

JAN 3 2008



December 18, 2007

Ref: 71297

Mr. L.R. Wilson
Chair
Competition Policy Review Panel
280 Albert Street, 10th floor
Ottawa, ON K1A 0H5

Dear Mr. Wilson:

The Government of British Columbia appreciates the opportunity to respond to the Competition Policy Review Panel's request for submissions recommending federal government action on Canada's competition and investment policies, and identifying their impacts on matters and activities within provincial jurisdiction. The questions the Panel poses in its initial paper raise issues with which the Province is especially concerned as we prepare to host the 2010 Olympic and Paralympic Winter Games and improve the efficiency of Canada's Asia Pacific Gateway transportation network to capture a larger share of Asia-North American trade and commerce.

British Columbia's and Canada's current and future economic position depends on complementary decisions by both levels of government. Independent action by one government can be enhanced or undermined by the actions or inaction of the other. British Columbia is moving aggressively to maintain and enhance our position in the fiercely competitive global environment. We need the Government of Canada to do the same. While we welcome the Competition Policy Review Panel's report, it is our view in British Columbia that the policy prescriptions for many of the issues raised in the Review Panel report are already known. It is time to act.

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Ministry of
Economic Development
and Minister Responsible
for the Asia Pacific Initiative
and the Olympics

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The Government of Canada can support British Columbia's efforts to attract investment, people and economic opportunities by taking bold and immediate action in a number of areas of federal responsibility, including:

1. accelerating changes to international transportation policies;
2. accelerating the negotiation of liberalized international trade and investment agreements;
3. re-establishing Canada's strategic position within the NAFTA region;
4. eliminating internal impediments to trade, investment and labour mobility;
5. accelerating immigration and visa processing;
6. eliminating duplication in the assessment of major projects;
7. improving legal certainty for land-based investment opportunities; and
8. removing sectoral restrictions on foreign investment.

1) Accelerating Changes to Canada's International Transportation Policies:

Canada and British Columbia are working together to make British Columbia the preferred gateway for Asia-Pacific trade, with the most competitive port system on the west coast of the Americas. Success will mean \$6.6 billion per year in economic output and an additional 45,000 jobs across Canada. Achieving this goal will require not only the right transportation infrastructure, but also the right policies to support a competitive, efficient Gateway.

British Columbia appreciates the federal investment in the Asia-Pacific Gateway and Corridor Initiative (APGCI). We continue to work with Transport Canada and Infrastructure Canada to realize the full benefits of this initiative, and of the other federal funds for gateway and transportation infrastructure. Adherence to federal infrastructure investment commitments and the Building Canada Fund will provide the resources for upgrading transportation infrastructure and will position Canada to take advantage of the enormous trade and investment potential with Asia and other major trading partners.

However, reaping the full benefits of these investments and initiatives will require urgent federal policy reforms for air, rail, road and marine networks. Key reforms needed to achieve Asia-Pacific Gateway targets include:

- negotiation of more liberalized international air agreements (see below);
- amendments to the *Canada Marine Act* to increase access to capital by port authorities and to reduce competitive inequities with U.S. ports;
- review of the federal cost-recovery program for core border services at ports and airports;
- expansion of the Transit Without Visa Program to include other countries;
- certainty in timelines for environmental approvals (see below); and
- border management and security standards that are comparable to U.S. security requirements.

British Columbia also continues to support the creation of an integrated port entity in the Lower Mainland. We view this as an excellent opportunity to increase efficiency and foster strategic development and investment decisions by optimizing port assets and pooling resources.

2) Accelerating the Negotiation of Liberalized International Trade and Investment Agreements:

With greater integration of economic activities around the world, it is essential that Canada be well-positioned to take advantage of increased trade and investment flows. British Columbia is concerned, as are most provinces and territories, that there continues to be insufficient provincial participation in international discussions where provincial jurisdictions may be impacted, such as energy and natural resources. British Columbia is also concerned that Canada has not followed a strategic approach to the growing global movement toward trading blocs and bilateral trade arrangements. As other countries, including the U.S, are re-shaping traditional competitive advantages through bilateral arrangements, Canada is falling behind in concluding significant trade agreements with key trading partners to liberalize trade in goods, services (including air transportation) and investment flows. It is imperative that Canada strengthen relations with Asia and other commercially relevant emerging markets. Part of the strengthening relations involves international marketing activities. British Columbia believes there should be increased federal funding for international marketing activities and increased coordination with provinces of marketing activities in areas of provincial jurisdiction.

British Columbia hopes for an ambitious agreement under the Doha Round of World Trade Organization negotiations, balancing the needs of both outwardly and inwardly oriented industries. Canada needs to take further steps towards equivalency with the U.S in particular in areas such as labelling, registration and access regarding agricultural and food goods, including organic products, herbicides and pesticides.

British Columbia also supports the implementation of the federal Blue Sky air transportation policy, at a minimum, to negotiate "Open Skies" air service agreements with strategic partners such as the European Union and South Korea. The Province of British Columbia believes that the agreement recently negotiated with Singapore falls far short of the stated objective of Open Skies. The Government of Canada should immediately invite Singapore back to the negotiating table with the express aim of concluding a genuine Open Skies agreement.

3) Re-establishing Canada's Strategic Position within the NAFTA region:

British Columbia supports all efforts aimed at strengthening Canada's strategic position within the NAFTA region. The Review Panel report makes an important observation that, despite NAFTA, Canada has not been the location of choice for investment within North America.

As the report indicates, Canada's inability to capitalize on NAFTA has been due, in part, to Canada's failure to match the U.S. and Mexico in signing bilateral trade and investment agreements with many countries, both within the hemisphere and outside it. British Columbia believes that Canada must accelerate its efforts to re-establish Canada's position on the inside of the NAFTA economic space by concluding more bilateral free trade and investment agreements, especially with Asian economies.

The thickening Canada-U.S. border in the post-9/11 world continues to be of serious concern to British Columbia. While we recognize the importance of security issues, our security efforts should not impede the flow of commerce at the Canada-U.S. border. The Canadian economy should not suffer from a competitive disadvantage with that of the U.S., especially when it comes to competing for foreign direct investment from third party economies seeking access to the US market.

British Columbia has consistently called for Canada and the U.S. to work together to increase border security while facilitating the flow of legitimate trade and travel. British Columbia, the federal government, and our neighbours in the U.S. all need to work together more vigorously to establish solutions that are cost-effective and convenient for businesses and tourists. These include:

- Developing alternative identity documents such as enhanced drivers' licenses that meet high security standards set by both federal governments
- Helping businesses move professionals and skilled workers across the border more easily;
- Making it easier and cheaper to get a NEXUS card for trusted travelers;

4) Eliminating Internal Impediments to Trade, Investment and Labour Mobility:

From a domestic perspective, British Columbia supports the Panel's focus on ways to "...establish the domestic conditions that both encourage Canadian firms to be active and aggressive investors at home and abroad."

To that point, British Columbia and Alberta negotiated the Trade, Investment and Labour Mobility Agreement (TILMA) to address the widely-held view that Canada's competitiveness is severely compromised by internal impediments to trade, investment and labour mobility. The TILMA is considered a bold initiative that is now widely seen as the new model for comprehensive, transparent trade agreements.

British Columbia and Alberta strongly believe that the TILMA is a model that can and should be extended to the rest of the country to strengthen Canada's economic union. British Columbia appreciates the Government of Canada's willingness to work with our province and Alberta to promote the benefits of full TILMA participation, and encourage the rest of Canada to adopt the TILMA as the most effective means of meeting the objectives envisioned by the Agreement on Internal Trade.

British Columbia would also appreciate active federal support in promoting the TILMA internationally through Canadian embassies and consulates. Advising foreign business, investors and workers of the TILMA's benefits would benefit Canada's reputation as an attractive location in which to live, work, invest, and carry on business.

British Columbia would also welcome a review of Government of Canada programs and practices with the aim of becoming more closely involved in the TILMA.

5) Accelerating Immigration and Visa Processing:

To be successful in today's economic environment, jurisdictions are competing for investment dollars, for new and existing businesses, but most importantly for the skilled people required to enable economic development.

Over one million job openings are projected in British Columbia over the next 12 years, yet only 650,000 young people are currently enrolled in our school system, leaving a shortfall of at least 350,000 workers. Record high employment rates, record low unemployment rates and rising wages all point to a growing need for more workers in British Columbia. Encouraging improvement in the participation of under-represented groups in the economy will always be an option. However, immigration is critical to effectively meeting this challenge.

A few key facts help to put this issue in the proper context:

- Over 65 percent of the 42,000 immigrants who arrived in B.C. in 2006 came from Asia.
- In the first half of 2007, the number of permanent resident arrivals in B.C. dropped 20%, compared to the same period in 2006.
- Processing times of over eight years are projected for applications at Canadian visa offices in the Asia Pacific Region.

The federal government must take immediate measures to address the backlog of visa applications and target the types of immigrants required to maintain and build the Canadian economy. This requires short term and long term solutions, including legislative and regulatory changes informed by experiences of other countries.

Canada must strategically increase access to visa application services for temporary foreign workers, international students and business visitors in key source countries and regions from such areas as southern China.

British Columbia supports the introduction of the Canada Experience Class, which recognizes the benefit of allowing certain international students and temporary foreign workers to remain permanently in Canada.

The concern is that no new resources are available for this processing category which will result in even greater pressures on other temporary and permanent processing. In addition, the introduction of this category emphasizes the need to be open to the concept of dual intent when issuing temporary visas overseas as many applicants are still turned down if there is a sense that they have an interest to remain in Canada permanently.

The introduction of electronic solutions to streamline and modernize the immigration system in keeping with global best practices is of strategic importance. The coordination, development and implementation of these solutions with provincial immigration programs will maximize efficiency, cooperation and facilitate information-sharing.

6) Eliminating Duplication in the Environmental Assessment of Major Projects:

Improving certainty and timeliness and reducing duplication and overlap in the area of Environmental Assessment (EA) is a long-standing priority of British Columbia. From a regulatory perspective, Canada needs to ensure that regulatory processes achieve their economic objectives, but in a manner that does not impede new investment or delay mergers and acquisitions that allow firms operating in Canada to compete on a global basis.

The issue of federal/provincial duplication of the environmental assessment process remains a problem in this regard. The federal process duplicates much of what occurs in the provincial processes, and it has a reputation for being slower and more cumbersome than the British Columbia system, which has a specialized, independent office to undertake reviews.

British Columbia urges the federal government to make use of existing tools under federal and provincial law that would allow for delegating the review functions between governments. In addition, federal legislative changes are required so that the federal government can accept the Province's environmental assessment reviews as equivalent in appropriate cases (recognizing that a reciprocal provision already exists in British Columbia legislation).

7) Improving Legal Certainty for Land-based Investment Opportunities:

British Columbia is unique from other provinces in that, at the turn of the 20th century, treaties were not signed with the majority of First Nations in this province. From a competitiveness perspective, this issue has created a perception, often a reality, that any new land-based investment opportunities are time consuming and difficult to achieve. British Columbia needs to ensure that there is legal certainty for timely decisions on land-based investment opportunities.

To this end, the Province is undertaking various initiatives including negotiation of comprehensive land claim treaties, establishing practical and effective First Nation consultation and accommodation practices, and establishing a New Relationship with First Nations that involves discussions through the First Nation Leadership Council.

The latter includes a project to identify critical factors and approaches to successful economic development and creation of own source revenues in First Nation communities. One critical component of economic development in First Nation communities is the use and development of land and resources on reserve for business and commercial purposes.

The federal land designation and resource permitting processes as well as implementation of measures under the *Land Management Act* and the 53/60 Land Management program on reserve impede the ability of First Nations to engage in economic development activities and ventures.

British Columbia requests that the federal government review processes associated with land designation, the *Land Management Act*, the Land Management arrangement under sections 53 and 60 of the *Indian Act* and resource permitting, in consultation with B.C. First Nations, with a view to expediting decision-making within these processes.

Pursuing land and resource development in a manner that is respectful of First Nation interests will benefit the province overall, and will also enable First Nations to take advantage of economic opportunities and enhance development of their communities.

8) Removing Sectoral Restrictions of Foreign Ownership:

In sectors such as transportation and telecommunications, Canadian companies must compete for investment in a global arena. In keeping with the international trend in trade policy away from the protection of domestic companies, the government of Canada should move to eliminate the remaining restrictions on foreign ownership.

It is, therefore, critical that the Panel's review of the *Investment Canada Act*'s "net benefit" test takes into account the recent Statistics Canada report that found, "...foreign-controlled firms make large investments in innovation, advanced technology and skilled labour and these translate into superior market outcomes and higher rates of productivity." As the Panel's report points out, certain sectors have specific legislation focused on general ownership restrictions. British Columbia finds these restrictions outdated and expects to see alternatives that refute any perception that our domestic industries are somehow sheltered from global competition.

To conclude, I must emphasize that the Province of British Columbia is moving aggressively and decisively on a number of fronts to improve our ability to compete globally, create a dynamic business climate that encourages foreign business activity and ensure that Canada fully maximizes British Columbia's Asia Pacific Gateway advantages. British Columbia has implemented a number of legislative, regulatory and program changes as a result of the 2006 report and recommendations of the BC Competition Council. The Province refers the Competition Policy Review Panel to the BC Competition Council report at <http://www.bccompetitioncouncil.gov.bc.ca/>.

I look forward to seeing the Panel's conclusions next June 2008. If you have any questions or wish to discuss further any of the issues raised in this letter, please contact Don Fast, Deputy Minister of Economic Development, at (250) 952-0102.

Yours truly,

Colin Hansen
Minister

cc: Honourable John van Dongen
Minister of State for Intergovernmental Relations

Don Fast
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