbia.

New media is starting to boom, and in fact, a lot of people know of Electronic Arts, which is headquartered in Vancouver, and that is a growing sector that is really going to be very much part of British Columbia's future that we're going to build on.

The film industry in British Columbia last year increased production by 50 per cent. We went from \$800 million a year of production to \$1.2 billion of film production in British Columbia, and that's expected to rise again this year.

Tourism is starting to come back in a big way in the post-SARS and post-9/11 era, and we were told last year when President Hu Jintao was in Canada that Canada is in line to receive official tourism destination status, ADS, from the Chinese government. We project this year that the travellers from mainland China to British Columbia will number this year about 135,000, increasing at a double-digit rate this year. With the ADS in place by the end of this year, which is what we anticipate, the number of travellers from China to British Columbia is expected to double to 265,000 by 2009 and to double again by 2015 going forward.

There's a lot of indicators that come out of this. Since 2001 we've seen a net increase in the number of people employed in British Columbia of 298,000. Now, that's a jurisdiction that has a population base of 4.2 million, so we have seen a growth in the number of people employed in British Columbia of about 16 per

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May 28, 2006

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cent in the period of about four years — a huge turnaround. In fact, a lot of people think of the booming economy of Alberta. British Columbia actually produced jobs at a rate twice that of our neighbouring province of Alberta.

We see major projects in British Columbia that are being planned for the years ahead. In the Ministry of Economic Development we track all of the major projects that are being contemplated for the province that value over \$15 million. A year ago we had 575 projects that were either in the planning stage or the development stage, for a total value of \$68 billion. Today we just released recently the latest update on that. We're now up to 711 projects, valued at \$91 billion, and we expect that number to continue to grow as investors continue to show confidence in British Columbia going forward.

We've also just signed an agreement with Alberta. The two strongest economies in Canada have come together to create one economy. We're trying to break down the economic barriers between our two provinces, so it means that if you register a company in Vancouver, that company is automatically eligible to do business in Alberta. If you have a favourite architect that you engage from Calgary, that architect can practise his services anywhere in the two provinces. Financial services can cross the border without barriers. And it actually will create the second-largest economy in Canada, second after only Ontario, but one that is by far the fastest-growing economy, and the projections and studies that we've done estimate that this agreement with Alberta is going to create in itself a net increase of 78,000 jobs in British Columbia alone and a net increase in our gross domestic product in the province of about \$4 billion annually.

I mentioned five years ago when forming government -- as Steve mentioned, it was June 16 last year that we were re-elected -- we were sworn in as a re-elected government, and the Premier asked me to take on this new responsibility. And when I first came into this job, I was talking with an official in the ministry, and knowing my background with the Asia Pacific Foundation, he said it would be so good to have somebody who had some expertise in the Asia Pacific region as the new minister. And that took me a bit aback, and I said, well, I definitely am not an expert, and what knowledge I have of the Asia Pacific region is probably about 18 years out of date from the time that I was working with the foundation.

I've had to reflect on that comment over the last year, because what I realize is that in the past 19 years, British Columbia has not done enough to really have a

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May 28, 2006

**Speech to Hong Kong Canadian Chamber of Commerce (Transcript)**

presence in the Asia Pacific region, and we've lost time, valuable time, in terms of making sure that we are a partner with the countries of the Asia Pacific region, because it was obvious then that the Asia Pacific region is in fact the economic centre of the world for this next century in front of us, and we have a lot of catching up to do.

Some of you, when we were exchanging business cards earlier, commented on my title, and the title that the Premier gave me a year ago was Minister of Economic Development, Minister responsible for the Asia Pacific initiative and the Olympics. When I had my first meeting with the Premier after we were sworn in a year ago, I walked into his office, and he said: "Colin, I hope you know what the most important part of that title is." I knew the answer, but you know, I've asked people that question.

A lot of people think, well, it must be the 2010 Olympics, because it is obviously exciting. We're going to welcome the world to Vancouver and to British Columbia. But that is a means to an end, the Olympic Games are not an end in itself. It's an opportunity for us to showcase British Columbia, to market British Columbia, to attract investors, to attract new immigrants, to attract tourism to our province, and we can showcase the province using the Olympic rings in a way that no other jurisdiction really has an opportunity to do so.

But it wasn't the Olympics. A lot of people would say it's economic development, because economic development is really about anticipating the future. You know, what is it that our province could look like 20 years from now in a best-case scenario, and what is it we have to do to get there as a province? What do we have to change in terms of tax rates, in terms of infrastructure? How do we capitalize on the opportunity that's there for the future?

But it wasn't economic development. Now, his answer was: the most important part of my job is the Asia Pacific initiative, because the future of British Columbia is our relationship with the Asia Pacific region, and that is the opportunity that is before us, and we need to build on that. We have some huge strengths in that regard. We have geography in our favour. In fact, when you look at a map of the world.... and I was reflecting on this map up here, and so many of the maps we see of the world are Europe-centric, that have Europe at the centre of the map. I love the maps — and we should be producing more of them — that show the



**Colin Hansen, Minister of Economic Development**

May 28, 2006

**Speech to Hong Kong Canadian Chamber of Commerce (Transcript)**

Pacific Ocean as the centre of the world, because that is in fact the reality that is today.

But if you looked at a map that showed the Pacific Ocean and you were a captain of a ship leaving Hong Kong harbour headed for the west coast of North America .... When you think of those maps, you think, well, if the logical route is to go from Hong Kong straight across the Pacific Ocean, the nearest port's Los Angeles. If you want to get to Vancouver, you may have to sort of head up north. If you want to get to Prince Rupert, you head up even farther north. Well, in fact, the closest port from Hong Kong, the closest major west coast port on the west coast of North America, is the port of Prince Rupert, because the world is not flat; the world is round. When we fly, when we head to Vancouver, we head north, up over the north Pacific, and the same is true of our cargo ships.

The second-closest major port is Vancouver, and in fact, if you were to take a container from Hong Kong harbour destined for Chicago and you were to take that container in through the port of Los Angeles, it would take two and a half days longer to get to Chicago than the container that goes through the port of Prince Rupert down through the rail system through Canada into Chicago.

We also have the closest airport from here to North America, and we have a great opportunity to be that hub of travel, whether it's tourism or business travel, going forward.

But the other big advantage we have is not just our geography, but it's our people. In British Columbia today 22 per cent of population is of Asia Pacific ancestry. There are 330,000 residents of British Columbia today who speak one of the Chinese languages.

It is those factors that make us the natural gateway, and it's not a gateway between the Asia Pacific region and western Canada or even Canada. It's actually a gateway to all of North America, and that is the world that we plan to capitalize going forward. We've put in significant expansions into the port of Prince Rupert, where they're building a new container facility as we speak, [and] a big expansion to the port of Vancouver. We have other opportunities around the province, whether it's inland ports or whether it's other ports in British Columbia or other harbours in British Columbia that could lend themselves to port infrastructure for the future.

**Colin Hansen, Minister of Economic Development**

May 28, 2006

**Speech to Hong Kong Canadian Chamber of Commerce (Transcript)**

The gateway is also that for people — to be able to welcome new immigrants from around the world to be part of this new, dynamic economy. We've got this great opportunity to build on tourism, as I mentioned. We also have the opportunity for the business traveller. And I would like to put out a challenge to you to think of another city in North America that is better positioned to be the location for the North American head office of an Asia Pacific-based corporation. Vancouver's ideally situated, and we want to build on that, and we want to make sure that we facilitate that in a way that makes sense.

And we're doing that in a very strategic way. We've put in place an Asia Pacific Trade Council, under the chairmanship of Arthur Hara, who is now the chairman emeritus of Mitsubishi Canada Ltd. That council is co-chaired by Carol Lee, who I think some of you know, and also Arvinder Bubber, who has the expertise in terms of our South Asian relations.

We've also put in place several advisory groups. The Hong Kong-China advisory group is chaired by Gordon Chu, who is here today, and they've just produced a fabulous report that is going to help to guide us in building those relationships going forward. It's still in the draft stage, but as soon as it is finalized, which will hopefully be in the next few weeks, we will have that posted up on our website.

So just in closing, we recognize in British Columbia that we have an important role to play in facilitating commerce and facilitating the movement of people and facilitating enterprise and related growth of the Asia Pacific region and its relationship with North America. We also know we have to catch up for some lost years, and we are committed as a government to make the investment necessary to ensure that we fill our rightful role as a gateway for North America and Asia.

Thank you very much.