Mtg: January 10, 2013

s17, s22

TRAVEL EXPENSE CLAIM
FOR MEMBERS OF AGENCIES, BOARDS, COMMISSIONS AND ADMINISTRATIVE TRIBUNALS

FORM USAGE

This form is for use by members of agencies, boards, commissions and administrative tribunals to claim travel expenses. Refer to the attached *Appendix 3* for guidelines and allowable rates. After completion, the member should forward the original claim form (with receipts attached) to their ministry financial contact. The qualified receiver will complete and sign the Coding section and forward the claim to Finance, Accounts for processing. A cheque will be forwarded to the *Cheque Mailing Address* shown below.

CHEQUE INFORMATION

Member's Name: HARRY MCWATTERS Supplier # Location Code:

Cheque Mailing Address: s22

Hearing Attended/Business Conducted: BC JOBS & INVESTMENT – MEETING W/GILES NEWMAN

DATE OF TRAVEL 20 13 M	D	PLACES TRAVELLED FROM/TO (ENTER CITY NAMES)	PERSONAL VEHICLE USE DISTANCE x KM RATE 50¢ KM	$	BUS/TAXI/AIR/FERRY COSTS $	B	L	D	MEALS $	ACCOMMODATION COSTS $	MISCELLANEOUS (CAR RENTAL, PHONE, ATM FEES, ETC.) COST $	DESCRIPTION	TOTAL DAILY COSTS $
01	09	SUMMERLAND VANCOUVER	449	224.50		✓	✓	✓	49.00	30.00			303.50
01	10	mtg.				✓	✓	✓	49.00	30.00			79.00
01	12	vanc. to Summerland	449	224.50		✓	✓		30.00				254.50
												CLAIM TOTAL	637.00

RECEIVED FEB 12 2013 FINANCIAL OPERATIONS MINISTRY OF COMMUNITY DEVELOPMENT & MINISTRY OF TOURISM, CULTURE & THE ARTS

CODING

Client: 125 Resp: 51034 Svc Line: 22011 STOB: 5515 Proj: 5111111

Stephanie Newman — Qualified Receiver Printed Name

[signature] — Qualified Receiver Signature

Feb 1/13 — Date

DEAN SEKYER — Expense Authority Printed Name

[signature] — Member's Signature 18/01/2013 — Date

Certified this is a true statement of disbursements made to which I am entitled as a result of travel on government business as detailed above and for which I have not been and will not be reimbursed by any other party.

FIN FSA 028 REV MAY/05

Invoice

OnPoint Consulting Inc.

David Molinski, Principal
520 Linden Ave
Vic BC V8V 4G5
250-588-6056

OnPoint Consulting Inc.

Date	Invoice #
10/18/2012	221

Ministry of Jobs, Tourism and Innovation
OCT 29 2012
Competitiveness & Innovation Division

Invoice To
Jobs Tourism & Innovation 3rd floor, 800 Johnson St Box 9843 Stn Prov Govt Vic BC V8W 9T2

P.O. No.	Terms	Project
5111111	Net 20 days	

Qty	Description	Rate	Amount
	Professional services rendered C13302003	10,000.00	10,000.00

RESP 51666 | SERVICE LINE 22302
STOB 6001 ~~[illegible]~~ | PROJECT # 5111111
COMMITMENT/CONTRACT# C13302003
FINAL PAYMENT YES NO
DATE INVOICE RECEIVED
DATE GOODS/SERVICES RECEIVED Oct 18, 2012
CERTIFY GOODS/SERVICES RECEIVED
Mary Stanina Mary Stanina
CERTIFIED THAT THE AMOUNT TO BE PAID:
- is correct
- is in accordance with appropriate statute or other authority and/or contract
where applicable, that the work has been performed, the goods supplied, the services rendered or other conditions met.
Spending Authority Signature
Dean Sokyer

RECEIVED
OCT 31 2012
FINANCIAL OPERATIONS
MINISTRY OF COMMUNITY DEVELOPMENT &
MINISTRY OF TOURISM, CULTURE & THE ARTS

Sales Tax Summary

HST on sales@12.0%	1,200.00
Total Tax	1,200.00

GST/HST No. 859885725

Total $11,200.00

Invoice

Electricom Communications Consulting, Inc.
3154 Earl Grey Street
Victoria, B.C.
V9A 1W9

RECEIVED
DEC 13 2012
Inner-City Partnerships Branch
Ministry of Community, Aboriginal and Women's Services

TO: Economic Initiatives and Analysis Branch
Ministry of Jobs, Tourism and Skills Training
1810 Blanchard St., 7th Floor
Victoria, B.C. V8W 9N3
Attn: Todd Bailey

FOR: BCJIB Website

CONTRACT NUMBER: C13450006

inv. # C13450006-0001

Date	Service	Cost
Dec 11, 2012	Design, build and migrate the BCJIB website. Deliver training to Province's staff regarding operation and maintenance of BCJIB website	As per schedule "B" = 10000.00
Sub-total		10000.00
Tax	HST	12% = 1200.00
Total		11,200.00

Terms: Due on receipt

Evan A. Leeson
December 11, 2012

RECEIVED
JAN - 9 2013
FINANCIAL OPERATIONS
MINISTRY OF COMMUNITY DEVELOPMENT &
MINISTRY OF TOURISM, CULTURE & THE ARTS

RESP. 51666	SERVICE LINE 22302
STOB 6001	PROJECT # 5111111

COMMITMENT/CONTRACT #
FINAL PAYMENT YES NO
DATE INVOICE RECEIVED 12-13-12
DATE GOODS/SERVICES RECEIVED 12/2012
CERTIFY GOODS/SERVICES RECEIVED
CERTIFIED THAT THE AMOUNT TO BE PAID:
- is correct
- is in accordance with appropriate statute or other authority and/or contract
where applicable, that the work has been performed, the goods supplied, the services rendered or other conditions met.

Expending Authority Signature

Invoice 01 A

RECEIVED
MAR 2 5 2013

Date March 25, 2013

To Glen Scobie
Ministry of Jobs, Tourism and Skills Training

From Susan Kerschbaumer

s22

RECEIVED
MAR 2 6 2013
FINANCIAL OPERATIONS
MINISTRY OF COMMUNITY DEVELOPMENT &
MINISTRY OF TOURISM, CULTURE & THE ARTS

Re Ministry Contract No. C13034005
Project 5111111

For delivery of BC Jobs and Investment Board (BCJIB) final report

153 hours at $85 per hour	$13,005.00
HST (#81653 5470 RT0001)	$ 1,560.60
Total	**$14,565.60**

Thank you very much.

C13134005

RESP 51034	SERVICE LINE 22011
STOB 6001	PROJECT # 5111111
COMMITMENT/CONTRACT # C13134005	
FINAL PAYMENT YES ✓ NO	
DATE INVOICE REC'D	
DATE GOODS/SERVICES REC'D 3-25-13	
CERTIFIED GOODS/SERVICES RECEIVED	
CERTIFIED THAT THE AMOUNT IS PAYABLE	

SK

KPMG

March 13, 2013

Ministry of Jobs, Tourism and Innovation
MAR 19 2013
Competitiveness & Innovation Division

Invoice No. : **44708802**
Reference : CA007-12309148
Client : 60112735

KPMG LLP
777 Dunsmuir Street
Vancouver, British Columbia
V7Y 1K3

GST/HST Number 12236 3153 RT0001
QST Registration 1023774310 TQ0001

Contact : Paul Tambeau
Telephone : (250) 480-3530
Fax : (250) 480-3539
Email : ptambeau@kpmg.ca

Private and Confidential
Ministry of Jobs, Tourism and Innovation
Government of the Province of British Columbia
7th Floor, 1818 Blanshard Street
Victoria BC V8W 9N3

Attention: Sandra Carroll, Assistant Deputy Minister

Ministry Contract No.: C1345007 – Ministry of Jobs, Tourism and Innovation – Investment Competitive Study

Invoice for Advisory services provided for the period December 3, 2012 to January 31, 2013 relating to the above engagement as outlined in our engagement agreement:

C13450007

~~GBP0000~~

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MAR 25 2013
FINANCIAL OPERATIONS
MINISTRY OF COMMUNITY DEVELOPMENT &
MINISTRY OF TOURISM, CULTURE & THE ARTS

Individual	Hrs.	Rate	Total
Giles Newman	45.0	$400	$ 18,000.00

RESP 51034 | SERVICE LINE 22011
STOB 6001 | PROJECT # 5111111
COMMITMENT/CONTRACT #
FINAL PAYMENT YES NO
DATE INVOICE RECEIVED
DATE GOODS/SERVICES RECEIVED
RECEIVED BY
Glen Scoble
CERTIFIED THAT THE AMOUNT TO BE PAID:
- is correct
- is in accordance with appropriate statute or other authority and/or contract.
- where applicable, that the work has been performed, the goods supplied, the services rendered or other conditions met.

Spending Authority Signature
"Dean Skeyer"

PROFESSIONAL FEES	$ 18,000.00
EXPENSES	
Administration Expense 5% (waived)	
Out of Pocket Expenses	
TOTAL EXPENSES	-
SUB TOTAL	$ 18,000.00
HST	2,160.00
INVOICE AMOUNT	$ 20,160.00

Payment is due upon receipt

Remittance Advice

Cheque Payments to:
KPMG LLP, T4348
P.O. Box 4348, Station A
Toronto, ON M5W 7A6
Please return remittance advice with cheque.

Canadian Dollar Wire Payments to:
KPMG LLP
Bank: TD Canada Trust
55 King St. West
Toronto, ON M5K 1A2
Branch 10252 Account 0938281
Swift Code TDOMCATTTOR
Email EFT payment details to kpmg-ar@kpmg.ca
Please indicate invoice number.

Invoice No. : **44708802**
Reference : CA007-12309148
Client : 60112735
Amount : $20,160.00

0

Catalytico - Ideas in motion (BC 0831478 BC LTD)
1557 Larch Street
Vancouver BC V6K 3C6
Phone: 778-865-1557

INVOICE

RECEIVED
JUN 2 4 2013

Government of B.C.
Glen Scoble
PO Box9409 Stn Prov Govt
Victoria BC V8W 9V1

Invoice #:	0000108
Date:	February 26, 2013
Amount Due CAD:	$3,780.00

Item	Description	Unit Cost ($)	Quantity	Price ($)
Writing	Jobs Report: Feb. 18 to Feb. 27th Re-write of main letter & draft report: 5 hours at $240 Editing and proofing of main report: 10 hours at $240	240.00	15	3,600.00

Subtotal:	3,600.00
GST(#84985297 RT001) - 5%:	180.00
Total:	3,780.00
Amount Paid:	-0.00
Balance Due CAD:	$3,780.00

payable within 30 days

C13130008

PO/LMPO/Auth#/Commitment # ____
Vendor # ____ Close Commit. Y/N ____
Project # ____

DATE INVOICE RECEIVED						GOODS & SERVICES RECEIVED					
Y	Y 3	M 0	M 6	D 2	D 4	Y	Y 3	M 0	M 2	D	D

Vote	Min	Resp	Account	Stob
	125	51664	22302	6001

Certified prices/extensions/totals checked & not previously passed for payment.

Signature: ....

CERTIFIED AMOUNT TO BE PAID: $ 3780.00

- is correct;
- is in accordance with the appropriate statute or other authority and/or contract;
- where applicable, that the work has been performed; the goods supplied, the service rendered, and/or other conditions met.

....
SPENDING AUTHORITY SIGNATURE

ALEESA PAULSON

RECEIVED
JUL 1 2 2013
FINANCIAL OPERATIONS
MINISTRY OF COMMUNITY DEVELOPMENT &
MINISTRY OF TOURISM, CULTURE & THE ARTS

0

s17, s22

TRAVEL EXPE..E CLAIM
FOR NON-BC GOVERNMENT EMPLOYEES

FORM USAGE

This form is for use by non-BC government employees to claim travel expenses. Refer to the attached *Appendix 2* for guidelines and allowable rates. After completion, the individual should forward the original claim form (with letter of agreement and receipts attached) to their ministry financial contact. The qualified receiver will complete and sign the Coding section and forward the claim to Finance, Accounts for processing. A cheque will be forwarded to the *Cheque Mailing Address* shown below.

CHEQUE INFORMATION

Payee Name: GERRY MARTIN Supplier # Location Code:

Cheque Mailing Address: s22

Reason for Travel: B.C. JOBS & INVESTMENT BOARD. - NOV 20.

DATE OF TRAVEL 20/12		PLACES TRAVELLED	PERSONAL VEHICLE USE DISTANCE x KM RATE		BUS/TAXI/AIR/FERRY COSTS	B ✓	L ✓	D ✓	MEALS:	ACCOMMODATION COSTS	MISCELLANEOUS (CAR RENTAL, PHONE, ATM FEES, ETC.) COST	DESCRIPTION	TOTAL DAILY COSTS
M	D	FROM/TO (ENTER CITY NAMES)	KM	$	$				$	$	$		$
11	19	TERRACE TO VANC. RETURN.			845.51					30—			875.51
	20					✓			22—				22.00

RECEIVED
DEC 10 2012
FINANCIAL OPERATIONS
MINISTRY OF COMMUNITY DEVELOPMENT &
MINISTRY OF TOURISM, CULTURE & THE ARTS

CLAIM TOTAL 897.51

CODING

Client: 125 Resp: 30134 Svc Line: 22011 STOB: 6005 Proj: 5111111

Qualified Receiver Printed Name

Qualified Receiver Signature

DEC 7/2012
Date

DEAN SEKSER
Expense Authority Printed Name

NOV. 22, 2012

Traveller's Signature Date

Certified this is a true statement of disbursements made to which I am entitled as a result of travel on government business as detailed above and for which I have not been and will not be reimbursed by any other party.

FIN FSA 033 REV. MAY/05

PAID ✓

Our coffee is FAIR TRADE CERTIFIED 100% Organic

CALHOUN'S

• bakery • cafe • catering •

3035 West Broadway, Vancouver, B.C. V6K 2G9 • Telephone: 737-7062

Function Date	20/11/2012
Delivery Time	8:00-8:30

WORKORDER A14594

Function	Breakfast for 22 Tues Nov 20

BILL TO	DELIVER TO
Debbie Watkis Ministry of Jobs, Tourism & Innovation 250.952.0392 ** Will call with CC	Cabient Office Room 740 999 Canada Place Virginia Bremner at 604-775-1600

Your P.O.		Our contact	Christine

QTY	DESCRIPTION	Unit Price	Extended
11	Scones- Assorted	2.40	26.40
11	Muffins - Assorted	2.60	28.60
4	Coffee - Calhoun's Specialty Blend 10 cups per thermos	17.50	70.00
1	Teas - Twinning Herbal and Black - Assorted 10 cups per thermos	17.50	17.50
12	Bottled Water	1.80	21.60
	Delivery	13.00	13.00
	SUBTOTAL		177.10
	INVOICE REFERENCE: JBI Meeting		
	HST (BC) on sales	12.00%	21.25

RESP 51034	SERVICE LINE 22011
STOB 6531	PROJECT # 5111111
COMMITMENT/CONTRACT#	
FINAL PAYMENT YES (NO)	
DATE INVOICE RECEIVED	
DATE GOODS/SERVICES RECEIVED NOV 20/2012	
CERTIFY GOODS/SERVICES RECEIVED D Watkis	

CERTIFIED THAT THE AMOUNT TO BE PAID:
is correct
is in accordance with appropriate statute or other authority and/or contract
where applicable, that the work has been performed, the goods supplied, the services rendered or other conditions met.

[signature]
Spending Authority Signature

Calhoun's is "GOING GREEN". We now use biodegradeable corn starch cutlery and sugar cane fibre plates,cups, bowls and take-out containers.

Thank you for keeping your account up to date.

If you have any questions please contact us at 604-737-7062 or email us at catering@calhouns.bc.ca

Sales Tax	$21.25
Total	**$198.35**

BRITISH COLUMBIA

BUSINESS EXPENSE APPROVAL
for Business Meetings/Protocol Events

Attach original invoices/receipts that have been coded and approved by an expense authority. Please see page 2 for further instructions.

BUSINESS EXPENSE APPROVAL NO.

SECTION 1 – ORIGINATOR INFORMATION

NAME OF ORIGINATOR OF EXPENSE	TELEPHONE NO.		YYYY / MM / DD
Debbie Watkis for EIAB	(250) 952-0392	DATE SUBMITTED	2012/11/20
MINISTRY/DIVISION/BRANCH	LOCATION (CITY) OF EVENT	START DATE OF EVENT	2012/11/20
MJTST, Economic Initiatives & Analysis Branch PO Box 9327 Stn Prov Govt 7th Fl, 1810 Blanshard St, Victoria BC .V8W 9N3	Vancouver	END DATE OF EVENT	2012/11/20

SECTION 2 – NAME / NATURE OF EVENT

In general terms, describe the event, the number of people attending and their affiliation. For example: Annual Regional Meeting – 20 government employees, 2 service contractors.

BC Jobs and Investment Board Meeting

3 government employees, 19 BCJIB members

SECTION 3 – INDIVIDUALS INCLUDED IN MEAL CLAIMS

Complete this section only if the Business Expense Approval includes a meal. Identify the individual's name and either the ministry or company they are affiliated with. Attach a separate list if necessary.

As per attached list.

SECTION 4 – BUSINESS EXPENSE REQUESTED

CATEGORY	STOB	AMOUNT
1. Meeting Room Rental	6531	0.00
2. Equipment/Furniture Rental	6531	0.00
3. Photocopying, Faxing, Telephone, etc.	6531	0.00
4. Food/Beverages for Meetings ☑ BREAKFAST ☐ LUNCH ☐ DINNER ☐ SNACKS ☑ COFFEE/TEA/JUICE, ETC.	6531	198.35
5. Business Meals in Restaurant ☐ BREAKFAST ☐ LUNCH ☐ DINNER	6531	0.00
6. Event Planners, Speakers, etc.		0.00
7. Travel Costs for Non-BC Government Participants		0.00
8. Other:		0.00
ESTIMATED TOTAL		198.35

SECTION 5 – EXPENSE AUTHORITY PRE-APPROVAL

RESP. CENTRE	SERVICE LINE	PROJECT NO. (IF APPLICABLE) OR ADDITIONAL CODING
51034	22011	5111111

EXPENSE AUTHORITY SIGNATURE – Certified correct pursuant to sections 32 & 33 of the *Financial Administration Act* and related policies.

Glen Scoble

PRINT NAME OF EXPENSE AUTHORITY: Glen Scoble

DATE SIGNED (YYYY / MM / DD): 2012/11/20

SECTION 6 – EMPLOYEE REIMBURSEMENT INFORMATION

Complete this section only if reimbursing an employee for expenses they have paid personally. Enter payee name, cheque mailing address, and reimbursement total.

QUALIFIED RECEIVER SIGNATURE – Certified goods/services received pursuant to CPPM 4.3.2.

X

REIMBURSEMENT TOTAL

FIN215/WEB Rev. 2008/6/20 ORIGINAL: MINISTRY ACCOUNTS PAYABLE COPY: ORIGINATOR

Invitees

Pat Bell: Minister of Jobs, Tourism and Innovation

Ray Castelli: BCJIB Chair, Weatherhaven CEO

Ellis Ross: ABIC Chair/ Chief Councillor, Haisla First Nation

Kaity Arsoniadis-Stein: President, International Ship-owners Alliance of Canada, Inc.

Frenny Bawa: Vice President, Research In Motion

Kathy Butler: Managing Director, CIBC World Markets' Vancouver Investment Banking Group

Joseph Caron: Special Advisor, Asia Pacific Foundation of Canada

Stockwell Day: Former Minister, Government of Canada

Richard Dunn: Vice-President, Encana Corporation

Brian Fehr: CEO, BID Group of Companies

Hank Ketcham: President & CEO, West Fraser Timber

Gary Kroeker: Director, Community Savings Credit Union

V. Paul Lee: Managing Partner, Vanedge Capital

Wendy Lisogar-Cocchia: Executive Vice-President, Century Plaza Hotel and Spa

Gerry Martin: Owner, Northern Drugs Ltd.

R. Harry McWatters: CEO, Vintage Consulting Group, Inc.

Ralph Nilson: President & Vice-Chancellor, Vancouver Island University

Marcia Smith: Senior Vice President, Teck

Susan Spratt: Area Director, Canadian Auto Workers

Ministry of Jobs, Tourism and Skills Training

Dave Byng, Deputy Minister

Shanna Mason, Assistant Deputy Minister, Economic Development Division

Glen Scobie, Director, Corporate Initiatives

GLOBAL 360

ATTRACTING INVESTMENT IN AN INCREASINGLY COMPETITIVE WORLD

BRITISH COLUMBIA *Jobs and Investment Board* **FINAL REPORT**

BRITISH COLUMBIA

Ministry of Jobs, Tourism and Skills Training and Responsible for Labour

CONTENTS

MESSAGE FROM THE CHAIR

Dear British Columbians,

We live in one of Canada's fastest-growing provinces with one of the most enviable standards of living in the world.

More than 35,000 new Canadians settle here every year, attracted by our dynamic economy, political stability and a social and educational infrastructure that enables people, families and businesses to succeed.

To secure our future prosperity, however, British Columbia must ensure we have the jobs, investment and regulatory frameworks that are the foundations of a resilient economy and society. The current government has taken many steps in the right direction with its *BC Jobs Pla*n.

Nevertheless, we live in an increasingly competitive world. Other countries and regions aren't standing still. There is a global appeal for investment – especially from emerging markets and particularly as more established economies face fiscal pressures. In a hyper-competitive world, there's always more we can do.

B.C. is well situated to play a major role in attracting this investment and creating jobs for our future. Our natural resources, our innovative companies and our strategic positioning in the Pacific region are all advantages. However, other countries share similar advantages; resting on ours is not enough.

We can only maximize our potential if we examine all the possible levers we can use to attract investment, improve on our training and education programs, and create sustainable, well-paying jobs for our children.

Mapping out a path to this future prosperity was the mandate of the BC Jobs and Investment Board. This group of business, labour and community leaders was appointed by the provincial government to assess where future investment and jobs might originate and what policies and actions are needed to optimize our opportunities.

To this end, we have focused on eight key sectors that were identified as priorities for our economy's growth: forestry, mining, natural gas and liquefied natural gas, agrifoods, technology, tourism, transportation and international education.

In September 2012, we presented an interim report. The provincial government has already acted on many of our early recommendations. To date, we have seen efforts to:

- ***create*** a global centre of excellence in forestry;
- ***develop*** programs to address sectoral labour shortages;
- ***support*** the single-window regulatory model for timely resource development;
- ***provide*** certainty for new mines and mine expansions by working to improve the consultation process and by signing revenue-sharing agreements with First Nations;

- ***build*** upon the recently released *Pacific Gateway Transportation Strategy 2010-2020*, Phase One of a long-term transportation plan;
- ***attract*** maritime shipping head offices by making B.C. an International Maritime Centre;
- ***build*** B.C.'s promising aerospace sector through a globally-focused industry association, a presence at international trade shows and a plan to tap into more than $100 million in Industrial Regional Benefits;
- ***market*** B.C. wild and farmed agrifoods products aggressively;
- ***reduce*** domestic and international barriers to exporting B.C. wines;
- ***provide*** carbon tax relief to the agrifoods sector; and,
- ***review*** the marketing of B.C. as a tourism destination, focusing on niche experiences including First Nations, and supporting more air links to Vancouver.

We applaud the government for taking such prompt action on our interim recommendations.

This final report restates our interim recommendations and makes several new ones. In addition, we have completed two studies of our province's position against other countries with whom we compete for investment.

One of these studies was a KPMG global analysis of our competition and an assessment of our strengths and weaknesses in key investment decision areas. The other was a series of interviews with current and potential investors on what might be done to improve the attractiveness of B.C. as an investment destination.

We have reviewed and validated these (admittedly subjective) assessments in order to generate a SWOT analysis for each of our eight sectors. In doing so, we hope to present another viewpoint that policymakers can use to create strategies that will play to our strengths, shore up our weaknesses, and improve our competitive position overall.

If there is an overriding finding from our work, it is that British Columbia has the tools, resources and human talent to thrive in the global economy. We are also poised to fully embrace our geographic advantage as Canada's Asia-Pacific gateway – the nation's primary conduit for trade in and out of Asia's rising economies.

If we make the right choices today, we can significantly increase the potential for our province to succeed in the years ahead in a highly competitive, fast-moving global marketplace.

This report is intended as a guide to help British Columbians and their government make the key strategic choices that will ensure our future prosperity.

Sincerely,

Ray Castelli
Chair, BC Jobs and Investment Board

EXECUTIVE SUMMARY

A MULTI-PERSPECTIVE, 360-DEGREE VIEW OF OUR PROVINCE'S ECONOMY

The British Columbia economy is diverse, it is robust and it is constantly evolving. It is with great respect for its complexities that the British Columbia Jobs and Investment Board has undertaken a study of its current state and upcoming trends in an attempt to lay out a manageable path for its ongoing success.

Since February 2012, we have worked diligently with business, labour, academia and First Nations to broaden our understanding of British Columbia's investment competitiveness – who we compete with internationally, what barriers stand in the way of investment and job creation and what global best practices we might emulate or improve upon.

Along with our own intensive research, we commissioned two reports. First, we asked KPMG to evaluate B.C.'s competitive position on the global stage. The following chart summarizes their findings, as detailed in *Appendix 2, Investment Competitiveness Study of Eight BC Industry Sectors*.

Second, we created a natural resource subcommittee to interview investors about the factors that affect their investment decisions in natural gas and liquefied natural gas (LNG), mining and forestry. The subcommittee's findings have been integrated into this report.

Taken together, this information has given us a multi-perspective, 360-degree view of our province's economy. And what we have learned through all of our research is that each of the eight key sectors identified in the BC Jobs Plan – forestry, mining, natural gas and LNG, agrifoods, technology, tourism, transportation and international education – offers important strengths and encounters significant challenges – some unique, some shared across industries. Each is also on the cusp of substantial opportunity.

Our recommendations for embracing this opportunity are as varied as the sectors themselves. Some lend themselves to immediate action; others will require further development, assessment and dialogue.

EXHIBIT ES-2: *Assessment of BC's investment competitiveness to identified key competitors**

	FORESTRY	MINING	NATURAL GAS	AGRI-FOODS	TECHNOLOGY	TOURISM	TRANSPORTATION	INT'L EDUCATION
KEY COMPETITORS	USA EUROPE SCANDINAVIA RUSSIA JAPAN CHILE BRAZIL	AUSTRALIA CHILE INDONESIA MEXICO	USA RUSSIA	CALIFORNIA MEXICO ALBERTA SASKATCHEWAN	USA UK FINLAND ISRAEL ONTARIO QUEBEC	USA AUSTRALIA NEW ZEALAND UK	USA JAPAN CHINA GERMANY AUSTRALIA	USA AUSTRALIA UK
INVESTMENT COMPETITIVENESS								
LABOUR AVAILABILITY	↓	↓	↓	—	↑	—	↓	→
LABOUR QUALITY	↑	↑	→	→	↑	—	↑	↑
LABOUR COSTS	↓	→	↓	↓	→	—	—	↑
INVESTMENT INCENTIVES	→	→	↑	—	→	—	—	—
TRANSPORTATION INFRASTRUCTURE	→	↓	→	—	→	—	↓	→
ENERGY COSTS AND SUPPLY	—	↓	→	—	—	—	↓	—
EFFECTIVE CORPORATE INCOME TAX	↑	↑	↑	↑	↑	↑	↑	—
REGULATORY ENVIRONMENT	→	↓	↑	↓	—	↓	↓	→
FIRST NATIONS	↓	→	→	↑	—	—	↓	↑
BUSINESS AND PUBLIC ATTITUDES	↓	↓	↑	↑	↑	↓	↓	↑
POLITICAL STABILITY	→	→	↑	↑	↑	↑	↑	↑
PERSONAL FACTORS	—	—	—	—	→	↑	—	↑

↑ : RELATIVELY COMPETITIVE ↓ : RELATIVELY UNCOMPETITIVE

→ : MID-RANGE BUT WITH IDENTIFIED CONCERNS — : LIMITED INFORMATION/APPLICABILITY

**Source:* KPMG

Based on this independent, external feedback, it is apparent that British Columbia has many inherent advantages as an economy, but also a number of challenges to overcome in order to maximize our opportunities to grow our economy and create jobs.

The following SWOT chart provides another viewpoint, examining our strengths, weaknesses, opportunities and threats on a cross-sectoral basis:

CROSS-SECTOR STRENGTHS	CROSS-SECTOR WEAKNESSES
NATURAL RESOURCES HIGH-QUALITY LABOUR FORCE HIGH QUALITY OF LIFE REPUTATION FOR EXCELLENCE CLOSE PROXIMITY TO EXPORT MARKETS STABLE ECONOMIC AND POLITICAL ENVIRONMENT STRONG GLOBAL NETWORKS COMPETITIVE CORPORATE TAX RATES CLEAN ENVIRONMENT	GROWING SKILLS SHORTAGE AND POCKETS OF HIGH-COST LABOUR COMPLEX REGULATORY ENVIRONMENT INSUFFICIENT INFRASTRUCTURE TO SUPPORT GROWTH LACK OF CLARITY AROUND FIRST NATIONS ISSUES INCONVENIENT AIR ACCESS NO CARBON TAX AMONGST MANY COMPETITORS LIMITED ACCESS TO POWER IN REMOTE AREAS
CROSS-SECTOR OPPORTUNITIES	**CROSS-SECTOR THREATS**
GROWING ASIAN MARKETS DEMAND FOR INNOVATIVE PRODUCTS AND SERVICES UNTAPPED MARKET OPPORTUNITIES MORE HIGHLY DEVELOPED MANUFACTURING SECTOR	DECREASING CAPITAL INVESTMENT SHRINKING U.S. MARKETS UNPREDICTABILITY RELATED TO GST-TO-PST TRANSITION INCREASES IN ELECTRICITY COSTS

CROSS-SECTOR STRENGTHS

British Columbia's eight key sectors share some common strengths:

NATURAL RESOURCES:

British Columbia has an abundance of assets – everything from fish, timber, clean water, mineral deposits and natural gas to unique advantages in tourism.

HIGH-QUALITY LABOUR FORCE:

Well-educated and highly skilled, our workforce is one of our key overall strengths.

HIGH QUALITY OF LIFE:

British Columbia's well-earned reputation as a desirable place to live, work and study draws students, workers and investors from around the world.

REPUTATION FOR EXCELLENCE:

British Columbia's reputation for excellence – as a tourist destination, as a centre of excellence in mining and forestry, as an emerging leader in public and post-secondary education – gives us an important competitive advantage.

CLOSE PROXIMITY TO EXPORT MARKETS:

Our close proximity to important markets in the U.S. and China gives us natural advantages in forestry, mining, natural gas and LNG. Our shared time zone with the Silicon Valley is an asset to our technology sector.

STABLE ECONOMIC & POLITICAL ENVIRONMENT:

British Columbia's and Canada's reputation for stability, transparency and integrity is a key benefit in attracting investment to every sector of our economy.

STRONG GLOBAL NETWORKS:

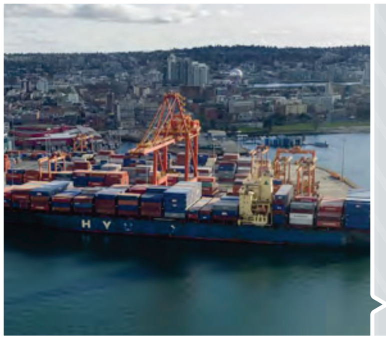
Our province's commitment to multiculturalism and diversity helps us build beneficial connections in the global marketplace.

COMPETITIVE CORPORATE TAX RATES:

Our competitive tax environment is a critical factor in driving the success of British Columbia business.

CROSS-SECTOR OPPORTUNITIES

While each of our eight sectors is primed for unique opportunities, there are some that can be embraced across our economy:



GROWING ASIAN MARKETS:

Fast-growing markets in Asia – particularly in China – are driving demand in forestry, mining and LNG. At the same time, these expanding markets are bringing more foreign students into our international education system and increasing volumes through our ports.

DEMAND FOR INNOVATIVE PRODUCTS AND SERVICES:

In each sector, it is our innovative use of our resources that will keep us competitive. In agrifoods, the popularity of blueberries warrants a wider assortment of products. In forestry, we have developed bio-products by unlocking the potential of forest products previously dismissed as waste. And in natural gas, we're planning on building the LNG facilities that will allow us to liquefy and ship our abundant natural gas resources to high-demand overseas markets.

UNTAPPED MARKET OPPORTUNITIES:

Untapped markets offer potential rewards to every sector. By raising our profile in aerospace, for example, we position ourselves to secure business with major foreign prime contractors and original equipment manufacturers – and to reap the spin-offs associated with becoming part of their global supply chains. By developing a province-wide marketing effort in tourism and deepening our focus on niche markets, we will attract a wider range of visitors. By expanding our export markets for seafood and wines, we will grow our agrifoods sector.

MORE HIGHLY DEVELOPED MANUFACTURING SECTOR:

A healthy and competitive advanced manufacturing sector promises to benefit each of our key sectors – and our provincial economy overall.

CROSS-SECTOR WEAKNESSES & THREATS

Common issues also apply across sectors. These current weaknesses and potential threats act as disincentives to investment and prevent us from taking full advantage of new opportunities:

GROWING SKILLS SHORTAGE AND POCKETS OF HIGH-COST LABOUR:

Our shortage of skilled, long-term labour is a particularly wide-ranging problem, with especially detrimental effects on agrifoods, mining, forestry, natural gas / LNG and marine transportation. In many cases, our industries are competing for labour with the Alberta oil sands, as well as with each other. At remote sites, labour costs are high; worker turnover is also high, contributing to decreased productivity.

COMPLEX REGULATORY ENVIRONMENT:

Timeliness and clarity around approvals for resource access and construction have major impacts on investment. Unfortunately, many sectors experience problems rooted in B.C.'s complex, restrictive, uncertain and varied regulatory environment. Lengthy approval processes plague mining. Natural gas, however, boasts an efficient, single-window regulator that provides a positive model for other sectors.

Land tenure is also of particular concern. In tourism, for example, tenure restrictions prevent outdoor adventure companies from investing in remote areas. Forestry, on the other hand, views the tenure system as supportive of investment; in this sector, it is the threat of change to the system that is seen as problematic.

Export restrictions, including restrictions on logs and inter-provincial restrictions on wines, bring additional challenges.

INFRASTRUCTURE INSUFFICIENT FOR GROWTH:

As our economy grows, our infrastructure requirements will also grow. Opportunities in LNG cannot be embraced, for instance, until the necessary export facilities are put into place. Our resource industries cannot expand without additional access to power. Our international student population cannot increase without more student residences.

Already, much of our infrastructure has reached its limits. While improvements to the Prince Rupert port have been made, marine terminals outside of Vancouver generally remain inadequate for our transportation needs. Meanwhile, our resource industries do not have sufficient road and rail access to respond to increasing demand.

DECREASING CAPITAL INVESTMENT:

Because of decreasing capital investment in many sectors, our existing infrastructure is also at risk. Agrifoods is facing the deterioration of its fishing fleet; tourism is facing the deterioration of its hotels.

LACK OF CLARITY AROUND FIRST NATIONS ISSUES:

Many sectors are affected by the lack of clarity regarding First Nations consultation and accommodation processes. Companies are uncertain about their obligations to engage and consult with First Nations. Mining, forestry, LNG and transportation will all benefit greatly once agreements are finalized.

SHRINKING U.S. MARKETS:

Many British Columbia sectors are experiencing a decrease in demand from traditional U.S. markets. In forestry, limits on softwood have curtailed U.S. imports. In tourism, a stronger Canadian dollar means fewer American visitors. In natural gas, a shift toward domestic supply is making the U.S. less reliant on our resources. As our U.S. export opportunities dwindle, rising demand from Asia becomes even more important to our future.

RESTRICTED INTERNATIONAL AIR TRAVEL:

Several sectors are hindered by international air restrictions. Tourism complains of inconvenient air access for travellers; technology suffers from a lack of direct flights to key U.S. and overseas markets.

TAXES:

The carbon tax is a significant issue, especially for energy-intensive, trade-exposed industries. Many sectors are also concerned about the implications of the transition from the GST to the PST and about rising corporate income taxes.

ENERGY COST AND AVAILABILITY:

Sectors such as mining are particularly vulnerable to increases in energy costs. Limited access to power in remote areas continues to be an issue for resource industries.

KEY RECOMMENDATIONS

While many of our strengths, limitations and opportunities apply widely, each sector is unique and will thrive by finding its own individual solutions. Some of our specific recommendations include:

In FORESTRY:

- *securing* our timber supply with a firm commitment to the existing tenure system;
- *re-envisioning* the industry's future as smaller but more competitive and capital-intensive, based on the effects of the mountain pine beetle epidemic; and
- *creating* a global centre of excellence to reinforce B.C.'s industry leadership.

In MINING:

- *redrafting* consultation and accommodation guidelines pertaining to First Nations claims;
- *expanding* our capacity to educate and train skilled trades and technical people;
- *ensuring* adequate funding for permitting resources in key ministries and agencies, and clearly defining permitting roles and responsibilities;
- *implementing* the SkillSource training program to link employers with apprentices; and
- *maintaining* a competitive tax policy as the province transitions back to the PST.

In NATURAL GAS/LNG:

- *reinforcing* and enhancing the single-window regulator model;
- *modifying* the carbon tax to put B.C. on competitive footing;
- *expanding* the domestic uses of natural gas, including its use in power generation;
- *developing* a long-term transportation plan;
- *pursuing* a strategy to deal with the labour shortage;
- *supporting* ongoing relationships between industry and First Nations; and
- *entrenching* the royalty credit program, updating the tenure system and streamlining the permitting process to provide investment certainty for LNG developers.

In AGRIFOODS:

- *increasing* our emphasis on fishery exports;
- *developing* new blueberry products;
- *expanding* our wine industry through exports and increased investment; and
- *modifying* immigration investment programs to help alleviate the labour shortage.

In TECHNOLOGY:

- *enhancing* B.C.'s investment tax credit program to increase commitments by private investors;
- *increasing* access to venture capital through the B.C. Renaissance Capital Fund; and
- *attracting* international venture capital and talent by offering income tax refunds to qualifying companies and employees.

In TOURISM:

- *coordinating* a province-wide destination marketing effort;
- *improving* international air access for tourists; and
- *investing* in promising niche markets.

In TRANSPORTATION:

- *supporting* the development and expansion of northern ports;
- *attracting* international shipping headquarters to B.C.;
- *modifying* the carbon tax;
- *increasing* the profile of the aerospace industry by establishing a B.C. industry association;
- *improving* B.C.'s access to aerospace markets in Canada and around the world;
- *developing* a strategy to attract B.C.'s share of federal procurement-related IRBs; and
- *developing* an aerospace manufacturing cluster to support B.C. manufacturing as a whole.

In INTERNATIONAL EDUCATION:

- *establishing* centralized, coordinated, B.C.-wide efforts for marketing, recruitment and application processing;
- *attracting* international students to skills training and technology programs; and
- *linking* international education and international investment opportunities.

In addition to these sector-specific suggestions, we recommend taking the following actions to benefit the economy as a whole:

- *nurturing* a positive overall business climate with an "open for business" approach, annual industry surveys, reviews of best practices from other jurisdictions and fiscal and regulatory guarantees to secure long-term capital investments;
- *addressing* labour issues with an overall labour supply strategy and a government / industry / labour team equipped with the necessary resources to respond to labour shortages through apprenticeship tax credits, more training slots, better integration of school career development programs with skilled labour opportunities, and a review of how to integrate foreign workers into the workplaces that require them;
- *ensuring* a strong infrastructure, with shared use of Forest Service Roads, ongoing royalty infrastructure programs at current funding levels and expanded rail infrastructure;
- *maintaining* a strong fiscal environment with an efficient re-implementation of the PST and significant modifications to the carbon tax;
- *working* more closely with business and First Nations to support resource development opportunities; and
- *continuing* to focus on sustainability and quality of life – both of which remain key competitive factors that attract people to live and work in our province.

Clearly, British Columbia has everything necessary – the abundant resources, the talent and the crucial advantage as Canada's gateway to Asia's rising economies – to thrive in the global marketplace. Given the intense competition for international investment and the mobile nature of capital, though, we must act quickly and make the right choices in order to succeed.

It is the sincere hope of the British Columbia Jobs and Investment Board that this report will help lead to a clear path forward for our province.

FORESTRY

Forestry plays a vital role in the economy of British Columbia, contributing more than $8 billion to our GDP, employing more than 53,000 people and accounting for more than 50 per cent of our internationally exported goods.

Our province boasts more than 60 million hectares of forested land containing enormous volumes of timber. Our forestry sector is made up of a number of interconnected industries involved in forest management, harvesting, wood-product manufacturing, pulp, paper and bio-refining. British Columbia is also a leader in advanced wood technology; through our research and innovation, we can unlock the potential of forest products previously dismissed as waste, giving them new value as raw materials for next-generation forest products.

B.C.'s forestry sector has only recently begun to recover from the worldwide recession. This recovery was in large part due to the work of government and industry in finding new Asian markets for our products. Today, we are one of the world's largest exporters of wood, with leading market shares in the United States, China, Japan, South Korea and Taiwan. We provided more than $1 billion worth of softwood lumber to China in 2011 – filling 48.7 per cent of that country's softwood import needs.

Now, by capitalizing on our competitive advantages and taking hold of new market opportunities, British Columbia forestry can transition to a future that is more competitive and more capital-intensive than ever before.

CURRENT SITUATION:

STRENGTHS	WEAKNESSES
HIGH-QUALITY LABOUR HIGH-QUALITY TIMBER EFFICIENT SAWMILL PRODUCTION IN INTERIOR SUPPORTIVE TENURE SYSTEM CLOSE PROXIMITY TO U.S. AND CHINESE MARKETS EFFICIENT TRANSPORTATION INFRASTRUCTURE COMPETITIVE CORPORATE TAX RATES STABLE POLITICAL ENVIRONMENT STRONG GOVERNMENT SUPPORT	HIGH LABOUR COST AND LIMITED LABOUR AVAILABILITY DECLINE IN SUPPLY AND QUALITY RESULTING FROM MOUNTAIN PINE BEETLE EPIDEMIC UNCERTAINTY AROUND FIRST NATIONS LAND CLAIMS UNDERCAPITALIZED COASTAL INDUSTRY DECLINE IN TRADITIONAL U.S. MARKETS DECLINE IN GLOBAL DEMAND AND PRICE FOR PULP AND PAPER LACK OF RAIL COMPETITION EXPORT RESTRICTIONS ON LOGS
OPPORTUNITIES	**THREATS**
GROWING ASIAN DEMAND UPTURN IN U.S. HOUSING MARKET BIO-PRODUCTS FROM WASTE WOOD DEVELOPMENT OF A TRAINED FIRST NATIONS WORKFORCE	REGULATORY UNCERTAINTY LOSS OF SKILLED LABOUR TO OTHER INDUSTRIES REDUCTION IN ALLOWABLE CUT 2015 EXPIRY OF SOFTWOOD LUMBER AGREEMENT RISING PROPERTY TAXES

British Columbia's strengths in forestry are well established: large amounts of high-quality timber, high-quality labour, close proximity to key markets in the U.S. and China, an efficient transportation infrastructure and a stable political environment. Government support has helped ensure global competitiveness through favourable corporate tax rates and an agreeable tenure system that guarantees supply and fair pricing, reduces uncertainty and anchors capital investment.

These strengths help ready British Columbia for rising global opportunities including the growth in Asian markets, the upturn in the U.S. housing market and new markets for waste-wood-based bio-products.

Several sector weaknesses, however, threaten our ability to fully embrace these opportunities. B.C. forestry has been severely harmed by the mountain pine beetle epidemic, which has lessened both the quality and quantity of our wood. The decline in the U.S. housing market and U.S. initiatives to protect their domestic softwood lumber industry have shrunk our traditional markets. Global demand has also declined, as have international prices for pulp and paper. At the same time, our forestry sector is hindered by a labour force that, while highly trained, is too small and too expensive. This problem is exacerbated by our aging workforce and by competition for labour from other industries, including the Alberta oil sands and B.C.'s own developing LNG sector. In addition, our coastal industry has become undercapitalized, and the sector overall is hampered by the bureaucracy and uncertainty around First Nations issues and by high monopoly rail rates.

Further, B.C.'s export restrictions on logs lead to an unpredictable supply and act as a disincentive to investment by Asian and domestic firms.

Future threats to the industry include the possibility of changes to the regulatory system, including tenure, which would increase risk and decrease new capital investment. In addition, the interior industry is particularly vulnerable to a reduction in the annual allowable cut. The 2015 expiry of the Softwood Lumber Agreement adds further uncertainty.

RECOMMENDATIONS FOR GROWTH:

Our recommendations for improving British Columbia's investment climate include securing our timber supply, re-envisioning the industry's future based on the realities of the effects of the mountain pine beetle epidemic, and creating a global centre of excellence to reinforce B.C.'s leadership in forestry.

TOP-THREE RECOMMENDATIONS

RECOMMENDATION #1: *Provide a secure and reliable timber supply*

Any erosion of long-term tenure rights or fundamental changes to our timber-pricing model could seriously undermine British Columbia's future global competitiveness. We strongly recommend committing to a secure and reliable timber supply and a consistent, market-based forest policy that promotes investment. Specifically, we recommend:

- *making* a firm commitment to the tenure system that respects existing investments and tenure;
- *making* a firm commitment to a timber pricing system that allows operators to compete in the marketplace and make an adequate return on investment over time;
- *ensuring* a stable supply of raw material;
- *eliminating* the appurtenancy requirement for timber allocation and removing the five per cent take-back on tenure transfer;
- *ensuring* that wood flows to the highest-value end use;
- *modifying* the tenure system as sawmill capacity is reduced to support whole log chipping for pulp mills; and
- *defining* where the Working Forest designation will apply in B.C.

RECOMMENDATION #2: *Establish a vision for the future of the industry*

The mountain pine beetle epidemic is causing very significant timber shortages in British Columbia's interior. Given this challenge, we strongly encourage government to work with industry to establish a vision for how B.C. forestry can transition to a smaller but more competitive and capital-intensive industry.

RECOMMENDATION #3: *Create a global centre of excellence*

We recommend working with industry to create a global centre of excellence for the forest products industry. The centre – based in B.C.'s interior, in the midst of our world-leading manufacturing facilities – would strengthen our leadership position as stewards of our forests and leading innovators in wood products manufacturing, while providing a new source of employment and economic activity to a region that will suffer the consequences of future reductions in timber harvesting.

Specifically, we recommend:

- ***encouraging*** collaboration between the forestry schools at UBC, UNBC and TRU;
- ***encouraging*** the growth of B.C.'s trades and wood technology schools;
- ***further*** exploiting the work of FPInnovations; and
- ***promoting*** the growth and development of B.C.'s equipment, engineering and software development companies.

ADDITIONAL RECOMMENDATIONS

RECOMMENDATION #4: *Continue to provide supportive energy policies*

We recommend continuing to provide supportive energy policies to industry, including:

- ***developing*** an energy supply strategy that correlates with and addresses industry development strategies;
- ***enabling*** more reliable transmission services to remote operations, primarily in B.C.'s interior;
- ***offering*** uniform industrial energy efficiency incentives and creating parallel / competitive electricity rates between B.C.'s regions; and
- ***exploring*** environmental permit review issues related to renewable energy projects and identifying opportunities for improvement and certainty.

RECOMMENDATION #5: *Promote B.C. wood products in Asia and at home*

The growth in the Chinese market for lumber has been instrumental to the continued operation of B.C.'s sawmills. We recommend a continued focus on promoting and marketing B.C. wood products in Asia.

In addition, we recommend continuing B.C.'s Wood First program, promoting the domestic use of wood in publicly funded buildings and in commercial and residential buildings up to six stories.

RECOMMENDATION #6: *Consult with Aboriginal groups to promote better understanding*

We recommend increasing resources to ensure that the Province has the time and capacity to build meaningful, collaborative, non-confrontational relationships with Aboriginal groups and to minimize the uncertainty around land claims.

RECOMMENDATION #7: *Attract and retain skilled workers*

The forestry sector is facing a crisis in its ability to attract and retain skilled workers. In addition, the sector is bracing for a wave of upcoming retirements. We recommend:

- *including* additional occupations in the BC Provincial Nominee Program;
- *developing* an integrated jobs, training and labour attraction strategy to bring workers to rural communities; and
- *supporting* skilled labour mobility through community transition support.

RECOMMENDATION #8: *Make rail costs more competitive*

Because most of the interior industry is dependent on a single railroad to move products to market, rates and services are uncompetitive. Rail transport, in fact, is the sector's second-biggest expense after wood. We recommend continuing to work with the federal government to explore further solutions to building a more competitive rail service.

RECOMMENDATION #9: *Maintain a competitive tax environment*

Property taxes and the carbon tax threaten to impede our forestry sector's competitiveness. We recommend ensuring that the overall B.C. tax environment remains competitive with that of other jurisdictions in Canada and the U.S.

RECOMMENDATION #10: *Maintain B.C.'s leadership role in forestry*

We recommend focusing on maintaining British Columbia's position as a leader in forestry. Specifically, we recommend:

- *continuing* to support the objectives set out by the industry;
- *recognizing* the forest sector as a backbone of B.C.'s economy;
- *continuing* to nurture and advocate for a healthy, growing and dynamic forest industry while ensuring that all standards and regulations are met; and
- *continuing* British Columbia's world-recognized environmental standards for forest practices and certification to ensure that B.C. continues to be a world leader in sustainable forestry.

MINING

Rich in natural resources and boasting 150 years of mining history, British Columbia is internationally recognized as a centre of mining expertise. Over 850 mineral exploration and development companies – including two of the world's largest – and 400 service suppliers choose Vancouver as their base of global operations. B.C. is also home to the world's largest concentration of professional geoscientists.

Our key mined commodities are coal, copper, molybdenum, gold, silver, zinc and lead. Twenty-one mines currently operate throughout B.C., including 10 coal mines, 11 metal mines and numerous industrial mineral mines.

Coal accounts for about two-thirds of B.C.'s mining activity, with production of almost $5 billion in 2012. B.C. is Canada's largest coal exporter and the world's third-largest by volume. B.C. is also Canada's largest producer of copper, and the country's only producer of molybdenum.

In 2012, mineral production in B.C. was approximately $7.4 billion and exploration expenditures were approximately $680 million – a 47 per cent increase from 2011. In 2011, mining provided jobs for more than 29,000 people and contributed more than $400 million in mineral-tax revenues. Now, as Asian demand increases sharply, British Columbia mining has the opportunity for even more significant growth.

CURRENT SITUATION:

STRENGTHS	WEAKNESSES
DEPOSITS VANCOUVER'S REPUTATION AS A MINING CENTRE OF EXCELLENCE HIGH-QUALITY LABOUR FORCE STABLE ECONOMIC AND POLITICAL CLIMATE HIGH-QUALITY TRANSPORTATION INFRASTRUCTURE LOW-COST POWER	LACK OF CERTAINTY AROUND FIRST NATIONS ISSUES SHORTAGE OF SKILLED, LONG-TERM LABOUR HIGH LABOUR COSTS AND HIGH TRAINING COSTS LACK OF SUFFICIENT TRANSPORTATION INFRASTRUCTURE LACK OF SUFFICIENT ENERGY SUPPLY IN REMOTE AREAS RESTRICTIVE REGULATORY ENVIRONMENT AND LENGTHY PERMITTING PROCESS LIMITED ACCESS TO TIDEWATER IN SOME LOCATIONS
OPPORTUNITIES	**THREATS**
RISING LONG-TERM ASIAN DEMAND FOR B.C. COMMODITIES AND NATURAL RESOURCES ENGAGEMENT AND REVENUE-SHARING AGREEMENTS WITH FIRST NATIONS EFFORTS TO HARMONIZE AND STREAMLINE FEDERAL AND PROVINCIAL ENVIRONMENTAL ASSESSMENT PROCESSES	TAX CHANGES RELATED TO GST-TO-PST TRANSITION CHANGES IN REGULATIONS CHANGES IN ROYALTY PAYMENTS INCREASES IN ELECTRICITY COSTS ISSUES WITH DELEGATION OF AUTHORITY OF THE ENVIRONMENTAL ASSESSMENT ACT

Our mining sector enjoys a number of strengths: abundant deposits, a reputation as a mining centre of excellence, a well-educated (though limited) workforce and a stable, investment-friendly economic and political climate.

To fully capitalize on the opportunities arising from growing long-term Asian demand, however, we must deal with the complex challenges that stifle our growth. One central concern is our regulatory environment. Our environmental assessment review process is onerous and duplicative. Government's efforts to streamline federal and provincial EA processes offer an important opportunity for the sector.

First Nations land claims present another key challenge, adding uncertainty to the approval process and to the operating environment. Other barriers to investment include the high cost and scarcity of long-term labour, a transportation infrastructure in need of expansion, a lack of energy supply in remote areas and inadequate access to tidewater in some locations.

Possible threats to the future growth of the mining industry include potential changes in regulations or royalty payments, increases in the cost of electricity, and changes to the overall tax regime as the province transitions back to the PST.

RECOMMENDATIONS FOR GROWTH:

Our recommendations address the wide range of issues facing British Columbia's mining sector.

TOP-THREE RECOMMENDATIONS

RECOMMENDATION #1: *Redraft First Nations guidelines*

The process surrounding First Nations land claims continues to add uncertainty to the approval process and to the operating environment. We recommend that the provincial government redraft the consultation and accommodation guidelines pertaining to First Nations claims. This will improve the transparency of the process and more clearly define which tasks are the responsibility of the Crown and which are the responsibility of the private sector.

RECOMMENDATION #2: *Address the labour shortage*

The British Columbia mining industry – in competition with the Alberta oil sands – faces a significant skilled labour shortage. We recommend expanding our province's capacity to educate and train skilled trades and technical people in occupations relevant to mining. To this end, we recommend increasing support of the BC Aboriginal Mine Training Association and of Northwest Community College's School of Exploration & Mining. We also recommend working with industry and labour to implement the Resource Training Organization's proposed SkillSource training program and attracting qualified immigrants to mining.

RECOMMENDATION #3: *Maintain a competitive tax policy*

Mining's overall tax regime must remain competitive as British Columbia transitions back to the PST. Specifically, we must address the effective tax rate on invested capital. We suggest clarifying or expanding PST exemptions for machinery and equipment and reforming property tax policies for major industry.

We also recommend:

- ***maintaining*** the corporate income tax, B.C. Mineral Tax and carbon tax at their current levels;
- ***reducing*** the statute of limitation for the B.C. Mineral Tax from six to four years (making it equivalent to the PST statute);
- ***modifying*** the manufacturing and processing PST exemption to cover new mine construction and equipment;
- ***clarifying*** the manufacturing and processing PST exemption to ensure that qualifying machinery and equipment covers equipment used throughout a mine site, including in waste and material management and in transporting and managing water and tailings ponds;
- ***grandfathering*** industrial construction contracts signed under the HST, which assumed net-zero sales tax;
- ***encouraging*** the Government of Canada to expand the definition of "exploration" under the federal Income Tax Act to include spending on or near a closed property; and
- ***reinstating*** a prospector's grant or incentive program (similar to that of 2001) to promote a robust exploration industry and attract major investment.

ADDITIONAL RECOMMENDATIONS

RECOMMENDATION #4: *Consult with First Nations to promote better understanding*

We recommend increasing resources to ensure that the Province has the time and capacity to build meaningful, collaborative, non-confrontational relationships with First Nations. We also recommend providing clear and consistent directives to the private sector that will support companies in their engagements with First Nations. This includes providing help for companies in understanding their obligations to consult or inform on specific projects. Further, we encourage efforts to ensure the prompt finalization of treaty agreements.

RECOMMENDATION #5: *Take additional steps to address the labour shortage*

In addition to the steps identified in our top-three recommendations, we propose several additional initiatives to encourage careers in mining. These include:

- ***maintaining*** competitive income tax rates to attract and retain skilled workers;
- ***working*** with the federal government to communicate labour market information;
- ***developing*** outreach programs to engage workers from underrepresented groups, including First Nations and women; and
- ***developing*** more mining-related curriculum at the K-12 level.

We suggest placing additional emphasis on attracting immigrants to mining. Specifically, we recommend:

- ***improving*** programs, such as the Provincial Nominee Program, to ensure they are meeting government's objectives;
- ***marketing*** mining opportunities through British Columbia's international trade offices;
- ***including*** a labour recruitment and awareness component to international resource trade missions; and
- ***exploring,*** along with industry, new ways to work with federal government agencies to promote career opportunities to new and prospective immigrants.

We also recommend increasing support for training and certification, specifically:

- ***enriching*** the general apprenticeship training tax credit and making it available to the mining sector;
- ***introducing*** tax credits, similar to those in the film and shipbuilding industries, to help address training costs, a significant barrier for many companies;
- ***expanding*** existing initiatives such as the Northern Skills Training Pilot and the Industry Training Authority programs; and
- ***providing*** support to the federal government's Canadian Mining Certification Program.

RECOMMENDATION #6: *Invest in infrastructure to ensure access to resources*

Reliable power and superior transportation infrastructure are essential to mining's success. We recommend:

- ***making*** investments to guarantee a continuing supply of cost-effective and reliable power, even in remote regions;
- ***partnering*** with industry to invest in critical infrastructure for new projects in a jointly chosen region;
- ***expanding*** and increasing access to ports, specifically:
  - continuing to invest in Canada's Pacific Gateway to open access to Asian markets
  - supporting the federal government's divestiture of Ridley Terminals and encouraging a sales process that will facilitate the long-term sustainability of the port
- ***encouraging*** cross-industry cooperation regarding roads and rails, specifically:
  - creating policy that enables and encourages the shared use, monitoring and maintenance of Forest Service Roads
  - exploring and supporting cross-industry use of rail, particularly in northwest British Columbia.

RECOMMENDATION #7: *Streamline the regulatory environment*

The current regulatory environment is onerous and plagued by redundancy. We recommend:

- ***establishing*** a cross-government team to draft enabling legislation;
- ***ensuring*** adequate funding for permitting resources in key ministries and agencies, and clearly defining permitting roles and responsibilities;
- ***including*** geologists, economists and other technical experts in the permit review process;
- ***applying*** learning from Saskatchewan's Environmental Assessment (EA) process to our EA harmonization process; and
- ***collaborating*** with the federal government on any further modifications to the Health, Safety and Reclamation Code.

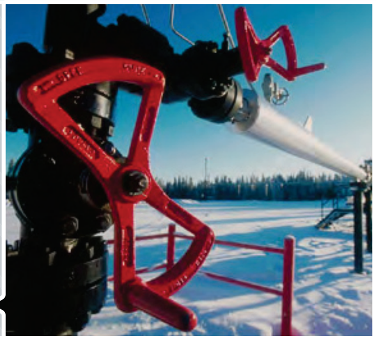
RECOMMENDATION #8: *Market our mining resources*

More aggressive marketing of British Columbia's resources, particularly to Asian markets, will help drive our future success in mining.

We recommend undertaking market research with Asian investors to learn about foreign investment criteria and marketing preferences. Based on this research, we recommend developing a marketing program, comparable to Australia's federal-state program, to promote British Columbia's assets and geology directly to Asian markets.

In addition, we suggest:

- ***continuing*** to provide financial support to the British Columbia Geological Survey (BCGS);
- ***translating*** BCGS reports and other geosciences materials into Asian languages;
- ***including*** BCGS staff and government permitting staff in trade missions to increase understanding of our permitting process;
- ***committing*** to long-term funding for Geoscience BC; and
- ***working*** to reclaim MapPlace's status as a leading resource.



NATURAL GAS & LIQUEFIED NATURAL GAS

The upstream natural gas industry is already a significant economic driver and revenue generator for British Columbia. For more than 50 years, we have ranked second only to Alberta in natural gas production in Canada. With current annual production at 1.1 trillion cubic feet and 2010 industry investment of over $7 billion, the sector provides tens of thousands of jobs.

Now, the potential for British Columbia is growing. Discoveries of unconventional gas and shale resources and breakthroughs in drilling technology have added substantially to our marketable reserves. These include two of North America's most promising natural gas plays, the Montney and Horn River, which together contain an estimated 1,200 trillion cubic feet of natural gas.

As the abundance of our reserves becomes evident, world demand is on the increase. Global trade in liquefied natural gas (LNG) doubled between 2000 and 2010 and is expected to increase another 50 per cent by 2020. In response, British Columbia is working toward having the province's first LNG plant in operation by 2015, with additional LNG facilities operating by 2020. With these facilities in place and with our competitive advantages in this valuable LNG market, our opportunities for growth are greater than ever before.

CURRENT SITUATION:

STRENGTHS	WEAKNESSES
SIGNIFICANT NATURAL GAS RESERVES	INSUFFICIENT LABOUR SUPPLY
STRONG FISCAL ENVIRONMENT	HIGH LABOUR COSTS AT REMOTE SITES
EFFICIENT SINGLE-WINDOW REGULATORY ENVIRONMENT	LACK OF LNG TERMINAL INFRASTRUCTURE
POSITIVE REPUTATION AMONG INTERNATIONAL INVESTORS	LENGTHY LNG PERMITTING PROCESS
STABLE POLITICAL ENVIRONMENT	TENURE NOT REFLECTIVE OF UNCONVENTIONAL GAS DEVELOPMENT
CONVENIENT PROXIMITY TO ASIA	LACK OF FIRST NATIONS ENGAGEMENT IN DISCUSSIONS AROUND LNG DEVELOPMENT
	CARBON TAX NOT FACED BY COMPETITORS

OPPORTUNITIES	THREATS
INCREASING ASIAN DEMAND	SHRINKING U.S. MARKET
INTERNATIONAL INVESTOR INTEREST IN EXPORTING LNG FROM BC TO ASIA	INCREASING LNG COMPETITION FROM AUSTRALIA, U.S., EAST AFRICA AND ELSEWHERE
USE OF NATURAL GAS AS A PRIMARY ENERGY GENERATOR	RE-IMPLEMENTATION OF PST

Our strengths in the natural gas / LNG sector are numerous: significant reserves, convenient proximity to fast-growing Asian markets, an efficient single-window regulator, a strong fiscal environment and a stable political climate that contributes to our international reputation as an attractive place to invest.

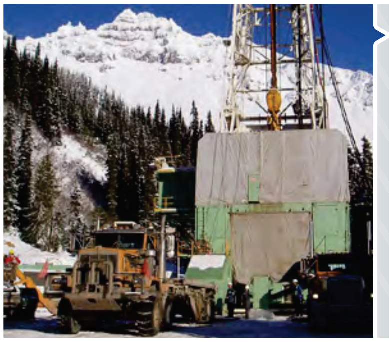
The sector is on the cusp of some key opportunities. China's consumption is expected to triple over the next 15 years, which could increase our exports dramatically. And international investors have shown keen interest in investing in liquefying and shipping natural gas from British Columbia to Asia.

Several factors, however, currently limit our ability to take advantage of these opportunities. British Columbia suffers from an insufficient labour supply and lacks the LNG terminal infrastructure and natural gas pipeline connections to service growing Asian demand. Other weaknesses include high labour costs, especially at remote sites; a potentially lengthy LNG permitting process; inadequate First Nations engagement in discussions around LNG development; B.C.'s high carbon tax; and a tenure system that is unreflective of unconventional gas development.

Potential threats to the sector include shrinking export opportunities to the United States resulting from the U.S. plan to become self-sufficient in natural gas by 2035. In addition, B.C. faces increasing competition as Australia, the U.S. and East Africa look to increase their LNG exports to Asia, and as China organically develops its natural gas supplies. The re-implementation of the PST raises additional concerns around our sector's future competitiveness.

RECOMMENDATIONS FOR GROWTH:

Our recommendations for improving British Columbia's investment climate in this sector target both upstream natural gas and LNG.



TOP-THREE RECOMMENDATIONS: *Natural Gas*

RECOMMENDATION #1: *Reinforce and enhance the single-window regulatory model*

The efficiency of British Columbia's natural gas regulatory environment is one of the industry's key strengths. We recommend reinforcing and enhancing this single-window model, ensuring that the permit and approval processes remain timely and well coordinated across agencies at various levels of government.

We also recommend more strongly asserting the government's commitment to being "open for business" and to demonstrating this commitment across and within all government ministries and agencies.

RECOMMENDATION #2: *Modify the carbon tax*

British Columbia's carbon tax puts our natural gas companies at a significant competitive disadvantage. We recommend making substantial modifications to the carbon tax for the natural gas / LNG sector, including harmonization with the federal regulatory approach. While we acknowledge the fiscal implications involved, we recommend implementing these modifications as soon as possible.

In addition, we recommend considering extending PST exemptions for machinery, equipment and chemicals to ensure the competitiveness of the upstream natural gas and LNG sectors.

RECOMMENDATION #3: *Expand the domestic uses of natural gas*

British Columbia's abundant natural gas resources have widespread domestic use. We recommend modifying the provincial energy policy to allow for greater use of natural gas as a primary power source in urban and industrial areas. We also recommend promoting alternative applications of natural gas, including transportation fuel, gas-to-liquids and petrochemical production.

ADDITIONAL RECOMMENDATIONS: *Natural Gas*

RECOMMENDATION #4: *Develop a long-term transportation plan*

We recommend working jointly with industry to ensure that sufficient transport infrastructure is in place for the developing natural gas sector.

RECOMMENDATION #5: *Entrench the royalty infrastructure program*

We recommend entrenching the royalty infrastructure program to provide investors with greater investment certainty.

TOP-THREE RECOMMENDATIONS: *Liquefied Natural Gas*

RECOMMENDATION #1: *Address the labour shortage*

Our insufficient labour supply – particularly in skilled trades, technical and managerial workers – is a major industry concern. In terms of building our necessary LNG infrastructure, this shortage could require that new facilities be constructed modularly overseas with only final assembly occurring in B.C. – thus greatly reducing the benefits to our local and provincial economies.

We recommend that industry and the federal and provincial governments join together to develop a strategic and coordinated strategy to address LNG labour issues. Specifically, we recommend:

- *developing* and mobilizing local skills through initiatives like the Employment Skills Access Program;
- *targeting* under-represented groups including women, youth and First Nations;
- *working* with the federal government to facilitate an improved program to fast-track temporary foreign workers to help fill immediate labour gaps; and
- *creating* a database of available skilled workers and small- and medium-sized service companies able to support LNG development and upstream activities.

RECOMMENDATION #2: *Support relationships between industry and First Nations*

We recommend continuing to work to develop cooperative relationships between industry and First Nations to help reach solutions around LNG development that recognize the interests of First Nations communities and the province as a whole.

RECOMMENDATION #3: *Provide investment certainty to LNG developers*

LNG infrastructure projects are highly capital intensive. We recommend putting long-term fiscal arrangements and regulatory agreements in place to promote investment certainty and accelerate LNG development in British Columbia. Specifically, we recommend:

- *updating* the natural gas royalty credit program to reflect emerging opportunities like those in the Liard Basin and Cordova Embayment;
- *continuing* to engage with the oil and gas industry to explore options for modernizing the tenure system to reflect unconventional natural gas development opportunities; and
- *working* with the federal government to provide a more competitive capital cost allowance schedule for LNG facilities.

ADDITIONAL RECOMMENDATIONS: *Liquefied Natural Gas*

RECOMMENDATION #4: *Streamline the LNG permitting process*

Our existing LNG permitting process is unnecessarily lengthy and detrimental to our numerous proposed LNG projects. We recommend expeditiously streamlining the permitting process to provide certainty and facilitate LNG development. Specifically, we recommend:

- *ensuring* a single environmental review;
- *providing* defined timelines;
- *advancing* the concept of an energy corridor; and
- *eliminating* the need for National Energy Board export license reviews.

RECOMMENDATION #5: *Build strong relationships within Asian markets*

Strong international relationships are essential to tapping into the increasing global demand for natural gas. As the U.S. market shrinks and British Columbia faces growing competition from China's organic growth as well as from Australia, the U.S. and East Africa, these relationships become even more important. We recommend creating opportunities to build trusted relationships within Asian markets.

AGRIFOODS

British Columbia's agrifoods sector is the most diversified in Canada. Our producers offer an array of more than 200 agricultural commodities and 100 seafood products and are supported by more than 1,400 food-processing businesses.

Agrifoods are a key economic driver for the province, providing more than 61,300 jobs and generating close to $10.5 billion annually. Each year, the sector exports $2.5 billion worth of goods to 135 countries around the world.

In recent years, B.C.'s agrifoods industry has been expanding by about seven per cent annually. Now, it is primed for even more significant growth. We lay claim to diverse and internationally respected fisheries; we are the world's leading producer of high-bush blueberries; we are the proud maker of wines with global cachet. By capitalizing on these strengths and addressing our existing barriers to growth, we can realize the full potential of this core B.C. industry.

CURRENT SITUATION:

STRENGTHS	WEAKNESSES
THRIVING FISHERIES STRONG VITICULTURE INDUSTRY SUBSTANTIAL BLUEBERRY PRODUCTION NICHE FRUIT AND SEAFOOD PRODUCTS, INCLUDING LATE CHERRIES AND A WIDE VARIETY OF APPLES COMPETITIVE CORPORATE TAX RATES STRONG PARTNERSHIP WITH FIRST NATIONS	LIMITED SECONDARY PROCESSING CAPACITY RESTRICTIVE REGULATORY ENVIRONMENT HIGH LAND COST HIGH LABOUR COST AND LIMITED LABOUR AVAILABILITY HIGH SALES TAX AND CARBON TAX RESTRICTIVE IMMIGRANT WORKER RULES
OPPORTUNITIES	**THREATS**
WIDER RANGE OF BLUEBERRY PRODUCTS MORE COMPETITIVE WINES CARBON TAX RELIEF FOR COMMERCIAL GREENHOUSES AND FLORICULTURE IMPROVED ACCESS TO ASIAN MARKETS FOR BLUEBERRIES AND CHERRIES	INCREASING COMPETITION FROM DEVELOPING BLUEBERRY AND OTHER AGRIFOODS INDUSTRIES IN FLORIDA AND ELSEWHERE WORSENING CONDITION OF FISHING FLEET DUE TO DECREASING CAPITAL INVESTMENT

Our strengths in agrifoods are numerous: thriving fishing, blueberry and viticulture industries; niche products; a competitive, investment-friendly tax environment; and constructive relationships between industry and First Nations. Our opportunities for growth are rooted in these strengths. Most immediately, we see significant potential in expanding our range of blueberry products and in increasing our investment in viticulture.

Several factors, however, currently limit our growth. Because British Columbia's processing facilities offer low short-term financial returns and are not feasible on Agricultural Land reserve property, we have insufficient secondary processing capacity. The sector is further restricted by a regulatory environment that curbs exports, discourages capital investment in fisheries, hampers our ability to attract investment from outside British Columbia, leads to high quota pricing and complicates cross-border transportation. High land costs – as compared to Alberta, Saskatchewan, California and Nevada – high sales tax and carbon tax, and a combination of high cost and limited availability of labour present additional barriers to entry.

Potential future threats to the industry include rising competition; blueberry producers, for instance, face increasing competition from U.S. jurisdictions such as Florida, which benefit from lower costs of production. In addition, the industry faces the deterioration of the fishing fleet, a result of funds being used to acquire quota rather than make capital investments in facilities.

RECOMMENDATIONS FOR GROWTH:

Our recommendations for improving British Columbia's investment climate in the agrifoods sector include increasing our emphasis on aquaculture and commercial fisheries, blueberries and wine, and modifying the immigration investment programs.

TOP-THREE RECOMMENDATIONS

RECOMMENDATION #1: *Grow the aquaculture and commercial fisheries market*

Our fisheries supply customers across North America and Asia with almost $620 million in seafood products each year. Known worldwide for our wild and farmed salmon, we also farm and harvest groundfish, shellfish, herring and marine plants.

Already diverse and internationally respected, British Columbia fisheries offer tremendous potential for further growth. Opportunities abound for both wild and farmed products, in markets both at home and abroad.

Specifically, we recommend targeting double-digit growth for exports to China, developing a seafood market exchange and more rigorously promoting seafood to international, Canadian and British Columbia consumers.

RECOMMENDATION #2: *Develop new blueberry products*

More than 450 British Columbia families farm 3,500 hectares to produce 18 million kilograms of blueberries each year – 95 per cent of Canada's total. About half of the harvest is processed; the other half is bought fresh for export and local consumption.

Lauded for their tremendous health benefits, blueberries have recently garnered great market interest. And British Columbia – the world's largest producer of high-bush blueberries – is perfectly poised to capitalize on this appeal. To build this very promising industry to its full potential, we recommend that new products be developed to enhance our current range of offerings.

RECOMMENDATION #3: *Expand the wine industry*

Over the past two decades, the VQA program has helped British Columbia's high quality, food-friendly wines earn worldwide recognition. In 2011 alone, B.C. wines won 2,100 international awards. We currently boast in excess of 10,000 acres of grapes and more than 200 wineries – and we have the strength and the momentum to expand.

Exports are key to this expansion. Providing tax breaks to local producers will make British Columbia wines more competitive nationally and internationally; working with the federal government to expand free-trade agreements and remove inter-provincial restrictions on direct personal shipments will further fuel this export growth.

In addition, we recommend developing a program to link complimentary viticulture products. We also recommend pursuing outside investment to allow this capital-intensive industry to reach its full potential.

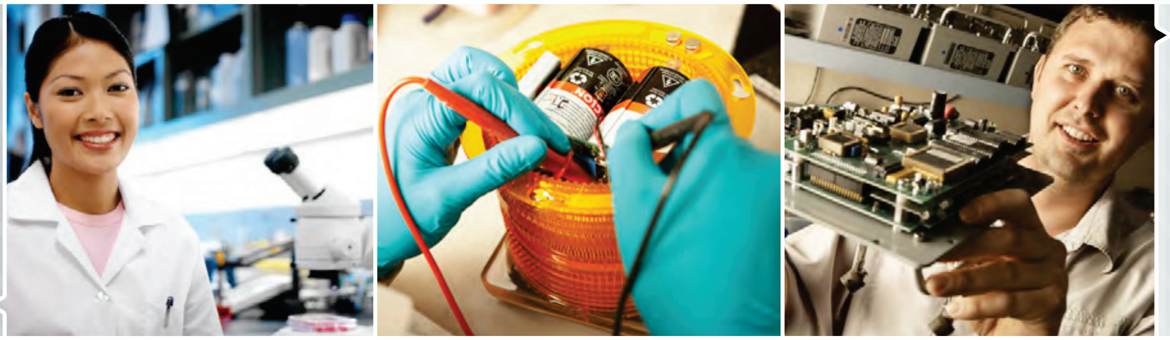
ADDITIONAL RECOMMENDATIONS

RECOMMENDATION #4: *Modify our immigration investment programs*

Faced with a lack of available workers, agrifoods businesses – notably wineries – are often forced to import labour at high cost.

The current immigration investment program offers only 3,500 placements in British Columbia each year – not enough to satisfy industry demand. We recommend increasing the number of placements. In addition, we recommend implementing a system whereby immigrant labour applications are pooled, allowing a group of small businesses to share workers rather than hire on an individual, whole-time-equivalent basis.

We also recommend establishing an immigrant venture capital corporation to encourage immigrants to invest in and reap the benefits of the industry in which they work.



TECHNOLOGY

British Columbia's technology sector boasts a wealth of talent working in a diverse range of companies. Our 8,900 established businesses and 18,750 emerging enterprises have developed unique advantages in several key sub-sectors: clean technology, digital media, health and life sciences, and information communication technologies (ICT) and wireless.

An important economic driver for B.C., technology employs more than 84,000 people – more than forestry, mining and oil and gas combined – and accounts for 5.9 per cent of our gross domestic product.

Technology is one of the decade's fastest-growing sectors, and the second-fastest creator of new private sector jobs in the province. Revenues grew from $12.1 billion in 2001 to $18.9 billion in 2009. During that time, exports nearly doubled, to 10.5 per cent of the province's 2009 total.

Now, by setting priorities and investing in critical areas, we can drive even more significant growth in this valuable B.C. industry.

CURRENT SITUATION:

STRENGTHS	WEAKNESSES
UNIQUE ADVANTAGES IN CLEAN TECHNOLOGY, DIGITAL MEDIA, HEALTH & LIFE SCIENCES, ICT & WIRELESS	LIMITED ACCESS TO CAPITAL
HIGH-QUALITY LABOUR FORCE	INADEQUATE IMMIGRATION POLICIES
HIGH QUALITY OF LIFE	HIGH HOUSING COSTS (VANCOUVER)
COMPETITIVE CORPORATE TAX RATES	LAGGING INVESTMENT IN R&D
POSITIVE BUSINESS CLIMATE	LAGGING RATE OF PATENTS GRANTED
STABLE POLITICAL ENVIRONMENT	LAGGING RATE OF UNDERGRADUATE DEGREES GRANTED
CLOSE PROXIMITY TO SILICON VALLEY	LACK OF DIRECT FLIGHTS TO KEY U.S. AND OVERSEAS MARKETS
	PERCEIVED LACK OF GOVERNMENT STRATEGY IN SUPPORTING INDUSTRY GROWTH
	LACK OF AGGRESSIVE INDUSTRY INCENTIVES

OPPORTUNITIES	THREATS
▸ INCREASE IN PRIVATE ANGEL INVESTMENT (E.G. SMALL BUSINESS BC VENTURE CAPITAL PROGRAM) ▸ NEW FOREIGN VENTURE CAPITAL AND SKILLED TECHNOLOGY THROUGH ADVANTAGEBC	▸ LOSS OF INVESTMENT TO JURISDICTIONS WITH MORE ATTRACTIVE TAX INCENTIVES ▸ WORLDWIDE DECLINE IN VENTURE CAPITAL INVESTMENT

Our technology sector is built on numerous strengths. We have unique advantages in several key sub-sectors and a high-quality, well-educated workforce. Our competitive corporate tax rates, positive business climate, stable political environment and close proximity to and shared time zone with the Silicon Valley help us attract investment. Our high quality of life helps us draw skilled workers.

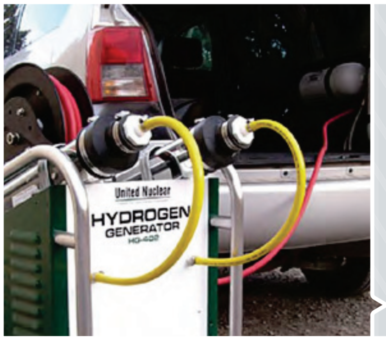
The sector is held back, however, by limited access to capital. Technology is largely fuelled by private equity. While worldwide investment in venture capital is on the decline, the amount of venture capital available for start-up and early-stage firms in Canada is particularly low – about 2 1/2 times lower, in fact, than in the U.S. Nevertheless, a tripling of private angel investment in Small Business BC's venture capital program – from $31 million in 2004 to $87 million in 2011 – suggests opportunity in this area.

Other barriers to investment include access to fewer industry incentives than are available in Ontario and elsewhere, lack of direct flights to significant U.S. and overseas markets, lower research and development spending and a slower rate of patents granted than in Ontario and Quebec, and a perceived lack of clear government strategy in supporting industry growth. British Columbia is also trailing behind other provinces in the number of undergraduate degrees granted; our talent pool is further limited by our immigration policies and high housing prices, especially in Vancouver.

Threats to the future growth of the technology sector include lost investment to jurisdictions with more attractive tax incentives. Implementing positive changes, like AdvantageBC's proposed increase to the scope of business activities eligible for provincial income tax refunds, could help minimize this threat.

RECOMMENDATIONS FOR GROWTH:

Our recommendations have the potential to create jobs and boost investment in British Columbia's technology sector.



TOP-THREE RECOMMENDATIONS

RECOMMENDATION #1:
Enhance B.C.'s investment tax credit program

British Columbia technology companies depend on investments by private investors – investments that could be increased by modifying B.C.'s investment tax credit program.

Specifically, we recommend:

- ***eliminating*** the current $200,000 annual investment limit for an individual investor;
- ***increasing*** the maximum lifetime investment program limit for an "eligible business corporation" from $5 million to $10 million; and
- ***increasing*** the B.C. tax credit carry-forward period for corporate investors from five to ten years.

RECOMMENDATION #2: *Increase access to venture capital*

Since being capitalized in 2007, the $90 million allocated to venture fund investment by the B.C. Renaissance Capital Fund has leveraged investment into the province by a ratio of more than four to one. We recommend increasing our commitment to the venture portfolio within the B.C. Renaissance Capital Fund by $30 million per year. This will provide further start-up and growth capital to technology companies and attract more venture funds to operate in the province.

RECOMMENDATION #3: *Attract international venture capital and talent*

Recommendations made by AdvantageBC (formerly International Financial Centre) offer an immediate opportunity to attract venture capital funds and skilled technology talent to B.C. from around the world. We recommend implementing AdvantageBC's plan to allow qualifying companies and employees of registered companies to receive provincial income tax credits if they move to B.C. Specifically, the plan calls for:

- two years of full B.C. provincial tax credit plus a further three-year sliding scale transition period for technology executives and managers who move to B.C. from outside Canada and file a B.C. tax return; and
- a full B.C. tax credit on earned fund management income for qualifying non-Canadian fund management companies that move to B.C. and file a B.C. tax return.

ADDITIONAL RECOMMENDATIONS

RECOMMENDATION #4: *Strengthen the links between academia and industry*

By building on the links between academia – where research largely takes place – and industry where it is commercialized – we can enhance our culture of innovation.

We recommend:

- ***working*** with universities to simplify the University-Industry Liaison Office (UILO) process;
- ***supporting*** incubation efforts by matching commercialization funds at universities and promoting industry mentorship; and
- ***promoting*** the entrepreneurship@UBC initiative and similar programs at other B.C. universities to nurture the nascent student entrepreneurship culture on campus and assist in the growth of start-up companies emerging from our post-secondary institutions.

RECOMMENDATION #5: *Help bring products to market faster*

Innovation flourishes when companies can get their products to market faster. We recommend implementing a commercialization voucher program – similar to the Alberta Innovation Vouchers program – to help small technology companies realize more immediate returns on their investments in innovation.

RECOMMENDATION #6: *Facilitate research and development*

Research and development are the essential building blocks of the technology sector. We recommend facilitating R&D by educating industry on the Industrial and Regional Benefits (IRB) Policy and helping companies access IRB programs. These allow Canadian companies to competitively sell innovative products and services to firms with IRB obligations, many of which are large multinational corporations.

In addition, we recommend extending the scientific research and experimental development (SR&ED) tax credit beyond its sunset date of September 2014.

RECOMMENDATION #7: *Support human resource development*

Jobs in the technology sector typically require high levels of training, education and entrepreneurial skill. British Columbia companies often face challenges in finding the appropriate talent. We recommend encouraging skilled workers to come to B.C. by:

- ***implementing*** the IFC / AdvantageBC recommendations on tax incentives for senior executives and technology managers, as detailed in Recommendation #3;
- ***streamlining*** the immigration process, either through the Provincial Nominee Program (PNP) or in conjunction with the federal government;
- ***accelerating*** immigration processing times; and
- ***expanding*** the number of candidates eligible under the PNP program.

We also recommend focusing on repatriating former British Columbia residents through tax credits and marketing initiatives.

In addition, we recommend enriching our workforce by ensuring that business and entrepreneurship are core parts of our education curriculum for both post-secondary students and mid-career professionals.

TOURISM

With our spectacular natural environment and welcoming, cosmopolitan cities, British Columbia is uniquely suited to tourism. We have built a worldwide reputation as an outstanding visitor destination, making tourism a key economic driver in every region of the province.

In 2010, British Columbia was home to nearly 18,000 tourism-related businesses providing 127,000 jobs. The sector generated over $13.4 billion in revenue and contributed over $1.2 billion in taxes to the province.

Over the past decade, British Columbia's tourism sector has grown faster than our economy as a whole. Now, by addressing our existing barriers to investment and capitalizing on our opportunities – particularly in niche resort development – we can reap the full potential of this important industry.

CURRENT SITUATION:

STRENGTHS	WEAKNESSES
STRONG WORLDWIDE REPUTATION	DECLINE IN U.S. VISITS FROM RISING CANADIAN DOLLAR
EXCEPTIONAL NATURAL ENVIRONMENT AND OUTDOOR OPPORTUNITIES	UNFAVOURABLE PERCEPTION OF TOURISM'S VALUE
WELL-DEVELOPED SKI DESTINATIONS, ESPECIALLY WHISTLER	RESTRICTED LAND TENURES IN REMOTE AREAS
	SEASONALITY OF TOURIST ACTIVITIES
	LOW RETURN ON HOTEL INVESTMENT
	LAGGING REINVESTMENT IN PRODUCT, ESPECIALLY HOTELS
	INSUFFICIENT HOTEL ROOM STOCK (EXCEPT VANCOUVER & WHISTLER)
	INCONVENIENT AIR ACCESS FOR INTERNATIONAL TRAVELLERS

OPPORTUNITIES	THREATS
‣ FAMILY TOURISM ‣ FIRST NATIONS TOURISM ‣ SPORTS TOURISM ‣ ADVENTURE, AGRICULTURAL AND WINE TOURISM	‣ FURTHER INCREASES IN VALUE OF THE CANADIAN DOLLAR ‣ WORSENING CONDITION OF HOTELS

Tourism is a natural fit for beautiful British Columbia. Our exceptional outdoor environment has helped us earn a worldwide reputation for excellence.

Specific strengths, such as our well-developed ski destinations, however, are offset by a number of weaknesses that limit the growth of the sector. The appreciation of our dollar has caused a decline in U.S. visits. International visitors have limited options in terms of air access. Our tourist attractions are largely seasonal, which lowers the return on investment and lessens the incentive for new capital expenditures. As a result, we have insufficient hotel room stock in many regions. Capital investment is also stifled by restricted land tenures in remote areas. In addition, the sector suffers from lukewarm public opinion, based on a lack of understanding of the economic benefits of tourism.

Significant opportunities, however, exist in niche resort development. We have tremendous potential in several key areas, including family tourism, First Nations tourism, sports tourism and adventure / agricultural / wine tourism.

RECOMMENDATIONS FOR GROWTH:

Our recommendations for improving British Columbia's investment climate in the tourism sector include coordinating a province-wide destination marketing effort, improving access for international tourists and investing in niche markets.

TOP-THREE RECOMMENDATIONS

RECOMMENDATION #1: *Develop a province-wide destination marketing effort*

Strong, coordinated marketing efforts are crucial to attracting and maximizing tourism revenues. We congratulate the B.C. Government for following through on the commitment to establish Destination British Columbia. This province-wide destination marketing organization will, in collaboration with regional and community destination marketing groups and tourism stakeholders throughout the province, develop an enhanced umbrella structure for marketing B.C. tourism.

We recommend that Destination British Columbia provide adequate and stable funding for B.C.'s regional and community destination marketing organizations. We also expect that Destination British Columbia will take the lead on behalf of government in determining the best joint relationship and funding approaches for regional destination marketing organizations.

In addition, we recommend that Destination British Columbia encourage coordinated efforts between its activities and those of other sector stakeholders and other government groups that work with inbound investors. We hope that such a coordinated effort will stimulate tourism itself, as well as investment in tourism and associated businesses.

RECOMMENDATION #2: *Improve access for international travellers*

International travellers often experience travel complications in visiting British Columbia. We recommend continuing to work with the federal government to improve international air access. We also recommend streamlining border crossing procedures with enhanced access to visas and airport pre-clearance.

In addition, we recommend improving highways and ferry service to help visitors move around the province more easily.

RECOMMENDATION #3: *Focus on niche markets*

British Columbia enjoys a competitive advantage in attracting tourism dollars in several niche markets. We recommend investing in niche resort development in the following key areas:

- family tourism, including accessibility tourism;
- First Nations tourism;
- sports tourism; and
- adventure, agriculture and wine tourism.

We further recommend that these niche markets be considered as part of Destination British Columbia's strategic plan and programming.

ADDITIONAL RECOMMENDATIONS

RECOMMENDATION #4: *Promote B.C. as a place to learn and work in tourism*

British Columbia offers a world-class education in hospitality and tourism. We recommend promoting B.C. as one of the best places in North America to obtain a tourism degree and, subsequently, to pursue a tourism career.

RECOMMENDATION #5: *Encourage spending by visitors*

We recommend re-introducing a sales tax rebate for non-residents of Canada.

RECOMMENDATION #6: *Encourage capital investment*

With restrictive land tenures barring long-term access in remote areas, adventure companies are discouraged from investing. We recommend driving capital investment by improving long-term access to Crown land.

TRANSPORTATION

British Columbia's transportation sector faces imminent potential for major growth: significant increases in export volumes through our ports, valuable new shipbuilding contracts and the opportunity to capitalize on federal procurement and related Industrial Regional Benefit (IRB) obligations in aerospace.

Ports / Marine

One in five Canadian jobs depends on trade. And with more than 80 per cent of global trade being moved by boat, British Columbia's shipping industry is central to our economy.

Port Metro Vancouver alone trades $75 billion in goods with more than 160 trading economies annually, contributes $10.5 billion to Canada's GDP, creates over 129,500 jobs and produces $22 billion in economic output. Port of Prince Rupert contributes an additional $280 million in annual GDP and $500 million in economic output.

Export volumes at British Columbia ports reached new highs in 2012. Container traffic grew by eight per cent over 2011 at Port Metro Vancouver and by 38 per cent at Port of Prince Rupert. Ridley Terminals saw a total increase in bulk commodities of almost 20 per cent over 2011. And demand is expected to continue to grow rapidly throughout the decade. Coal export volumes are projected to grow by 150 per cent and metal and mineral exports by more than 300 per cent. By 2020, container traffic is expected to double.

By embracing our strengths and addressing our challenges, British Columbia's shipping industry is poised to take full advantage of these upcoming opportunities.

Aerospace

British Columbia's aerospace industry is on the cusp of enormous potential growth. A well-focused strategy could double the size of the sector – currently valued at $3 billion – and triple British Columbia's investment in terms of GDP growth within five years.

Upcoming opportunities are emerging in the growing international commercial market for aircraft and – most notably – in federal procurement and related Industrial Regional Benefit (IRB) obligations. These offer the possibility of new business with major foreign prime contractors and original equipment manufacturers (OEMs) – and the spin-offs associated with becoming part of their global supply chains.

Attracting our province's share of these federal procurement programs and IRB obligations could have major economic impact, creating more than 12,000 well-paying jobs and boosting innovation and R&D. To fulfill this promise, however, we must first deal with the issues currently affecting our growth.

CURRENT SITUATION:

STRENGTHS	WEAKNESSES
▸ EFFICIENT TRANSPORT LINKS ▸ HIGH VANCOUVER PORT VOLUMES ▸ HIGH-QUALITY MARINE LABOUR ▸ CLOSE PROXIMITY TO BOEING ▸ COMPETITIVE CORPORATE TAX RATES ▸ ATTRACTIVE P3 MODEL FOR PRIVATE CAPITAL INVESTMENT ▸ STRONG TECHNOLOGY, MANUFACTURING AND R&D CAPABILITIES	▸ INSUFFICIENT MARINE TERMINAL INFRASTRUCTURE (OUTSIDE VANCOUVER) ▸ INTERNATIONAL AIR CARRIER RESTRICTIONS ▸ LIMITED SUPPLY OF MARINE LABOUR ▸ LOW PROFILE OF AEROSPACE COMPANIES ▸ LACK OF AWARENESS OF AND PROGRESS ON IRB PROGRAMS ▸ INACCESSIBILITY OF IRB PROGRAMS TO SMALLER COMPANIES ▸ LACK OF AUTHORITATIVE AEROSPACE INDUSTRY ASSOCIATION ▸ COMPLEX REGULATORY APPROVAL SYSTEM ▸ LACK OF CERTAINTY AROUND FIRST NATIONS ISSUES ▸ HIGH ENVIRONMENTAL TAXES / CARBON TAX
OPPORTUNITIES	**THREATS**
▸ INCREASING VOLUMES THROUGH PORTS ▸ $11B IN FEDERAL SHIPBUILDING CONTRACTS ▸ IRB COMMITMENTS (AEROSPACE) ▸ READY INVESTORS IN ASIA AND INDIA (PORTS / MARINE)	▸ LOSS OF IRBS TO MORE PREPARED JURISDICTIONS (AEROSPACE) ▸ POLLUTION LIABILITY (PORTS / MARINE)

British Columbia's transportation sector is strong, with competitive corporate tax rates and a P3 model that is attractive to private capital investors. The Port of Vancouver handles high volumes effectively, and all of our ports have access to high-quality labour. In aerospace, we boast a small but capable cluster of world-class companies that create sustainable, high-value jobs and are supported by strong technology, manufacturing and R&D. Our close proximity to Boeing's Washington State operations brings additional investment.

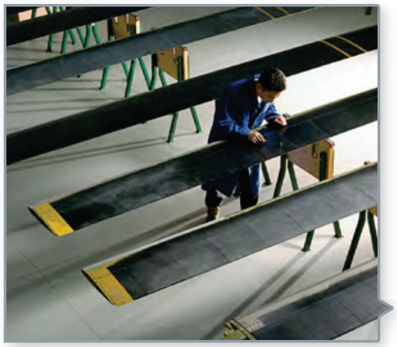
The transportation sector is now facing several important opportunities. In shipping, export volumes are increasing, and the Seaspan Shipbuilding Award offers the potential for $11 billion in federal shipbuilding contracts on the west coast. Key to aerospace's growth is the opportunity for $100 billion in new business with foreign prime contractors and original equipment manufacturers resulting from federal procurement and related Industrial Regional Benefit (IRB) obligations. More than 12,000 new jobs are expected to result from the IRBs alone.

Several weaknesses, however, currently hamper our success. With no single, strong industry association, our aerospace sector suffers from a low profile and has not yet developed a presence with large foreign consortiums. This, along with individual companies' limited awareness about IRB programs, means that we have fallen behind other provinces in making inroads toward securing IRB investment.

On the marine front, our weaknesses include an insufficient supply of labour and – on the North Coast especially – insufficient terminal infrastructure. Several factors act as disincentives to investment: our complex regulatory approval system; the lack of certainty around First Nations issues; our relatively high energy costs; our limited air access; our high environmental taxes and carbon tax; and the threat of pollution liability, which is seen as a disincentive to establishing marine headquarters in B.C.

RECOMMENDATIONS FOR GROWTH:

Our recommendations for improving British Columbia's investment climate in the transportation sector include initiatives targeting both shipping and aerospace.



TOP-THREE RECOMMENDATIONS: *Ports / Marine*

RECOMMENDATION #1: *Support the development and expansion of northern ports*

Outside of Vancouver, British Columbia has insufficient marine terminal infrastructure. We recommend developing a Northern Port Strategy to support the development and expansion of northern ports in Prince Rupert, Ridley Island, Kitimat and Stewart.

We further recommend creating a Northern Trade Council to involve northerners in pursuing port development and expansion opportunities in their communities. The council would also develop a northern "express route" to divert certain trade from Vancouver, helping with congestion in the south while increasing economic activity in the north.

RECOMMENDATION #2: *Attract international shipping headquarters to B.C.*

Attracting a critical mass of shipping headquarters to British Columbia will bring more high-paying, sustainable jobs and allow us to optimize the Asia-Pacific Gateway. Although Asia and India are eager to invest in Canada, maritime companies are reluctant to establish their headquarters in B.C., in large part due to the threat of pollution liability. We recommend developing initiatives to dispel this reluctance, including:

- *reviving* stable funding for the International Maritime Centre (IMC) of at least $1 million annually for a three-year period, and establishing a revenue stream to sustain the IMC in the long term. The IMC would attract and facilitate foreign investment into Canada, allowing companies to seamlessly establish their headquarters in British Columbia. We recommend supporting this initiative with a comprehensive marketing strategy that promotes B.C. as a maritime centre and best-in-class transportation hub;
- *improving* and implementing the Provincial Nominee Program; and
- *writing* a letter in support of amending Canada's federal legislation regarding criminal strict liability for pollution.

RECOMMENDATION #3: *Modify carbon tax policy for the transportation sector*

British Columbia's competitiveness in transportation is undermined by carbon tax levels that are significantly higher than in California and other jurisdictions. We recommend eliminating or significantly reducing B.C.'s carbon tax.

We appreciate the budget challenges of replacing this revenue. We feel, however, that an effort should be made to examine whether we can optimize our economic development opportunity while replacing that revenue with tax instruments that have less direct impact on our competitive position – especially since many of our competitors have not used carbon taxes as a policy instrument.

ADDITIONAL RECOMMENDATIONS: *Ports / Marine*

RECOMMENDATION #4: *Support Seaspan in procuring federal shipbuilding contracts*

We recommend fully supporting Seaspan in their efforts to procure $11 billion in potential new federal shipbuilding contracts. Further, we recommend aiding in the development of a local manufacturing base and supply chain.

TOP-THREE RECOMMENDATIONS: *Aerospace*

RECOMMENDATION #1: *Increase industry presence*

British Columbia's aerospace industry suffers from a low profile and has not yet developed a presence with large foreign consortiums and buyers. We recommend increasing our industry presence by establishing a B.C. industry association with stable funding of at least $5 million over a five-year period. The association would work to organize the industry, improve training programs, raise awareness of global business opportunities such as IRBs and integrate technology, R&D and academic organizations from across the province. This would create an influential aerospace cluster capable of attracting investment and work packages from global companies.

RECOMMENDATION #2: *Improve access to markets in Canada and around the world*

We recommend improving market access by:

- *helping* to establish an increased B.C. presence at major trade shows;
- *reaching* out to global OEMs to create reverse trade missions to British Columbia; and
- *developing* a database of B.C. companies and their capabilities in aerospace, technology, advanced manufacturing and R&D, and matching these capabilities to priority opportunities in Canada and around the world.

RECOMMENDATION #3: *Attract prime contractor and IRB programs*

Essential to the growth of our aerospace sector is acquiring a share of $100 billion in new business with foreign prime contractors and original equipment manufacturers resulting from federal procurement and related Industrial Regional Benefit (IRB) obligations. We recommend:

- *creating* a $20 million fund to support investments in improving world-class manufacturing;
- *developing* a strategy to attract B.C.'s share of federal procurement-related IRBs; and
- *including* a $100 million cash rebate incentive program to attract global aerospace and defence contractors to B.C.

ADDITIONAL RECOMMENDATIONS: *Aerospace*

RECOMMENDATION #4: *Develop an aerospace manufacturing cluster*

An aerospace manufacturing cluster would help build British Columbia's manufacturing sector as a whole. We recommend making this an area of greater focus in the BC Jobs Plan.

INTERNATIONAL EDUCATION

British Columbia enjoys a global reputation as a desirable place to study and live. At the same time, our major universities are earning increasingly high academic rankings. Together, these factors are contributing to our province's rapidly growing success in the highly competitive international education sector.

International education brings a wide range of economic benefits to the province. Each year, foreign students attending our universities and private colleges spend more than $1.8 billion in British Columbia, supporting 22,000 jobs and generating $70 million in government revenues. The sector also creates opportunities to draw international investment by facilitating relationships between British Columbians and people from around the world.

In capitalizing on our strengths and addressing our existing barriers to growth, we can realize the full range of benefits that a strong international education sector can bring.

CURRENT SITUATION:

STRENGTHS	WEAKNESSES
REPUTATION AS A DESIRABLE PLACE TO STUDY AND LIVE	LACK OF CENTRALIZED APPLICATION, MARKETING AND RECRUITMENT PROCESSES
GROWING STATURE OF B.C. ACADEMIC INSTITUTIONS	LACK OF CAPITAL DEVELOPMENT FUNDING *(E.G. RESIDENCES)*
	LIMITS ON DEBT-FINANCED CAPITAL EXPENDITURES
	LIMITS ON STUDENT NUMBERS AND COURSES
	RELATIVELY LONG APPLICATION TURN-AROUND TIMES
	DIFFICULT ACCESS TO STUDENT WORK PERMITS
	LIMITED PUBLIC TRANSPORT *(OUTSIDE OF MAJOR CENTRES)*

OPPORTUNITIES	THREATS
▸ INCREASE IN BRIC AND OTHER INTERNATIONAL STUDENTS ▸ SKILLS TRAINING FOR TRADES ▸ ATTRACTING AND DEVELOPING YOUNG ENTREPRENEURS	▸ LACK OF INTERNATIONAL LANGUAGE IN CORE K-12 CURRICULUM ▸ DECLINE IN ESL ENROLMENT

Our position as a sought-after educational destination and our increasingly highly ranked academic institutions put British Columbia on solid footing in the international education sector.

Some weaknesses, however, currently limit our growth. Most notably, the province lacks a coordinated, centralized system for marketing to and recruiting international students. Each institution currently carries out its own separate marketing campaign, follows its own application process and develops its own relationships with other countries. Better collaboration would enhance efficiency and effectiveness by building on the current strengths of the individual institutions' approaches.

The sector is also hampered by our relatively long application turn-around times, by limited public transport outside of the major centres and by the relative difficulty of securing student work permits. Our public institutions are discouraged from making capital investments (in student residences, for example) by provincial policies that restrict them from undertaking debt-financed capital expenditures, and by regulations that limit numbers of both students and courses. Potential threats to the sector include an ongoing decline in English as a Second Language (ESL) enrolment, and the absence of international languages as a key component in the core K-12 curriculum.

Nevertheless, opportunities exist in young entrepreneurship programs as well as in increasing student numbers overall. B.C. has experienced rapid growth in international enrolment over the past decade, and we have the potential to continue this trend, especially among Chinese students. In addition, by promoting skills training for trades, we can take advantage of untapped potential in the college / vocational sector and help fill our future labour market requirements.

RECOMMENDATIONS FOR GROWTH:

Our recommendations for improving British Columbia's investment climate in the international education sector include establishing centralized, coordinated efforts in application and recruitment, and making efforts to attract international students to skills training and technology programs.

TOP-THREE RECOMMENDATIONS

RECOMMENDATION #1: *Establish a centralized application process*

The current lack of collaboration among post-secondary institutions means that we are not maximizing the potential of the B.C. brand. We recommend establishing a centralized application process for all post-secondary institutions in British Columbia. This will ease the application process and ensure the capture of all applicants.

RECOMMENDATION #2: *Establish a coordinated recruitment effort*

Currently, each institution carries out its own marketing campaign and develops its own relationships with other countries. The result is that our educational institutions are effectively competing not only with other global institutions, but also with each other. We recommend coordinating a collaborative recruitment effort between B.C.'s international trade and investment offices, the British Columbia Council for International Education (BCCIE), and all public and private post-secondary institutions in the province. Specifically, we suggest:

- *setting* provincial targets for student numbers;
- *setting* provincial targets for immigrant investment; and
- *coordinating* with regional economic development offices and regional post-secondary institutions.

RECOMMENDATION #3: *Attract foreign students to skills training and technology*

Through targeted recruitment, we can take advantage of untapped potential in our college / vocational sector and help fill our future labour market requirements. We recommend increasing our emphasis on attracting foreign students to skills training and technology, specifically in areas in which we currently experience labour shortages.

ADDITIONAL RECOMMENDATIONS

RECOMMENDATION #4: *Create an international education strategy that aligns with the Canadian International Education Strategy*

We recommend creating an international education strategy that identifies and addresses issues and sets out firm commitments to international student increases. The strategy should be a collaborative effort between all relevant British Columbia government ministries, and should set targets for incoming international students, international students working in B.C. and international students working in other provinces.

RECOMMENDATION #5: *Provide more information about the transfer system*

We recommend expanding the role of the B.C. Council on Admissions and Transfer (BCCAT) and supporting BCCAT in:

- *separating* the transfer grids relating to Adult Basic Education and English as a Second Language curriculum among transfer system members using Canadian Language Benchmarks;
- *tracking* students at private institutions relative to quality assurance personal education numbers; and
- *launching* a publicly accessible database of admission-guaranteed degree partnerships between BC Transfer System member institutions.

RECOMMENDATION #6: *Encourage a more global focus within our public education system*

We recommend encouraging a more global perspective in our public education system by increasing funding for more foreign students to study in British Columbia and by finding more opportunities for our students to study abroad. We also recommend including more foreign language opportunities in the K-12 curriculum.

RECOMMENDATION #7: *Undertake a systematic approach to student attraction*

We recommend undertaking a systematic, coordinated approach to attracting new foreign students. Specifically, we recommend:

- *encouraging* the federal government to increase the availability of student visas;
- *developing* satellite campuses in other countries to enhance our international profile;
- *including* a representative from the Ministry of Advanced Education, Innovation and Technology on all British Columbia trade missions, and circulating a follow-up report to all post-secondary institutions; and
- *ensuring* that Education Quality Assurance guidelines align with international education strategy.

RECOMMENDATION #8: *Focus on credential recognition*

We recommend improving credential recognition for incoming post-secondary graduates. This is a broad challenge crossing multiple sectors.

RECOMMENDATION #9: *Support the future careers of MBA students*

We recommend supporting international students – especially MBA students – in pursuing business ownership and investment in B.C. Specifically, we suggest implementing a strategy to attract and retain young entrepreneurs, providing information and resources regarding succession planning for small and medium-sized enterprises, and working with the Immigrant Investor program.

RECOMMENDATION #10: *Create a welcoming atmosphere*

International students will be drawn to communities where they feel safe and welcome. We recommend encouraging school districts, colleges and universities to work together to invite students to live and learn in their communities.

BRITISH COLUMBIA JOBS AND INVESTMENT BOARD

Biographies

Chair: Ray Castelli is CEO of Weatherhaven, one of the world's leading suppliers of redeployable camps and shelter systems, specializing in remote areas and difficult climatic conditions. He has almost 20 years of international business development experience, working as well with global companies such as Alcan Aluminium and Quadrem, and has conducted business in more than 30 countries around the world, He is also a member of the boards of directors of Avcorp Aviation, Global Cobalt and the Prince Rupert Port Authority.

Born and raised in Prince Rupert, Castelli earned his bachelor of business administration from Simon Fraser University and completed the International Executive Program at the INSEAD business school in France. Earlier in his career, he also served as Chief of Staff to the federal Ministers of Indian Affairs and Northern Development and National Defense.

Ellis Ross is the recently elected Chief Councillor of the Haisla Nation, although he has been a fulltime Councillor since 2003. He has had many portfolios over his terms, but has always maintained his connection to those files that have an Aboriginal rights and title component or economic development. He has worked for the private sector, the public sector and operated his own business in partnership with his brothers through the 1990s. Over the past 12 years, he has coached and assisted Haisla basketball teams. Ross also coached the senior girls basketball team to a zone championship. He is also chair of the Aboriginal Business and Investment Council.

Kaity Arsoniadis-Stein is the president and secretary-general of the International Ship-owners Alliance of Canada Inc. (ISAC). She also serves as a member of the Canadian Maritime Law Association, president and director of the International Maritime Centre, trustee of the Vancouver Maritime Museum and vice-president and trustee of Insurance Dispute Resolution Services of British Columbia. Arsoniadis-Stein drives forward ISAC's role to collaborate with government, international organizations, labour unions, business and environmental groups to advance the interests of ship owners and operators with a presence in Canada to ensure a safe, environmentally responsible and sustainable shipping industry. She holds her Bachelor of Arts from the University of British Columbia, her bachelor of laws in English law from the University College of Wales and a master of laws (honours) in maritime law from King's College, University of London.

Frenny Bawa has held various senior level positions in the IT and Telecom Industries for over 20 years and has extensive experience in the international arena. Most recently, she was vice-president of global business development at Research in Motion (RIM) and managing director for RIM's Indian operations. Active in the community, she serves on the Dean's Advisory Board at the Beedie School of Business and Simon Fraser University's (SFU) India Advisory Council. Bawa holds her bachelor of business administration from SFU and a master of business administration from McGill University.

Kathy D. Butler is a managing director and co-head of CIBC World Markets' Vancouver Investment Banking Group. Butler joined CIBC in 1996 and has been involved in a number of mergers and acquisitions advisory mandates, as well as debt and equity financings. She is on the board of directors of Atira Women's Resource Society and is a partner of BC Social Venture Partners. Butler holds a master in business administration (honours) from the Rotman School of Management at the University of Toronto and a bachelor of commerce in finance (honours) from the Sauder School of Business at the University of British Columbia.

Stockwell Day represented Red Deer North in the Alberta legislature from 1986 to 2000, where he served in the Progressive Conservative government in a variety of senior roles including chief whip, government house leader, minister of labour and minister of social services. From 1997 to 2000, he was provincial treasurer (minister of finance) and acting Premier. In 2000, Day won the leadership of the Canadian Alliance and became leader of Canada's Official Opposition. In 2002, Day was appointed foreign affairs critic, vice-chair of the Standing Committee on Foreign Affairs and International Trade, as well as chair of the Subcommittee on Human Rights. In 2003, the Canadian Alliance and the Progressive Conservative Party of Canada merged to become the Conservative Party of Canada. In 2006, Day was appointed minister of public safety and member of the Cabinet Committee on Priorities and Planning.

Upon his re-election in 2008, Day was appointed minister of international trade and minister for the Asia-Pacific Gateway and regional minister for British Columbia advancing the economic and trade interests of B.C. He was also appointed chair of the Cabinet Committee on Afghanistan. In 2010, Day was appointed president of the Treasury Board. He did not seek re-election in the 2011 general election. He is a member of the Royal Canadian Legion and the Rotary Club, to name a few. Day attended the University of Victoria.

Richard Dunn is vice-president, regulatory and government relations for the Canadian Division of the Encana Corporation. He is responsible for federal and provincial government relations and policy development. He currently serves on the board of directors of Geoscience BC and the Calgary Quest Society, a school for children with special challenges. Dunn holds his bachelor of applied science in mechanical engineering from the University of British Columbia and holds his master of applied science in chemical and petroleum engineering from the University of Calgary.

Hank Ketcham is the president, chief executive officer, and chair of West Fraser Timber. Ketcham joined the company in 1973 and was appointed president and CEO in 1985. In 1996 he was appointed chairman, president and CEO. Ketcham is the former chair of the Council of Forest Industries, the Forest Products Association of Canada, a founding member of the Forest Alliance of British Columbia, a former director of St. Paul's Hospital Foundation, and is currently a director of Toronto-Dominion Bank. In 1996, Ketcham was awarded the Order of British Columbia. He holds his bachelor of arts from Brown University in Providence, Rhode Island.

Gary Kroeker serves as a director with the Community Savings Credit Union following the merger of Community Savings and Operating Engineers Credit Union. Previously, he was a member of the International Union of Operating Engineers Local 115 since 1971 and was employed by Local 115 in 1974. During this time, he held the office of guard, treasurer and recording corresponding secretary. In February 1992, he became business manager of the

10,000 plus member organization. He was elected as international vice president in 1995 and held the position of 4th general vice president of the International Union. He has also served as president of the following labour organizations: the BC and Yukon Territory Building Trades Council, the Allied Hydro Council and the BC Highways and Relations Construction Council. He was also a member of the Executive Board of the BC Federation of Labour. Active in the community, he is a director with Habitat For Humanity Greater Vancouver. Kroeker brings over 30 years of credit union experience as a respected director of the Operating Engineers Credit Union Board from 1975 through to the merger in April 2009.

▸ ***V. Paul Lee*** is the managing partner of Vanedge Capital. As the former president of Electronic Arts, Inc. (EA), the global leader in interactive software, he was responsible for its Worldwide Studios group. Lee joined EA in 1991 when it acquired Distinctive Software, Inc., a leading independent videogame developer, as an executive and part owner. In 1996, Lee was awarded the Outstanding Young Alumnus Award from the University of British Columbia. Lee was awarded the British Columbia Technology Industries Association Person of the Year Award in 2002.

In addition, he has received numerous awards for his community service including the Commemorative Medal for the Golden Jubilee of Her Majesty Queen Elizabeth II for significant contribution in the form of public service in 2003. In 2005, he was recognized as an honorary fellow of the University of British Columbia's Sauder School of Business. Lee is the former chair of the British Columbia Technology Industries Association and currently serves as a member of the Premier's Technology Council, a member of the Dean's Advisory Council for the Sauder School of Business at UBC, and a director for the Vancouver Board of Trade. He is chair of DigiBC and is one of Canada's representatives to Asia Pacific Economic Council's Business Advisory Council.

▸ ***Wendy Lisogar-Cocchia*** is a hotelier by trade and has served as the executive vice-president of the Century Plaza Hotel and Spa for the past 25 years. In addition, she is the president of Absolute Spa Group, Canada's largest and most luxurious spa chain. Lisogar-Cocchia was recently named one of B.C.'s most Influential Women in Business by the Vancouver Sun, for her endless philanthropy and community service. Sitting on multiple boards, Lisogar-Cocchia was the first woman elected to the Vancouver Police Board Foundation. She currently sits as the senior vice-chair on the Vancouver Board of Trade. As the incoming chair for the 2011-2012 year, Lisogar-Cocchia became the youngest female chair in the 124 years of the Vancouver Board of Trade history.

She has received numerous awards and honours including Canadian Food Services/Hospitality Executives Association Entrepreneur of the Year, Business in Vancouver's Most Influential Women in Business, YWCA's Woman of Distinction – Entrepreneur and Innovator, Variety Club's International Corporate Fundraiser of the Year and the Variety Club Angel Award. Lisogar-Cocchia recently received the Lifetime Achievement Industry Award from the Leading Spas of Canada. She founded the Century Plaza Hotel and Spa Women's Media Golf Classic, which has raised over $2.6 million for various children's charities. Lisogar-Cocchia holds her bachelor of arts in psychology and political science from the University of British Columbia and her doctorate of laws (honoris causa) from the Justice Institute of British Columbia. She is also a fellow of Royal Roads University.

▸ ***Gerry Martin*** and his partner have owned Northern Drugs Ltd., a chain of independent drug stores operating in Northwestern B.C., for 36 years. Martin is still active in business with Kra-Mar Investments as well as being president of Shames Mountain Ski Corporation, past president of the Kitimat/Terrace Industrial Development Society and president of the Kitamat Port Development Society. Throughout his business career, Martin has been active in a number of community endeavours both at the local and provincial level. At the present time, he is a member of the Premier's Technology Council, a member of the Transmission Planning Advisory Committee of the BC Transmission Corporation and a director of the University of Northern BC Foundation. Martin is a graduate of the University of British Columbia with a bachelor of science in pharmacy and professionally has served on the board of the BC Pharmacy Association and is a past president of the Chain Drug Association of BC.

▸ ***R. Harry McWatters*** is the president and chief executive officer of Vintage Consulting Group Inc. In addition, he is the founder and former president of Suma Ridge Estate Winery and See Ya Later Ranch Estate Winery, and he is the former president of Black Sage Vineyards. McWatters is the founding chairman of the BC Wine Institute, a past director of the BC Progress Board and founding chairman and director of the BC Hospitality Foundation. In addition, he has served as a director and former chair of FortisBC Inc. since 2005 and has served as a director on Fortis Inc. since 2007. In 2001, McWatters received an honorary doctor of laws from Okanagan University College for his outstanding service and the pivotal role he played in the development of both British Columbia and Canada's wine industry.

▸ ***Dr. Ralph Nilson*** is the President and Vice-Chancellor of Vancouver Island University (VIU). Previously, he was Vice-President Academic, and Professor in the School of Recreation Management and Kinesiology at Acadia University. Prior to that, he was the Director of the Indigenous Peoples Health Research Centre at the First Nations University of Canada and Dean and Professor in the Faculty of Kinesiology and Health Studies at the University of Regina.

Nilson is a current board member of the Nanaimo Economic Development Commission; a member of the Order of BC selection committee; Post-Secondary Employers Association (PSEA) board member; and a member of the Association of Universities and Colleges of Canada (AUCC) Standing Advisory Committee on Educational Issues and Funding. Nilson was the past chair of the British Columbia Association of Institutes and Universities and was a former board member on the Nanaimo Chamber of Commerce.

Nilson was the founding Chair of the Board of the Saskatchewan Population Health and Evaluation Research Unit, the founding Chair of the Saskatchewan Provincial Health Council, and he held an honourary appointment as Vice-Consul with the Royal Norwegian Consulate for the Province of Saskatchewan. In addition, Nilson was the former vice-chair with Saskatchewan Health Research Council; he was a member with the Saskatchewan Prescription Drug Review Committee; a member of the Federal/Provincial/Territorial Advisory Committee on Population Health; the President of the Canadian Council of University Physical Education and Kinesiology Administrators; a member of Health Canada Committee to assess reinstitution of ParticpACTION; and a member of the Advisory Board of the Small Town Institute, to name a few.

Nilson holds his Bachelor of Arts from Simon Fraser University, his Master of Science from Southern Connecticut University and his Doctorate from the University of Oregon.

Marcia M. Smith is the senior vice President, sustainability and external affairs with Teck Resources Ltd. She joined Teck in 2010 as vice president of corporate affairs. Previously, Smith was managing partner for National Public Relations in British Columbia and its predecessor company, Labrador Communications, from 1993 to 2010. Smith has also worked for the governments of Ontario and British Columbia as an advisor to cabinet ministers in a variety of portfolios. She is a member of a committee of special advisors to the B.C. government on British Columbia's Labour Code. Active in the community, she served as a member of Excellence Canada, a council member of Pacific Council World Wildlife Fund Canada, and a former member of Arts Umbrella. Smith holds a bachelor of arts (honours) in English and political science from Laurentian University.

Susan Spratt is the British Columbia and Alberta Area Director for the Canadian Auto Workers. She has been with the CAW-Canada for over 20 years. She has negotiated collective agreements in most sectors of the Canadian economy, including telecommunications, breweries, auto parts, heath care, hospitality, and in the public sector specifically in transportation. She has also worked in three Canadian jurisdictions; Manitoba, Ontario and now British Columbia. Spratt also served as the Labour Chair of the Manitoba Workers Compensation Board. In addition, she has appeared in all three jurisdictions before Human Rights Tribunals and numerous arbitration boards.

APPENDIX 1: SPECIAL REPORT ON INDIA

India is set for a consumption boom – a four-fold increase in consumer spending over the next 15 years. To fuel this consumption, India will rely on a dramatic increase in global imports.

India is currently the world's 12th-largest consumer market. If it continues on its current high-growth path, it will become the fifth-largest by 2025. As income levels triple, India's middle class will grow to 583 million, from just 50 million today.

This growth will unleash enormous buying potential, resulting in substantial export opportunities for British Columbia.

RECOMMENDATIONS FOR GROWTH:

Our recommendations for developing our province's relationships with India include creating a mentorship program for British Columbia businesses, attracting more Indian immigrants – both entrepreneurs and recent graduates – and creating a network of trade intermediaries.

TOP-THREE RECOMMENDATIONS

RECOMMENDATION #1: *Create a mentorship program to advise B.C. companies*

By becoming well versed in Indian business practices, British Columbia companies will gain an advantage in the Indian market. We recommend drawing on the knowledge of the numerous successful Indo-Canadian entrepreneurs currently in the province. These experienced mentors will provide advice to B.C. companies – especially small and medium-sized enterprises – on business approaches to India.

We recommend carrying out annual evaluations of this low-cost program to ensure that it is fine-tuned to the needs of the community.

RECOMMENDATION #2: *Recruit young Indian entrepreneurs*

A number of Indian multi-national firms – including Birla, Essar, Infosys and Jubilant Organosys – have invested substantially in Canada, but not in B.C. We recommend creating a three-year project under the Provincial Nominee Program aimed at drawing these companies and other promising young entrepreneurs to the province in order to promote investment in British Columbia.

RECOMMENDATION #3: *Recruit recent Indian graduates to B.C.*

We recommend implementing a long-term immigration program to promote the recruitment of university graduates and post-graduate students from India.

We also recommend increasing the number of visas available to international university students.

We further recommend reviewing the Canadian Experience visa program's impact to date, to determine where it can be enhanced to increase student flows.

ADDITIONAL RECOMMENDATIONS

RECOMMENDATION #4: *Create a network of trade intermediaries*

We recommend creating a network of trade intermediaries to broker business relationships for British Columbia companies in India.

APPENDIX 2:
KPMG REPORT: INVESTMENT COMPETITIVENESS STUDY OF EIGHT BC INDUSTRY SECTORS

KPMG

cutting through complexity

ADVISORY SERVICES

BC Ministry of Jobs, Tourism and Innovation – Investment Competitiveness Study of Eight BC Industry Sectors

January 31, 2013

kpmg.ca

Disclaimer

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The information in this document is based on the scope of the study and the limitations set out herein.

Table of Contents

Chapter 1: Executive Summary

Background

The Government of the Province of British Columbia (the Province/BC) established the BC Jobs and Investment Board in February 2012, to provide advice and guidance on policies and programs to attract sustainable development and create employment, with a mandate to focus on the eight key sectors identified in the BC Jobs Plan published on September 22, 2011:

- Forestry;
- Mining;
- Natural gas;
- Agri-foods;
- Technology;
- Tourism;
- Transportation; and
- International education.

The Board's responsibilities are:

- Identifying issues and processes that are potentially limiting economic development and proposing solutions;
- Identifying emerging opportunities for economic development and facilitating new investment; and
- Providing expert advice on global issues and trends affecting the BC investment climate.

Objectives

The BC Ministry of Jobs, Tourism and Innovation (the Ministry), at the request of the Board, engaged KPMG to evaluate BC's competitive position in each of the eight industry sectors, relative to other jurisdictions that may be in direct competition with BC for investment in each sector. The scope of the investigation is:

- Key sources of investment currently and those that can be expected to become sources of investment in the next two to three years;
- Global marketplaces that compete with BC for investment dollars in each of the eight key sectors;
- Top decision criteria for investors considering investing in BC in each of the eight key sectors;
- Current 'leading practices' for global investment attraction in each sector;
- Current incentives to investment in BC and competing jurisdictions, with particular focus on the eight key sectors; and
- Current disincentives to potential investors in BC, with particular focus on the eight key sectors.

Study approach

Our research and analysis program consisted of:

- Desk research into previous studies, statistical data and other relevant information, to document relevant secondary material;
- Interviews with Canadian-based KPMG sector specialists, to gain an understanding of global investment competitiveness issues in each sector and to identify industry experts in the other jurisdictions that compete with British Columbia (BC) for international investment;
- Interviews with KPMG and other professionals with knowledge of the jurisdictions identified as BC's major competitors for international investment;
- Other sector-specific research activities, to further investigate issues arising from the direct interview program;
- Interviews with members of the Board;
- Analysis of findings, both on a cross-sector and sector-specific basis;
- Write-up of findings in draft, and review of draft findings with the Ministry and the Board in June 2012;
- An update of our report and findings in January 2013 and additional interviews with Board members; and
- Report finalization and issuance.

Understanding this report

The purpose of this report is to outline certain matters that came to our attention during our work and to offer our comments and findings for consideration by the Ministry. Where possible within the study approach used we have sought to identify both opportunities for enhancement and to highlight both competitive advantages and disadvantages.

The Ministry agreed the scope and approach and members of the Board have been involved in interviews and checked the factual accuracy of our findings contained in this report. Our procedures consisted of inquiry, interviews and analysis of secondary data. Such work does not constitute an audit. Accordingly, we express no opinion on processes or other information. The evidence that supports our findings has been gathered through enquiry and from the information contained in the Competitive Alternatives and other KPMG work. Our report contains interview feedback and comments, explanations and information received during our work for which we are not responsible, the sole responsibility lying with those who provided us with information and those we interviewed or otherwise interacted with during this review.

The Ministry is responsible for all decisions to implement any issues raised in this report and for considering their impact. Implementation will require the Ministry to plan and test any changes to realize any intended outcome.

Limitations and interpretation of results

A key input for this report was KPMG's publication Competitive Alternatives - 2012 Edition (the Publication). The Publication resulted from an analysis of the relative costs of doing business in 14 countries in the Americas, Europe, and Asia Pacific. The Publication was made possible through the support of our research contributors and sponsors, as identified in the Publication. The analysis in the Publication was based on cost information collected primarily between July 2011 and January 2012.

Taxes in this report reflect tax rates in effect on January 1, 2012, and also incorporate any announced changes at that time to take effect at specified later dates. Exchange rates and other cost factors will, of course, change over time. Tax rates and other tax-related information are also subject to change as a result of new legislation, judicial decisions, and administrative pronouncements.

The reader is cautioned that the availability of statistical information regarding international investment patterns is limited and that there are significant measurement challenges -- for example in terms of identifying the 'country of control' for investments from outside Canada. Thus, the statistical data needs to be interpreted with caution and considered in the context of the information developed through industry interviews. In addition, for future predictive purposes and in some industries, data is limited, especially at a sub-national level where it may not typically apply or be directly comparable to British Columbia only.

Further, the reader is cautioned that the study findings are based on a broad study scope involving eight industry sectors and that the findings are based on a limited primary and secondary research program within each sector.

Social and societal issues such as attitudes to risk are specifically not in scope of this study. The reader should infer no conclusion on such matters.

Data is not available for a detailed assessment of 'capital investment' as a category as a considerable amount of investment is indirect through the acquisition of share capital and other investments, where such acquisitions would not be included in the statistics as capital expenditure. For that reason, this report limits commentary on capital investment and only refers to such investment where specific, relevant interview feedback or data exists.

Key issues and findings

Study results are based on interviews with KPMG industry sector advisors in Canada and other countries, interviews with sector specialists in Canada, discussions with members of the BC Jobs and Investment Board and other research.

Based on the study approach and limitations set out above, the key findings of the study are:

1. BC's investment competitiveness appears relatively good in a number of important competitive areas:
   - Stability of the political, economic and legal system;
   - Quality of labour, in a number of sectors;
   - Corporate tax rates; and
   - Personal quality-of-life factors, including the attractiveness of BC to immigrant-investors.

2. Areas where BC's investment competitiveness appears relatively weak include:
   - Labour availability and costs, especially in resource-based sectors;
   - Transportation infrastructure, in some resource sectors (especially mining and natural gas);
   - Energy costs and supply;
   - The regulatory environment, especially in resource-based sectors;
   - First Nations land claims; and
   - Public attitudes towards certain industries.

3. These investment competitiveness issues are already well documented. What is less well understood is the extent of their impact. Little quantitative research exists on both the overall impact of these issues to the competitiveness of BC in general or the degree to which BC's economic growth, particularly in the resource sector, is being substantially held back.

4. Global competition for international investment is intense, with economic development agencies from around the world working in all key markets. While different agencies employ different strategies, our research has not identified any stand-out investment attraction models that are clearly superior to BC's current approach. Where jurisdictions have been more rather than less successful in dealing with aspects of them, the common factor is that changes have been made to the regulatory environment.

We have grouped the study findings into:

- **Cross-sector competitiveness issues** - competitiveness issues that have been identified as being relevant in more than one sector; and
- **Sector-specific competitiveness issues** - key findings in each of the eight sectors, with particular focus on how BC is perceived in the international business and investment community.

Cross-sector investment competitiveness issues

Exhibit ES-1 presents a number of quantitative indicators of BC's cross-sectoral cost competitiveness against some of common competitors.

Exhibit ES-1 – Selected cross-sectoral cost competitiveness indicators

	B.C. (Vancouver)	Alberta (Calgary)	Ontario (Toronto)	Washington (Seattle)	U.K. (London)	Australia (Sydney)	Brazil (Sao Paulo)	Russia (Moscow)
Business costs [1]								
Labour Costs (Vancouver = 100.0)								
Aerospace manufacturing	100.0	99.9	101.7	113.0	96.1	117.8	82.6	57.7
Food manufacturing	100.0	99.6	101.0	108.5	91.1	115.3	66.7	50.3
Corporate services	100.0	103.0	103.3	108.5	101.6	124.0	77.3	53.9
Effective corporate tax rates								
Aerospace manufacturing	15.6%	15.9%	18.1%	27.3%	14.8%	n/a	34.7%	19.7%
Rank	*2*	*3*	*4*	*6*	*1*	*n/a*	*7*	*5*
Food manufacturing	22.8%	22.2%	22.9%	26.1%	23.4%	29.0%	33.6%	19.4%
Rank	*3*	*2*	*4*	*6*	*5*	*7*	*8*	*1*
Corporate services	20.4%	24.6%	24.7%	34.6%	23.1%	29.1%	34.2%	19.4%
Rank	*2*	*4*	*5*	*8*	*3*	*6*	*7*	*1*
Facility costs (US$)								
Factory lease cost per sq.ft.	7.3	6.1	4.4	7.0	15.2	11.7	14.9	12.1
Rank	*4*	*2*	*1*	*3*	*8*	*5*	*7*	*6*
Office lease cost per sq.ft.	38.0	36.7	35.8	25.7	64.8	44.5	44.5	57.2
Rank	*4*	*3*	*2*	*1*	*8*	*5*	*5*	*7*
Personal factors [2]								
Housing affordability								
Median multiple	10.6	3.9	5.5	4.5	6.9	9.2	n/a	n/a
International rank	*324*	*206*	*276*	*231*	*310*	*323*	*n/a*	*n/a*

Key: Green shading presents jurisdictions that are, prima facie, more competitive in the categories identified; red those that are less competitive

[1] Competitive Alternatives 2012, KPMG's Guide To International Business Location Costs

[2] International Housing Affordability Survey 2012. Results based on 325 cities. Median multiple = (median house price / median household income)

ES-1 shows that no jurisdictions present a completely favourable competitive environment compared to BC and all have relative strengths and weaknesses.

In addition to the factors in the table, our research found that a number of BC investment competitiveness issues are common to most or all of the eight industry sectors included in the scope of this study:

- **Labour cost competitiveness** – Globally, labour costs in BC are significantly higher than those in less developed countries, but are generally lower than US west coast states. Within Canada, labour costs in BC/Vancouver are generally lower than Toronto, similar to Calgary and higher than in Montreal and other Canadian cities.
- **Corporate tax competitiveness** – BC's effective tax regimes are generally very competitive with those of the G7[1] and BRIC[2] countries. BC's effective corporate tax rates also compare favourably with those of comparable US states. BC's competitiveness varies somewhat by industry sector.
- **Exchange rate impacts** – BC's global cost competitiveness has been impacted by the strengthening of the Canadian dollar against international currencies over the past decade. While the dollar's appreciation has reduced the purchase costs of foreign machinery and equipment, it has also reduced net proceeds to BC based companies from export sales.
- **Availability and quality of workforce** – Globally, BC (and Canada) rate fairly highly in terms of a number of statistical indicators – educational quality and attainment measures, labour force participation rate, unemployment rate, employer difficulty in filling skilled jobs, etc.
- **Infrastructure competitiveness** – BC and Canada are also ranked relatively strongly on a global scale in terms of infrastructure, although business views vary by industry sector.
- **Business and regulatory environment** – Globally, Canada is generally well ranked according to a number of business and regulatory measures (days to finalize construction permits, market access index, and ease of doing business), although this was not borne out in our interviews in the context of BC (see ES-2 below).
- **First Nations land claims** – Industry experts in several sectors (especially forestry and transport) indicate that the current status of First Nations land claims and the resulting uncertainties regarding the undertaking of large capital projects, is a major disincentive to capital investment in BC.
- **Personal factors** – Vancouver is very highly ranked in international 'personal quality of life' ratings. On the other hand, a recent study found Vancouver to be ranked 324th out of 325 global locations for affordability, the least affordable apart from Hong Kong.

Further details of these and other cross-sectoral issues are contained in Chapter 3.

[1] Refers to the 'Group of 7' nations which includes Canada, US, UK, Germany, France, Italy and Japan

[2] Refers to the group of emerging economies of Brazil, Russia, India and China

Investment competitiveness by sector

The sector-specific assessments of BC's investment competitiveness strengths and weaknesses captured through our interview process are summarized in Exhibit ES-2 and are discussed in the following pages. Where no indication is provided, the investment competitiveness issue in the majority of cases did not either appear as important as other factors to those interviewed or there was no consensus amongst respondents.

Exhibit ES-2 – Assessment of BC's investment competitiveness to identified key competitors

	Forestry	Mining	Natural Gas	Agri-Foods	Technology	Tourism	Trans-portation	Int'l Education
Key Competitors	USA Sweden Russia Alberta Chile Brazil	Australia Chile USA Mexico	USA Australia	California Mexico Alaska Alberta Saskatchewan	USA UK Finland Israel Ontario Quebec	USA Australia New Zealand UK	USA Japan China Singapore Denmark Australia	USA Australia UK
Investment Competitiveness								
Labour availability	↓	↓	↓	-	↑	-	↓	→
Labour quality	↑	↑	→	→	↑	-	↑	↑
Labour costs	↓	→	↓	↓	→	-	-	↑
Investment incentives	→	→	↑	-	→	-	-	-
Transportation infrastructure	→	↓	→	-	→	-	↓	→
Energy costs and supply	-	↓	→	-	-	-	↓	-
Effective corporate income tax rate	↑	↑	↑	↑	↑	↑	↑	-
Regulatory environment	→	↓	↑	↓	-	↓	↓	→
First Nations	↓	→	→	↑	-	-	↓	↑
Business and public attitudes	↓	↓	↑	↑	↑	↓	↓	↑
Political stability	→	→	↑	↑	↑	↑	↑	↑
Personal factors	-	-	-	-	→	↑	-	↑

↑ = Relatively competitive
→ = Mid-range, but w ith identified concerns
↓ = Relatively uncompetitive
Dash = Limited information/applicability

Source: Chapters 5 to 12; interview notes and other analysis

ES-2 shows that BC is perceived positively by those interviewed in the majority of industry segments as politically stable and being competitive with other jurisdictions in terms of corporate taxation.

Commentary on the other factors is set out below, by industry (including the primary driver) and a more detailed discussion of sector-specific competitiveness issues is contained in Chapters 5 through 12 of the report:

- **Forestry – An industry driven primarily by access to high quality timber.** The quality of skilled labour is seen by interviewees for this study as a competitive advantage for the forest industry, although labour availability and costs are seen as a disadvantage – especially compared with emerging markets such Brazil and Russia and especially for pulp and paper operations. The proximity of BC to major markets (both the US and China) is seen to be an advantage. Corporate tax rates in BC are generally competitive with competing jurisdictions, other than Russia. With the relatively weak markets of recent years, new capital investments have been driven primarily by the objectives of firstly improving production efficiency through technology advances and secondly securing and diversifying raw materials supply. New jobs in the sector are therefore becoming more diverse as new technology drives the industry to innovate. The unique nature of the BC tenure system is seen by some as a challenge in attracting new foreign investment; however it is a positive for existing businesses within the industry as it provides certainty. The risk of changes to the current regulatory environment in an election year, including the tenure system, is seen as a disincentive to new capital investment from existing tenure holders. Interior BC sawmills are seen as having successfully invested to achieve world-class production efficiencies, in dealing with the accelerated harvest levels associated with the Mountain Pine Beetle epidemic. However, the upcoming reduction in allowable harvest levels will present significant challenges for the Interior's production and investment competitiveness. The Coastal forest industry is seen as having become under-capitalized as a result of the weak market conditions and the financial challenges of recent years.
- **Mining – An industry driven primarily by access to mineral deposits.** While British Columbia has rich mineral deposits, the BC mining industry is assessed by interviewees for this study as having a number of potentially significant competitive disadvantages in attracting investment, of which the most important is the regulatory environment, including the federal and provincial environment review and permitting processes, which is seen by the industry as onerous and duplicative (although the recent federal initiative to reduce its direct involvement in the environmental assessment process is seen as a positive step). Transport infrastructure, whilst improved in recent years, and access to tidewater are still issues in many areas of the Province and whilst significant progress is being made in partnering with First Nations, the bureaucratic process surrounding First Nations land claims is still seen as adding uncertainty to the approval process and operating environment. In addition, labour supply and costs have been highlighted as major issues, especially in view of attracting skilled trades in competition with the Alberta oil sands. Negative public attitudes in comparison to competing jurisdictions are also seen as an area of competitive weakness. However, BC is seen as having relatively good access to capital because of the long-established Vancouver-based mining sector.
- **Natural gas – An industry driven primarily by access to gas reserves.** The main issues with the natural gas industry were seen by interviewees for this study to be labour availability and cost, both of which were severely impacted by the proximity of the Alberta oil sands. Of the areas where interviewees thought that BC had room for improvement, the most frequently discussed issue was the lack of LNG terminal infrastructure, where BC is perceived as being a desirable location for a major Liquefied Natural Gas (LNG) facility, in part because of its potential to help the Asian economy diversify its global supplies of natural gas. With regard to the major proposals under development to liquefy and ship natural gas from BC to Asia, there is significant involvement and investment interest from international investors.

- **Agri-foods – An industry primarily driven by access to natural resources and climate.** Much of the agri-food sector in BC is significantly regulated and the specific nature of the regulations varies among industries. While the various regulatory regimes tend to stabilize market supply and demand relationships within the Province, in some industries they also limit the ability of BC producers to export outside the Province, putting BC at a competitive disadvantage in attracting new investment from outside the Province. The Government of Canada is currently engaged in international negotiations, which could open up foreign markets to BC agri-food products. This development would strengthen BC's ability to attract new capital investment, but would require significant changes to the BC regulatory environment and would expose BC producers to increased international market competition. While land-based and fisheries issues vary, industry specialists indicate that that land-based primary producers (e.g. farmers) often have issues with secondary production capacity (e.g. processing plants) and often have to ship their products out-of-Province for processing. For seafood, industry experts indicate that there has been a significant shift over the past few years from salmon/herring-based to groundfish-based fisheries. Both land and labour costs were also seen by interviewees for this study to be relatively uncompetitive. On the positive side, corporate tax rates, partnerships with First Nations especially in the fisheries and viticulture industries and business and public attitudes were all seen as relative competitive advantages for the industry in BC.
- **Technology – An industry primarily driven by the talent pool within BC.** The technology sector has been one of BC's fastest-growing sectors in the past decade and BC now has a well-established global profile in digital media, bio-tech, clean-tech and other industries. Compared to other leading technology jurisdictions (in particular the US and UK) BC's investment competitiveness is assessed as relatively strong with regard to labour availability and quality and corporate tax rates. In addition, business and public attitudes and the broad stability of the political environment are seen by interviewees to this study to be positive aspects. Personal factors are generally seen by interviewees to be an advantage, although the high cost of housing in Vancouver was commonly raised as an issue. Access to capital has been an area of relative weakness for BC compared to international competitors, and although BC has outperformed Ontario and Quebec in recent years on a per capita basis, investment is now being lost to those Provinces in certain industry segments where government incentives have been increased in other jurisdictions relative to BC. BC has in general been less eager than some competing jurisdictions (e.g. Ontario) to provide targeted incentives for technology firms, although this situation could change with proposed changes in the scope of business activities eligible for provincial income tax refunds under the Advantage BC Program. The lack of an 'Open Skies' policy is also seen to impact the attraction of investment – no direct flights are available to a number of significant markets in the US (including Boston) and to other important countries such as Singapore.
- **Tourism – An industry primarily driven by the natural beauty and environment within BC.** The BC tourism industry has suffered in recent years from the appreciation of the Canadian dollar and the decline in tourists from the US. From a regulatory viewpoint, the international competitiveness of the BC tourism industry is seen by interviewees for this study as being negatively impacted by limited international air access, and whilst this is a federal issue, the industry is keen for BC and BC-based businesses to lead the 'Open Skies' debate. In terms of business attitudes and operating models, tourism in BC is seen as being adversely affected (until recently) by the lack of a joint industry-government tourism promotion program. The strength of hotel room stock is seen by some to be an issue outside of the Greater Vancouver area and Whistler, although most interviewees for this study agreed that significant opportunities exist for specific types of tourism, including that for Families, First Nations, Eco- and Sports/Adventure tourism. In general, public attitudes towards the industry are seen to be negative as interviewees believed that the benefits provided tend not to be well articulated and understood.

- **Transportation – An industry primarily driven by the resource sectors in BC.** The competitiveness issues for BC's transportation industry vary by mode, by the types of passengers/freight and by the geographic area of the Province. Examples of areas in which the BC transportation industry is seen by interviewees for this study as relatively uncompetitive are: labour availability (marine); international air carrier restrictions (no Open Skies); marine terminal infrastructure (especially on the North Coast); and cross-border trucking delays. In terms of investment competitiveness, BC's complex regulatory approval system, relatively high energy costs and supply and First Nations claims are seen as competitive disadvantages in attracting major transportation infrastructure investment to the Province. For the marine industry, the volumes through the port in Vancouver and the quality of labour were seen as positives, with pollution liability in particular seen as a specific disincentive for organizations to establish headquarters within BC. Levels of environmental taxes were identified to be a significant disincentive for all industry segments within the transportation sector compared to other jurisdictions.
- **International education – An industry driven by the opportunity and size of potential markets.** International education is a spectrum of student educational services and levels, ranging from the global recruitment of top students to BC's leading accredited institutions, through the public and private provision of high school, technical and college level courses, through to the largely private sector provision of non-accredited ESL schools. The number of international education students coming to BC has grown rapidly over the past decade, with all universities and many other academic institutions (community colleges, public secondary schools and many privately-operated colleges/schools) all seeing significant increases in admissions. BC (and Canada) is seen as a very desirable destination location for international students -- somewhat less desirable than the US and UK, but similar to Australia and more desirable than most other competing jurisdictions. The market for international students is highly competitive and the success of BC public educational institutions has been attributed both to BC's reputation as a desirable place to study and live (both whilst in education and as importantly post-education) and to the growing stature of BC's major universities in academic rankings.

Acknowledgement

During this study, KPMG has appreciated:

- The opportunity to serve the Board and the Ministry;
- The level of cooperation received from the Ministry, Board members and other stakeholders for their participation in our interview process; and
- The frank input received from interviewees.

Chapter 2: Scope and Approach

The Government of the Province of British Columbia established the BC Jobs and Investment Board in February 2012, to provide advice and guidance on policies and programs to attract sustainable development and create employment, with a mandate to focus on the eight key sectors identified in the BC Jobs Plan published on September 22, 2011:

- Forestry;
- Mining;
- Natural gas;
- Agri-foods;
- Technology;
- Tourism;
- Transportation; and
- International education.

The Board's responsibilities include:

- Identifying issues and processes that are potentially limiting economic development and proposing solutions;
- Identifying emerging opportunities for economic development and facilitating new investment; and
- Providing expert advice on global issues and trends affecting the BC investment climate.

Terms of our engagement

The Ministry, at the request of the Board engaged KPMG to evaluate BC's competitive position in each of the eight industry sectors, relative to other jurisdictions that may be in direct competition with BC for investment in each sector. The scope of the investigation is:

- Key sources of investment currently and those that can be expected to become sources of investment in the next two to three years.
- Global marketplaces that compete with BC for investment dollars in each of the eight key sectors;
- Top decision criteria for investors considering investing in BC in each of the eight key sectors;
- Current 'leading practices' for global investment attraction in each sector;
- Current incentives to investment in BC and competing jurisdictions, with particular focus on the eight key sectors; and
- Current disincentives to potential investors in BC, with particular focus on the eight key sectors.

Understanding this report

The purpose of this report is to outline certain matters that came to our attention during our work and to offer our comments and findings for consideration by the Ministry. Where possible within the study approach used we have sought to identify both opportunities for enhancement and to highlight both competitive advantages and disadvantages.

The Ministry agreed the scope and approach and members of the Board have been involved in interviews and checked the factual accuracy of our findings contained in this report. Our procedures consisted of inquiry, interviews and analysis of secondary data. Such work does not constitute an audit. Accordingly, we express no opinion on processes or other information. The evidence that supports our findings has been gathered through enquiry and from the information contained in the Competitive Alternatives and other KPMG work. Our report contains interview feedback and comments, explanations and information received during our work for which we are not responsible, the sole responsibility lying with those who provided us with information and those we interviewed or otherwise interacted with during this review.

The Ministry is responsible for all decisions to implement any issues raised in this report and for considering their impact. Implementation will require the Ministry to plan and test any changes to realize any intended outcome.

Study approach

Our research and analysis program consisted of:

- Desk research into previous studies, statistical data and other relevant information, to document relevant secondary material;
- Interviews with Canadian-based KPMG sector specialists, to gain an understanding of global investment competitiveness issues in each sector and to identify industry experts in the other jurisdictions that compete with BC for international investment;
- Interviews with KPMG and other professionals with knowledge of the jurisdictions identified as BC's major competitors for international investment;
- Other sector-specific research activities, to further investigate issues arising from the direct interview program;
- Interviews with members of the Board;
- Analysis of findings, both on a cross-sector and sector-specific basis;
- Write-up of findings in draft, and review of the draft findings with the Ministry and the Board in June 2012;
- An update of our report and findings in January 2013 and additional interviews with Board members; and
- Report finalization and issuance.

Limitations and interpretation of results

A key input for this report was KPMG's publication Competitive Alternatives - 2012 Edition (the Publication). The Publication resulted from an analysis of the relative costs of doing business in 14 countries in the Americas, Europe, and Asia Pacific. The Publication was made possible through the support of our research contributors and sponsors, as identified in the Publication. The analysis in the Publication was based on cost information collected primarily between July 2011 and January 2012.

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Social and societal issues such as attitudes to risk are specifically not in scope of this study. The reader should infer no conclusion on such matters.

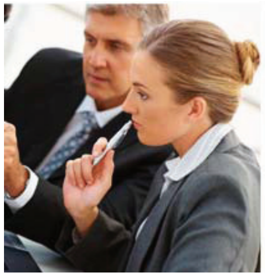
Data is not available for a detailed assessment of 'capital investment' as a category as a considerable amount of investment is indirect through the acquisition of share capital and other investments, where such acquisitions would not be included in the statistics as capital expenditure. For that reason, this report limits commentary on capital investment and only refers to such investment where specific, relevant interview feedback or data exists.

Report structure

Together, Chapters 3 and 4 contain our findings, split into:

- **Cross-sector competitiveness issues** (Chapter 3) - competitiveness issues that have been identified as being relevant to many of the key sectors.
- **Sector-specific competitiveness issues** (Chapter 4) - key findings in each of the eight sectors, with particular focus on how BC is perceived in the international business and investment community.

Chapters 5 to 12 are industry specific.



Chapter 3: Cross Sector Investment Competitiveness Issues

Overview of cross-sector competitive cost factors

Exhibit 3a summarizes a number of quantitative indicators of BC's cross-sectoral cost competitiveness. As discussed in the balance of this chapter, BC is generally well positioned with regard to cost factors - although personal housing affordability (relative to income) in Vancouver is among the lowest in the world (see table below - a recent study found Vancouver to be ranked 324th out of 325 global locations for affordability, the least affordable apart from Hong Kong).

Exhibit 3a – Selected cross-sectoral cost competitiveness indicators

	B.C. (Vancouver)	Alberta (Calgary)	Ontario (Toronto)	Washington (Seattle)	U.K. (London)	Australia (Sydney)	Brazil (Sao Paulo)	Russia (Moscow)
Business costs [1]								
Labour Costs (Vancouver = 100.0)								
Aerospace manufacturing	100.0	99.9	101.7	113.0	96.1	117.8	82.6	57.7
Food manufacturing	100.0	99.6	101.0	108.5	91.1	115.3	66.7	50.3
Corporate services	100.0	103.0	103.3	108.5	101.6	124.0	77.3	53.9
Effective corporate tax rates								
Aerospace manufacturing	15.6%	15.9%	18.1%	27.3%	14.8%	n/a	34.7%	19.7%
Rank	*2*	*3*	*4*	*6*	*1*	*n/a*	*7*	*5*
Food manufacturing	22.8%	22.2%	22.9%	26.1%	23.4%	29.0%	33.6%	19.4%
Rank	*3*	*2*	*4*	*6*	*5*	*7*	*8*	*1*
Corporate services	20.4%	24.6%	24.7%	34.6%	23.1%	29.1%	34.2%	19.4%
Rank	*2*	*4*	*5*	*8*	*3*	*6*	*7*	*1*
Facility costs (USD)								
Factory lease cost per sq.ft.	7.3	6.1	4.4	7.0	15.2	11.7	14.9	12.1
Rank	*4*	*2*	*1*	*3*	*8*	*5*	*7*	*6*
Office lease cost per sq.ft.	38.0	36.7	35.8	25.7	64.8	44.5	44.5	57.2
Rank	*4*	*3*	*2*	*1*	*8*	*5*	*5*	*7*
Personal factors [2]								
Housing affordability								
Median multiple	10.6	3.9	5.5	4.5	6.9	9.2	n/a	n/a
International rank	*324*	*206*	*276*	*231*	*310*	*323*	*n/a*	*n/a*

[1] Competitive Alternatives 2012, KPMG's Guide To International Business Location Costs
[2] International Housing Affordability Survey 2012. Results based on 325 cities. Median multiple = (median house price / median household income)

The three groupings in ES-1 (Aerospace, Food and Corporate Services) were chosen from the Competitive Alternatives (2012 edition) study as the Business Operations on which the study was modeled[3] had direct or better potential alignment with one or groups of industries within the eight sectors in the Jobs Plan.

Sources of capital expenditures in BC

'Capital expenditures' is defined by Statistics Canada as gross expenditures on fixed assets – i.e. the sum of capital construction expenditures, plus capital machinery and equipment expenditures, but not including repair expenditures.

Exhibit 3b compares annual capital expenditures in BC, for all industries and selected industry classifications. In general, capital expenditures have grown in BC since 2009. However, selected industries have seen large fluctuations from year to year. In 2012, overall capital expenditures are expected to grow more than 10% over 2011 figures.

Exhibit 3b – Capital expenditures in BC – actuals and intentions

Capital expenditures in BC - actuals and intentions ($ millions)

	Actuals					Intentions	
	2009	**2010**	**Annual % change**	**2011**	**Annual % change**	**2012**	**Annual % change**
Overall							
Construction	28,565.1	33,930.4	18.8%	34,740.3	2.4%	38,319.2	10.3%
Machinery and equipment	10,435.9	10,539.9	1.0%	11,296.6	7.2%	12,444.1	10.2%
Total	39,001.0	44,470.3	14.0%	46,036.9	3.5%	50,763.3	10.3%
Results by selected NAICS codes							
Forestry, agriculture, fishing and hunting	330.2	346.8	5.0%	326.4	-5.9%	339.3	4.0%
Mining and oil and gas extraction	5024.3	8041.3	60.0%	10382.9	29.1%	11792.3	13.6%
Professional, scientific and technical servic	344.8	467.1	35.5%	486.9	4.2%	517.4	6.3%
Information and cultural industries	1485.9	1288.9	-13.3%	1090.6	-15.4%	1126.2	3.3%
Transportation and warehousing	2619.9	1848.4	-29.4%	2536.9	37.2%	3053	20.3%
Educational services	1241.4	1320.6	6.4%	1399.2	6.0%	1246.2	-10.9%

Source: Statistics Canada - Capital and Repair Expenditures by Sector and Province

[3] KPMG LLP, 2012. "Competitive Alternatives: KPMG's Guide to International Business Location Costs" 2012 Edition. Page 3; Exhibit 1.3.

BC capital expenditures, by country of control

As illustrated in Exhibit 3c, capital expenditures in BC have been increasing in recent years – growing by 18% between 2009 and 2011, from $39.0 billion to $46.0 billion[4]. Exhibit 3c illustrates that more than 87% of capital expenditures in BC originate from within Canada, with the US accounting for most of the balance and that the trends among other countries have been fairly stable in recent years.

Exhibit 3c provides an example of the 'disconnect' in some cases between the available statistical data and the results of our interview program. For example, even though China has been identified by sector experts as an emerging international investor in BC for a number of key sectors, China is not included in the Statistics Canada data as being among the top foreign countries in terms of capital expenditures in BC in recent years.

Part of the explanation for this phenomenon is likely to be due to the distinction between 'capital investment' and 'capital expenditure'. Data is not available for a detailed assessment of 'capital investment' as a category as a considerable amount of investment is indirect through the acquisition of share capital and other investments, where such acquisitions would not be included in the statistics as capital expenditure. For example, a Chinese company acquiring a controlling interest in a Canadian-controlled business would not be included as capital expenditure except to the extent that the new owner would be in a position to inject capital into the acquired operation.

For that reason, this report limits commentary on capital investment and only refers to such investment where specific, relevant interview feedback or data exists.

For example when a Chinese company acquires a Canadian-controlled firm, this capital investment would not be included in the statistics as capital expenditure, except to the extent that the new owner would be in position to inject capital into the acquired operation.

Exhibit 3c – Capital expenditures in BC, by country of control – All industries ($ millions)

Capital expenditures in BC, by country of control - All industries ($ millions)

	2009	%	2010	%	2011	%
Canada	34,319.0	88.0%	38,732.9	87.1%	40,167.6	87.3%
United States	2,955.6	7.6%	3,797.2	8.5%	4,046.5	8.8%
Germany (Estimate)	121.9	0.3%	85.9	0.2%	129.6	0.3%
Japan	151	0.4%	79.8	0.2%	94.9	0.2%
France	36.9	0.1%	82.5	0.2%	53.2	0.1%
Italy	14.7	0.0%	5.5	0.0%	6.1	0.0%
Sweden	3.7	0.0%	11.8	0.0%	23.8	0.1%
Switzerland	9.6	0.0%	12.6	0.0%	12	0.0%
Other countries	1,388.6	3.6%	1,662.1	3.7%	1,503.2	3.3%
Total	39,001.0	100.0%	44,470.3	100.0%	46,036.9	100.0%

Source: Statistics Canada - Foreign and Domestic Investment in Canada

[4] Figures in Exhibits 3b, 3c and 3d may not match exactly because of updates to statistical tables.

BC capital expenditure levels versus other major provinces

Exhibit 3d compares BC's current levels of capital expenditure to those of Alberta, Ontario, Quebec and Saskatchewan.

Exhibit 3d – Capital expenditures (2011) by country of control – BC, Alberta, Ontario, Quebec, Saskatchewan ($ millions – except population figures)

Capital expenditures by country of control - All industries - BC, Alberta, Ontario, Quebec, Saskatchewan 2011 ($ millions)

	BC	%	AB	%	ON	%	QC	%	SK	%
Canada	40,167.6	87.3%	59,988.4	81.7%	94,668.8	86.1%	60,519.9	90.9%	16,175.2	95.2%
United States	4,046.5	8.8%	10,133.9	13.8%	9,112.9	8.3%	2,952.4	4.4%	517.2	3.0%
Germany	129.6	0.3%	58.4	0.1%	1,318.8	1.2%	292.9	0.4%	20.3	0.1%
Japan	94.9	0.2%	180.9	0.2%	n/a	n/a	n/a	n/a	26.2	0.2%
France	53.2	0.1%	124.7	0.2%	255.9	0.2%	295.4	0.4%	26.6	0.2%
Italy	6.1	0.0%	19.7	0.0%	249.6	0.2%	66.2	0.1%	n/a	n/a
Netherlands	n/a	n/a	n/a	n/a	n/a	n/a	433.9	0.7%	n/a	n/a
Sweden	23.8	0.1%	13.7	0.0%	134.4	0.1%	76.4	0.1%	2.0	0.0%
Switzerland	12.0	0.0%	19.1	0.0%	328.3	0.3%	394.4	0.6%	0.5	0.0%
United Kingdom	n/a	n/a	n/a	n/a	572.5	0.5%	858.4	1.3%	19.5	0.1%
Other countries	1,503.2	3.3%	2,922.5	4.0%	3,928.3	3.6%	1,531.5	2.3%	201.0	1.2%
Total	46,036.9	100%	73,461.3	100%	109,997.0	100%	66,563.0	100%	16,998.6	100%
Population	4,400,057		3,645,257		12,851,821		7,903,001		1,033,381	
Expenditures per capita	10,463		20,153		8,559		8,422		16,449	

Source: Statistics Canada - Foreign and Domestic Investment in Canada and 2011 Census Population Counts

On a per-capita basis, the levels of capital expenditure in 2011 in BC are much lower than those in Alberta, reflecting the high levels of capital expenditure being undertaken in the Alberta energy sector. However, BC per-capita capital expenditure levels are higher than those in Ontario and Quebec.

With regard to country of control, BC's profile in percentage terms is similar to that of Ontario. Alberta has a proportionately higher percentage of investment from the US (and a lower percentage from Canada), again reflecting strong US investment in the Alberta energy sectors. Quebec's and Saskatchewan's ability to attract capital expenditures from the US is much lower than BC's, in both percentage and absolute terms.

BC's corporate tax competitiveness

One of the capital investment factors most frequently identified by interviewees is the corporate tax competitiveness of jurisdictions. Corporate tax competitiveness is a complex topic, because of the myriad of tax-based rules and incentives that apply in different jurisdictions to different industry sectors.

The 2012 edition of *Competitive Alternatives: KPMG's Guide to International Site Location Costs,* applies the significant tax rules and incentives in each jurisdiction across a wide range of representative industry sector operations, enabling a comparison of effective tax rates (income taxes paid as a percent of pre-tax income)[5].

Exhibit 3e illustrates the effective corporate tax rate in British Columbia versus other jurisdictions, for representative operations within two relevant manufacturing industries, as well as across three broad industry sectors (R&D, digital media and corporate services).

Negative numbers in Exhibit 3e indicate a situation where the refundable tax credits are greater than the taxes that would otherwise be payable and where the tax rules allow for the net difference to be payable to the firm. These comparisons incorporate the impact of BC's planned reversion to PST/GST in 2013.[6]

As can be seen in Exhibit 3e on a global basis, as of January 1, 2012, BC's and Canada's corporate tax regimes are generally very competitive with those of the G7 and BRIC countries. BC's effective corporate tax rates also compare favorably with those in US States. Within Canada, BC's tax rate competitiveness varies by industry sector:

- For food processing, BC's effective tax rate is similar to other larger provinces, but higher than Manitoba's;
- For aerospace (aircraft parts), BC's effective tax rate is lowest among the larger provinces;
- For R&D, BC's effective tax rate is the same as Ontario's (0% after tax credits), but lower than other larger provinces due to the non-refundable nature of tax credits for some types of R&D operations under BC tax rules;
- For digital media, BC's effective tax rate is lower than in Alberta and Manitoba, but higher than in Ontario and Quebec because of industry-specific tax rates; and
- For corporate services, BC.s effective tax rate is higher than in Quebec, but is lower than in other larger provinces.

The preceding comparisons are based on statutorily-defined tax rates and tax credits. Jurisdictions also vary in terms of their use of negotiated discretionary incentives to attract or retain capital investment. In particular, Quebec is generally regarded as being more willing than other large Canadian provinces to provide discretionary tax-based and other financial incentives to attract business investment.

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[5] The effective tax rate is the average annual tax paid over the ten-year business modelling horizon.
[6] The comparisons are based on establishing and year 1 operation of the model business operations within BC's current HST environment and then operating under the PST/GST environment in years 2 through 10.

Exhibit 3e – BC's Corporate Tax Competitiveness

Effective Corporate Tax Rate [1]

	Manufacturing (food processing)		Manufacturing (aerospace)		R&D (3-sector average)		Digital (2-sector average)		Corporate Services (2-sector average)	
	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank
British Columbia [2]	22.2%	*5*	14.4%	*1*	0.0%	*5*	11.8%	*5*	20.4%	*3*
Other Canada										
Calgary, AB	22.2%	*4*	15.9%	*5*	-16.6%	*4*	15.2%	*8*	24.6%	*6*
Winnipeg, MB	11.3%	*1*	15.3%	*4*	-37.1%	*2*	13.9%	*6*	26.6%	*8*
Toronto, ON	22.9%	*6*	18.1%	*7*	0.0%	*5*	-4.0%	*1*	24.7%	*7*
Montreal, QC	20.4%	*3*	17.9%	*6*	-21.7%	*3*	0.7%	*2*	17.1%	*1*
United States										
Seattle, WA	26.1%	*9*	27.3%	*10*	18.6%	*10*	31.5%	*14*	34.6%	*15*
Portland, OR	31.3%	*15*	33.7%	*16*	25.8%	*15*	37.8%	*18*	41.2%	*19*
San Diego, CA	32.6%	*17*	33.2%	*15*	18.7%	*11*	35.9%	*16*	40.4%	*18*
Denver, CO	30.4%	*13*	31.6%	*13*	22.6%	*14*	31.1%	*13*	37.5%	*16*
International										
Mexico City, Mexico	27.1%	*10*	27.7%	*11*	29.2%	*16*	28.1%	*11*	31.7%	*11*
Sao Paulo, Brazil	33.6%	*19*	34.7%	*17*	52.0%	*19*	37.0%	*17*	34.2%	*14*
London, England	23.4%	*7*	14.8%	*3*	5.7%	*8*	20.0%	*10*	23.1%	*4*
Frankfurt, Germany	30.6%	*14*	32.2%	*14*	33.1%	*17*	32.0%	*15*	32.1%	*12*
Paris, France	31.7%	*16*	26.0%	*9*	-83.7%	*1*	3.1%	*3*	32.9%	*13*
Milan, Italy	32.9%	*18*	36.3%	*18*	44.0%	*18*	41.5%	*19*	47.2%	*20*
Moscow, Russia	19.4%	*2*	19.7%	*8*	19.8%	*12*	19.9%	*9*	19.4%	*2*
Mumbai, India	30.1%	*12*	29.1%	*12*	22.4%	*13*	28.8%	*12*	29.2%	*10*
Shanghai, China	24.8%	*8*	14.7%	*2*	8.7%	*9*	11.4%	*4*	24.3%	*5*
Tokyo, Japan [3]	40.6%	*20*	n/a	*n/a*	53.0%	*20*	n/a	*n/a*	38.3%	*17*
Sydney, Australia	29.0%	*11*	n/a	*n/a*	0.5%	*7*	14.6%	*7*	29.1%	*9*

Source: Competitive Alternatives, KPMG's Guide to International Business Location Costs 2012

[1] Effective tax rate based on average rate applied to model operations in respective industries

[2] Average effective tax rate of Vancouver, Victoria, Kamloops and Prince George

[3] Effective tax rate not available where results are not meaningful because of low profitability

Labour cost competitiveness

Exhibit 3f compares the overall labour cost levels in British Columbia to other Canadian, US and international jurisdictions.[7]

Exhibit 3f – BC's Labour Cost Competitiveness

Labour Cost Index (BC = 100.0)

	Manufacturing (agri-food)		Manufacturing (aerospace)		R&D (3-sector avg)		Digital (2-sector avg)		Corporate Services (2-sector avg)	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank
British Columbia [1]	100.0	*9*	100.0	*8*	100.0	*7*	100.0	*7*	100.0	*7*
Vancouver	102.9	*13*	102.9	*11*	102.7	*9*	102.6	*9*	105.3	*10*
Other Canada										
Calgary, AB	102.5	*12*	102.8	*10*	103.1	*10*	103.0	*11*	108.5	*13*
Winnipeg, MB	94.6	*8*	95.1	*6*	95.2	*6*	95.2	*6*	95.7	*6*
Toronto, ON	104.0	*14*	104.7	*13*	104.3	*11*	104.3	*13*	108.7	*14*
Montreal, QC	100.9	*10*	103.3	*12*	101.6	*8*	101.6	*8*	103.0	*8*
United States										
Seattle, WA	111.7	*18*	116.3	*18*	113.3	*17*	109.9	*16*	114.2	*17*
Portland, OR	109.5	*17*	109.7	*15*	107.4	*14*	103.0	*12*	105.5	*11*
San Diego, CA	107.8	*16*	112.8	*17*	112.1	*15*	107.4	*14*	110.5	*16*
Denver, CO	101.9	*11*	108.2	*14*	107.2	*13*	102.9	*10*	104.7	*9*
International										
Mexico City, Mexico	29.7	*2*	38.3	*3*	42.6	*2*	43.1	*2*	38.0	*2*
Sao Paulo, Brazil	68.7	*5*	85.0	*5*	90.9	*5*	89.3	*5*	81.3	*5*
London, England	93.8	*7*	98.8	*7*	106.9	*12*	109.4	*15*	106.9	*12*
Frankfurt, Germany	123.1	*20*	126.6	*20*	124.4	*19*	124.6	*19*	128.7	*19*
Paris, France	105.0	*15*	110.2	*16*	113.1	*16*	114.4	*17*	114.3	*18*
Milan, Italy	90.0	*6*	100.5	*9*	115.9	*18*	118.4	*18*	109.0	*15*
Moscow, Russia	51.8	*4*	59.4	*4*	59.6	*4*	59.5	*4*	56.7	*4*
Mumbai, India	18.0	*1*	23.5	*1*	28.3	*1*	28.6	*1*	23.7	*1*
Shanghai, China	30.8	*3*	38.0	*2*	45.2	*3*	46.8	*3*	40.6	*3*
Tokyo, Japan	145.8	*21*	141.6	*21*	140.5	*21*	141.1	*21*	150.5	*21*
Sydney, Australia	118.7	*19*	121.2	*19*	128.3	*20*	130.0	*20*	130.5	*20*

Source: Competitive Alternatives, KPMG's Guide to International Business Location Costs 2012

[1] Average labour costs for Vancouver, Victoria, Kamloops and Prince George

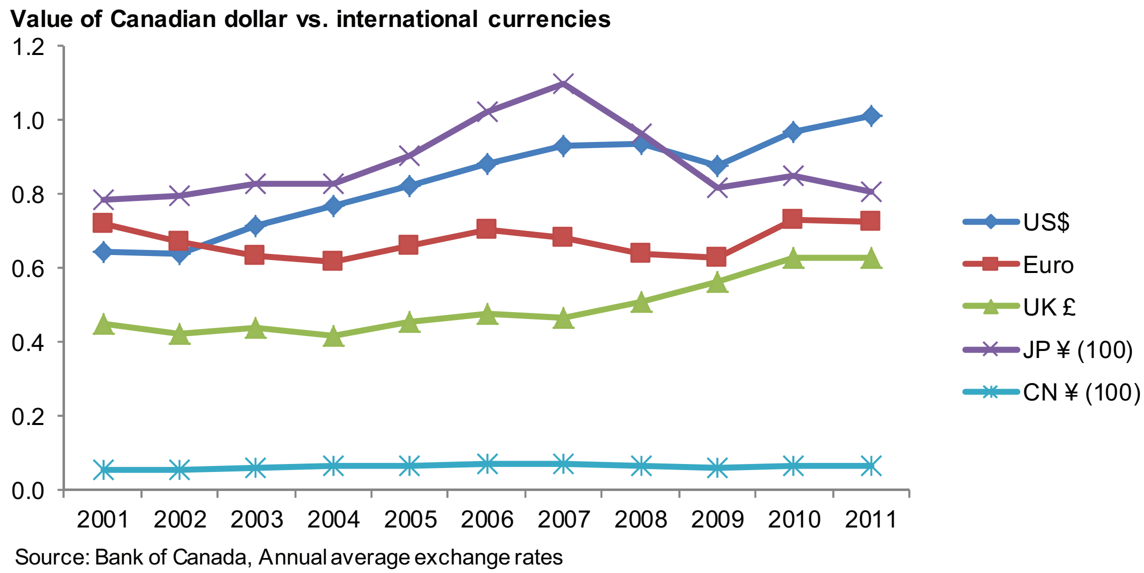
[7] Comparisons are based on a representative mix of management, supervisory and operations staff within typical industry operations. Cost comparisons in mature markets are based on equal physical productivity, while labour cost comparisons in the BRIC markets (Brazil, Russia, India and China) are adjusted to recognize productivity differentials in less senior job categories.

Globally, labour costs in BC and Vancouver are significantly higher than those of less developed countries such as India, Mexico, China, Russia and Brazil. Labour costs are illustrated for both BC overall and Vancouver, to illustrate the tendency for labour costs to be lower in smaller cities than in larger ones. Within Canada, labour costs in Vancouver are generally lower than Toronto, similar to Calgary and higher than Montreal and other Canadian cities.

Currency exchange trends

BC's international labour cost competitiveness varies with exchange rate trends. As illustrated in Exhibit 3g, the Canadian dollar has generally strengthened against other leading currencies over the past decade, especially against the US dollar (value of approx. 63 cents US in 2002 to approx. par in 2011/12).

Exhibit 3g – Value of Canadian dollar vs. international currencies, 2001 - 2011



Workforce availability

As illustrated in Exhibit 3h, workforce availability in BC and Canada is relatively strong:

- BC's participation rate is below the Canadian average, but is still high among developed countries;
- The unemployment rate in BC is relatively low compared to many other developed countries, albeit higher than Australia and Japan;
- The BC rate is lower than both the Canadian average and the US average; and
- Canada's availability and access to skilled labour is reported in a relatively positive light. Compared to the US, Canadian employers are finding it easier to fill skilled jobs with qualified candidates. This strong talent pool is largely based on support from the education system.

Exhibit 3h – Workforce availability indicators

	Labour force participation rate [1]		**Unemployment rate [2]**		**Employer difficulty in filling skilled jobs [3]**	
	%	Rank	%	Rank	%	Rank
Australia	66%	*9*	5.10%	*6*	54%	*13*
Brazil	70%	*4*	5.97%	*9*	57%	*14*
British Columbia [4]	**65%**	***10***	**6.20%**	***11***	**n/a**	***n/a***
Canada	67%	*8*	7.47%	*17*	29%	*6*
Chile	60%	*18*	7.13%	*15*	n/a	*n/a*
China	74%	*2*	4.00%	*3*	24%	*5*
Egypt	49%	*23*	10.38%	*23*	n/a	*n/a*
Finland	60%	*20*	7.78%	*18*	n/a	*n/a*
France	56%	*22*	9.68%	*22*	20%	*4*
Germany	60%	*21*	5.98%	*10*	40%	*8*
Italy	48%	*24*	8.37%	*20*	29%	*6*
Indonesia	67%	*6*	6.56%	*14*	n/a	*n/a*
Japan	60%	*17*	4.55%	*5*	80%	*15*
Kazakhstan	71%	*3*	5.40%	*8*	n/a	*n/a*
Mexico	62%	*16*	5.23%	*7*	42%	*9*
Netherlands	65%	*11*	4.50%	*4*	17%	*2*
New Zealand	68%	*5*	6.53%	*13*	44%	*10*
Qatar	86%	*1*	n/a	*n/a*	n/a	*n/a*
Russia	63%	*14*	6.50%	*12*	n/a	*n/a*
Singapore	67%	*7*	2.00%	*1*	44%	*10*
South Korea	60%	*18*	3.41%	*2*	n/a	*n/a*
Sweden	64%	*12*	7.47%	*16*	17%	*2*
United Kingdom	62%	*15*	8.01%	*19*	15%	*1*
United States	64%	*12*	8.95%	*21*	52%	*12*

[1] International Labour Organization, Key Indicators of the Labour Market (KILM) database, 7th edition, Table 1a. Labour force participation rate
[2] International Monetary Fund, World Economic Outlook database, 2011 data and estimates
[3] Manpower Group, The Talent Shortage Survey, 2011
[4] BC Stats, reporting data for April 2012

Educational/Workforce Quality indicators

Exhibit 3i shows that:

- The average math and science score of high school students in Canada[8] is among the global leaders;
- Canada has the second highest percentage of population with tertiary education. Half of Canada's population, aged 25 to 64 years old, has been educated at the higher education level;
- Canada does not spend proportionally as much of its GDP on education as do other developed countries; and
- The amount of Canadian human resources in science and technology (HRST) jobs is lower than the average among other developed countries. Compared to most developed countries that have between 30% and 40% of their labour force in science and technology jobs, Canada ranks lower.

Exhibit 3i – International Workforce quality indicators

	High School Math & Science Skills [1]		Tertiary education attainment [2]		Education Expendit. as % of GDP [3]		HRST as a % of total employment [4]	
	Score	Rank	%	Rank	%	Rank	%	Rank
Australia	521	*9*	37%	*7*	5.2%	*13*	36%	*4*
Brazil	496	*13*	11%	*17*	5.3%	*12*	14%	*15*
Canada	528	*6*	50%	*2*	6.0%	*6*	30%	*10*
Chile	434	*18*	24%	*14*	7.1%	*3*	n/a	*n/a*
China	588 [5]	*1*	5%	*18*	3.3%	*18*	6%	*16*
Finland	548	*3*	37%	*7*	5.9%	*8*	36%	*5*
France	498	*12*	29%	*12*	6.0%	*6*	34%	*8*
Germany	517	*10*	26%	*13*	4.8%	*15*	37%	*3*
Italy	486	*16*	15%	*16*	4.8%	*15*	31%	*9*
Indonesia	376	*21*	4%	*19*	3.3%	*18*	6%	*17*
Japan	534	*5*	44%	*3*	4.9%	*14*	15%	*14*
Kazakhstan	403	*20*	n/a	*n/a*	n/a	*n/a*	n/a	*n/a*
Mexico	418	*19*	16%	*15*	5.8%	*9*	n/a	*n/a*
Netherlands	524	*8*	33%	*10*	5.6%	*11*	38%	*2*
New Zealand	526	*7*	40%	*5*	6.6%	*4*	30%	*10*
Qatar	374	*22*	n/a	*n/a*	n/a	*n/a*	n/a	*n/a*
Russia	473	*17*	54%	*1*	4.7%	*17*	34%	*7*
Singapore	552	*2*	n/a	*n/a*	n/a	*n/a*	n/a	*n/a*
South Korea	542	*4*	39%	*6*	7.6%	*1*	19%	*13*
Sweden	495	*14*	33%	*10*	6.3%	*5*	41%	*1*
United Kingdom	503	*11*	37%	*7*	5.7%	*10*	28%	*12*
United States	495	*14*	41%	*4*	7.2%	*2*	35%	*6*

[1] Average 2009 score on math and sciene scale - OECD, Programme for International Student Assessment
[2] 2009 percentage of 25-64 year olds with tertiary education - OECD, Education at a Glance 2011
[3] For all levels of education combined - OECD, Education at a Glance 2011
[4] OECD. HRST = Human resources in science and technology
[5] Only includes scores from Shanghai

Within Canada, workforce quality indicators tend to be determined using a somewhat different methodology from these international comparisons. BC results tend to be similar to or better than the Canadian averages.

[8] Breakout information for BC rates the Province at close to the national average in both Math (BC = 524, Canada = 523) and Science (BC = 535, Canada = 532).

Infrastructure Competitiveness

Exhibit 3j compares countries by quality of infrastructure. Each country is measured for efficiency of the transportation and distribution network and accessibility to quality Information and Communications Technology (ICT) infrastructure. Most countries generally achieve similar ratings across categories, with Germany leading all indicators. Unsurprisingly, developed countries outrank those in earlier stages of development. Canada achieves similar scores to the US, as each is either the 5th or 6th place country among the developed countries examined (regional results for BC are not available).

Exhibit 3j – Quality of Infrastructure

	Quality of Distribution Infrastructure [1]		ICT Development Index - Access [2]		Logistics Performance Index [3]	
	Score	Rank	Score	Rank	Score	Rank
Australia	7.97	*8*	6.91	*7*	3.84	*7*
Brazil	3.68	*13*	4.02	*11*	3.20	*11*
Canada	8.29	*6*	7.14	*5*	3.87	*5*
China	7.26	*9*	3.18	*13*	3.49	*10*
France	8.70	*4*	7.50	*4*	3.84	*7*
Germany	9.19	*1*	8.23	*1*	4.11	*1*
Italy	5.87	*10*	6.59	*9*	3.64	*9*
Japan	8.76	*2*	6.82	*8*	3.97	*3*
Mexico	5.77	*11*	3.27	*12*	3.05	*12*
Netherlands	8.73	*3*	8.10	*3*	4.07	*2*
Russia	4.83	*12*	5.98	*10*	2.61	*13*
United Kingdom	8.11	*7*	8.18	*2*	3.95	*4*
United States	8.65	*5*	6.93	*6*	3.86	*6*

[1] International Institute for Management Development, World Competitiveness Yearbook 2011. Scale of 0 to 10 where 0 = low and 10 = high
[2] International Telecommunications Union, Measuring the Information Society 2011. Scale of 0 to 10 where 0 = low and 10 = high
[3] World Bank, Connecting to Compete 2010. Scale of 0 to 5 where 0 = low and 5 = high

Business and regulatory competitiveness environment

As illustrated in Exhibit 3k, Canada is regarded as above average for three regulatory competitiveness issues:

- In Canada, the number of days to finalize construction permits is competitive with most other jurisdictions, although much longer than in the US[9].
- The market access index measures the extent to which a country's policy framework enables access to foreign markets and welcomes foreign goods into the domestic market. Singapore and Chile score significantly higher than other countries on this indicator and Canada ranks in the next most competitive group.
- Based on a World Bank broad indicator of regulatory competitiveness, Canada and other developed countries are seen as more competitive than emerging economies.

Exhibit 3k – Business competitiveness issues

	Days to Finalize Construction Permits [1]		Market Access Index [2]		Global Rank of Ease of Doing Business [1]	
		Rank		Rank		Rank
Australia	147	*12*	4.17	*8*	15	*9*
Brazil	469	*23*	3.72	*19*	126	*22*
Canada	73	*7*	4.85	*4*	13	*7*
Chile	155	*13*	5.55	*2*	39	*15*
China	311	*21*	3.87	*11*	91	*19*
Egypt	218	*19*	3.44	*21*	110	*20*
Finland	66	*5*	3.78	*14*	11	*6*
France	184	*16*	3.75	*16*	29	*12*
Germany	97	*9*	3.74	*18*	19	*10*
Italy	158	*14*	3.87	*11*	87	*18*
Indonesia	258	*20*	4.21	*7*	129	*23*
Japan	193	*18*	3.20	*22*	20	*11*
Kazakhstan	189	*17*	4.35	*6*	47	*16*
Mexico	30	*3*	4.90	*3*	53	*17*
Netherlands	81	*8*	3.79	*13*	31	*13*
New Zealand	176	*15*	4.65	*5*	3	*2*
Qatar	64	*4*	3.93	*10*	36	*14*
Russia	70	*6*	2.58	*23*	120	*21*
Singapore	423	*22*	5.97	*1*	1	*1*
South Korea	26	*1*	3.63	*20*	8	*5*
Sweden	116	*11*	3.75	*16*	14	*8*
United Kingdom	99	*10*	3.77	*15*	7	*4*
United States	26	*1*	4.17	*8*	4	*3*

[1] World Bank, Doing Business Study 2012. Ranking among 183 countries.
[2] World Economic Forum, The Global Enabling Trade Report 2010. Scale of 1 to 7 where 1=weak and 7=strong.

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[9] This should be interpreted with caution as it does not reflect different processes among municipal/regional agencies or differences in the nature of construction.

First Nations land claims

One area frequently raised by industry experts in resource-based sectors was First Nations land claims, which are seen by many interviewed as having a significant negative impact on BC's investment competitiveness. Interviewees consistently commented that First Nations land claims created uncertainty in undertaking major capital projects throughout the Province and therefore act as a disincentive to potential investors in capital projects in BC.

However, many interviewed wanted to differentiate the difference between relationships with First Nations communities, which in general were seen to be improving due to greater understanding on all sides of the issues, and the bureaucracy surrounding First Nations issues, which was often seen to be ineffective and capable of creating considerable delay.

The industry sectors where First Nations land claims have been identified as a particular disincentive to capital investment include forestry and transportation.

Interview feedback is consistent with the results of a Mustel Group poll in 2004 based on 143 interviews with respondents in the Forestry, Investment/Financial, Mining, Oil and Gas, Transportation and Utilities industries[10], where the survey found that:

- 67 per cent of survey respondents cited 'unresolved First Nation land claims negotiations' as important in investment decisions;
- One in five companies responding to the survey state that 'unresolved First Nations land claims' reduced their investment in BC over the past five years. Six per cent reported a significant reduction in investment; and
- One in four companies responding to the survey would increase investment if a significant number of First Nation land claims were settled. Eight per cent would increase investment significantly.

Comments by industry representatives contacted during our study include:

- "The lack of clarity over the First Nations consultation and accommodation process and where the responsibilities lie with the Crown versus the private sector has been a major impediment to development in the resource-based sectors. The current redrafting of consultation and accommodation guidelines is a step in the right direction. The private sector needs to clearly understand 'the rules of the game."
- "We can't solve BC's Aboriginal issues overnight. The current situation has developed over a long period and will also need to be resolved over a long period."

[10] http://www.hupacasath.ca/sites/default/files/ImpactofUnresolvedFirstNationsLandClaimsonInvestmentinBC.pdf

Housing affordability

Exhibit 3l compares housing affordability among select international locations in North America, Europe and Asia Pacific. The results show that housing in BC is less affordable than most other locations in Canada and the US and that Vancouver is the second least affordable city among all 325 locations in the study – with Hong Kong being the only city assessed as less affordable.

Exhibit 3l – Housing affordability of selected locations

	Median House Price / Median Household Income	
	(Rank)	Score
British Columbia		
Vancouver	(324)	10.6
Victoria	(309)	6.8
Kelowna	(303)	6.6
Abbotsford	(313)	7.0
Other Canada		
Calgary, AB	(206)	3.9
Winnipeg, MB	(164)	3.4
Toronto, ON	(276)	5.5
Montreal, QC	(255)	5.1
United States		
Seattle, WA	(231)	4.5
Portland, OR	(221)	4.2
San Diego, CA	(294)	6.1
Denver, CO	(208)	4.0
International		
Sydney, AU	(323)	9.2
Hong Kong, CN	(325)	12.6
London, UK	(310)	6.9

Source: International Housing Affordability Survey 2012 (325 cities included)

Chapter 4: Summary of Sector-specific Competitiveness Issues

This chapter summarizes BC's investment competitiveness for each of the eight sectors. The sector-specific assessments of BC's investment competitiveness strengths and weaknesses are summarized in Exhibit 4a below and are discussed in more detail in subsequent chapters that concentrate on the areas highlighted by interviewees as important. Where no indication of the impact in BC is provided, the investment competitiveness issue in the majority of cases did not either appear as important as other factors to those interviewed or there was no consensus among interviewees.

Exhibit 4a – Consensus assessment of BC's investment competitiveness

	Forestry	Mining	Natural Gas	Agri-Foods	Technology	Tourism	Trans-portation	Int'l Education
Key Competitors	USA Sweden Russia Alberta Chile Brazil	Australia Chile USA Mexico	USA Australia	California Mexico Alaska Alberta Saskatchewan	USA UK Finland Israel Ontario Quebec	USA Australia New Zealand UK	USA Japan China Singapore Denmark Australia	USA Australia UK
Investment Competitiveness								
Labour availability	↓	↓	↓	-	↑	-	↓	→
Labour quality	↑	↑	→	→	↑	-	↑	↑
Labour costs	↓	→	↓	↓	→	-	-	↑
Investment incentives	→	→	↑	-	→	-	-	-
Transportation infrastructure	→	↓	→	-	→	-	↓	→
Energy costs and supply	-	↓	→	-	-	-	↓	-
Effective corporate income tax rate	↑	↑	↑	↑	↑	↑	↑	-
Regulatory environment	→	↓	↑	↓	-	↓	↓	→
First Nations	↓	→	→	↑	-	-	↓	↑
Business and public attitudes	↓	↓	↑	↑	↑	↓	↓	↑
Political stability	→	→	↑	↑	↑	↑	↑	↑
Personal factors	-	-	-	-	→	↑	-	↑

↑ = Relatively competitive
→ = Mid-range, but with identified concerns
↓ = Relatively uncompetitive
Dash = Limited information/applicability

Source: Chapters 5 to 12; interview notes and other KPMG analysis

Chapters 5 to 12 set out more detailed sector-specific competitiveness issues from research and the findings, feedback and observations from our interviews with sector experts.

The experts interviewed agreed that Sources of Investment in all industries are expected to remain broadly the same, although the potential investment dollars from any one jurisdiction will fluctuate due to factors such as the prevailing local and global economy and the incentives being offered by governments in those jurisdictions.

Chapter 5 - Forestry

Overview

The quality of skilled labour is seen by interviewees for this study as a competitive advantage for the forest industry, although labour availability and costs are seen as a disadvantage – especially compared with emerging markets such Brazil and Russia and especially for pulp and paper operations.

The proximity of BC to major markets (both the US and China) is seen to be an advantage.

Corporate tax rates in BC are generally competitive with competing jurisdictions, other than Russia.

With the relatively weak markets of recent years, new capital investments have been driven primarily by the objectives of firstly improving production efficiency through technology advances and secondly securing and diversifying raw materials supply.

New jobs in the sector are therefore becoming more diverse as new technology drives the industry to innovate.

The unique nature of the BC tenure system is seen by some as a challenge in attracting new foreign investment; however it is a positive for existing businesses within the industry as it provides certainty. The risk of changes to the current regulatory environment in an election year, including the tenure system, is seen as a disincentive to new capital investment from existing tenure holders.

Interior BC sawmills are seen as having successfully invested to achieve world-class production efficiencies, in dealing with the accelerated harvest levels associated with the Mountain Pine Beetle epidemic. However, the upcoming reduction in allowable harvest levels will present significant challenges for the Interior's production and investment competitiveness.

The Coastal forest industry is seen as having become under-capitalized as a result of the weak market conditions and the financial challenges of recent years.

Sources of investment

As illustrated in Exhibit 5a, capital expenditures in the BC forest industry in recent years have been mainly from Canadian sources. (These figures do not include the transfer of existing capital assets to offshore investors.)

Exhibit 5a – Sources of investment in the BC Forest industry[11]

Foreign and domestic capital expenditures in BC - Forestry, agriculture, fishing and hunting ($ millions)

	2009	%	2010	%	2011	%
Canada	326.7	98.9%	322.1	98.7%	366	98.7%
Foreign	3.5	1.1%	4.1	1.3%	4.8	1.3%
Total	330.2	100.0%	326.2	100.0%	370.8	100.0%
Forestry sector share of total expenditures (2009)	94.5%					

Source: Statistics Canada - Foreign and Domestic Investment in Canada

Interviewees confirmed that the lumber industry has faced significant profitability challenges in the past decade as a result of the significant decline in US housing construction market, coupled with US initiatives to protect its domestic softwood lumber industry. The decline in the traditional US markets has been accompanied by an accelerated harvesting program resulting from the Mountain Pine Beetle epidemic and also by the growth in export markets to Asia for both logs and lumber.

Industry sector specialists indicate that, with the industry market challenges of recent years, much of the sector's capital investment has been oriented towards achieving operating efficiencies to lower the costs of production. The Mountain Pine Beetle epidemic and the resulting high levels of salvage-priced stumpage, has also provided an impetus for some BC interior lumber manufacturers to make capital investments to increase production capacity and efficiency.

Many of the new jobs in the sector are expected to be created to service new technology or innovation rather than the more traditional jobs created in lumberjacking or saw mill operations.

[11] Data presented are for the forestry, agriculture, fishing and hunting sectors, of which the forestry sector comprised 95.5% in 2009. The statistics are for capital expenditures and do not include the foreign purchase of existing businesses and capital assets.

Global market competition

Solid wood

For solid wood, the most significant market competition to BC comes from the US, Brazil/Chile, Sweden, other parts of Scandinavia and Russia. Sweden, other parts of Scandinavia and Russia are seen as particularly competitive in the Chinese marketplace.

With respect to logs, BC is seen as having a competitive advantage over Russia because Russia's export business due to perceived unpredictability - for example, Russia introduced (and recently lowered) an export tariff on logs that caused some Asian markets to turn their attention towards BC logs. Alternatively, the need for BC log producers to demonstrate that logs are surplus to domestic needs puts BC at a competitive market disadvantage to jurisdictions that do not have this requirement.

In addition, BC is geographically seen to be competitive due to its closer proximity to the US, and at no competitive disadvantage in proximity to China.

For solid wood, BC's competitive position is strong in terms or the quality of the labour force. Transportation infrastructure and product delivery systems are mature and operate well, reflecting the traditional size and economic importance of this sector. Interior-based sawmills are seen by those in the industry as operationally more efficient than those of Southeast US-based competitors, although Southeast US competitors are seen as having closed the gap in recent years. The financial performance of Coastal sawmills has not been strong in recent years and the Coastal forest industry is generally seen as under-capitalized.

Pulp and paper

For pulp and paper, significant competitors to BC include the US, Brazil/Chile, Sweden and other parts of Scandinavia, Russia, Indonesia and China.

The pulp and paper industry has suffered from declining global demand and weak prices in recent years, leading to financial difficulties for a number of BC pulp and paper mills.

Pulp and paper is a global commodity and low international prices have shifted the competitive advantage to low-cost producers. While BC is seen as having a high-quality workforce, the cost of labour is seen as a competitive disadvantage for BC, due to a combination of:

- Labour rates; and
- Other contract provisions that drive additional costs for employers.

Top investment decision criteria

The top decision criteria identified, by interviewees for this study, for new capital investment in the industry include:

- Achieve greater production efficiencies and remain financially viable – especially given the weak markets of recent years;
- Diversifying and increasing security of supply. This has been a particular issue for Asian-based firms that are importing logs, where BC has been seen as being more reliable source of supply than Russia; and
- Management of risks (political stability, business regulatory environment, etc). While BC is seen as a more politically stable environment than some 'emerging country' competitors, the BC regulatory environment is seen as being increasingly uncertain in an election year and for other reasons (see current capital disincentives below).

Current 'leading practices' in other jurisdictions

Industry experts familiar with other international jurisdictions indicate that the following types of incentives are considered 'leading practices' in some other jurisdictions in attracting capital investment include:

- Providing easier access to timber rights than is perceived as being available in the BC system;
- Providing direct financial incentives for construction of new facilities and operations;
- Providing employment incentives (e.g. payroll-based rebates); and
- Allowing companies to write off capital more quickly.

Current capital investment incentives

The availability of capital investment incentives in the BC forest industry is seen as very limited. Most of the existing industry's interest is in the removal/reduction of current disincentives to investment (see following section), rather than in the introduction of new capital investment incentives.

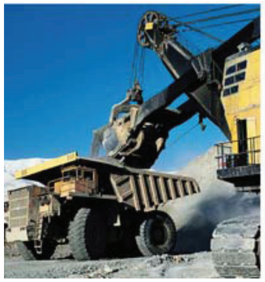
Corporation tax rates provide incentives to invest relative to many competitor markets.

Current capital investment disincentives

Industry experts identified the following disincentives to capital investment in the BC forest industry:

- Concerns about pressures on the provincial Government to make changes to the traditional tenure system in BC, including potential re-allocation of tenure from existing holders. This is seen adding a significant element of increased risk for existing firms that are considering new capital investment opportunities;
- For the Interior forest industry, concerns about the upcoming reduction in the Annual Allowable Cut (AAC)[12];
- For the Coastal forest industry, under-capitalization of current facilities and concerns about whether re-capitalized Coastal operations can operate profitably under current and future market conditions;
- Concerns about First Nations land claims, given that much of the forestry land in BC is subject to those claims;
- Environmental groups, given BC's history of environmental activism;
- The lack of competition on railways means that it is difficult to negotiate more attractive rates for transport of both logs and lumber;
- High labour costs, relative to other jurisdictions, particularly for pulp and paper operations, where the contract language and terms of employment are seen as driving higher labour costs than in competing jurisdictions
- The traditional BC tenure system -- whereby private firms have timber tenure on public land, paying stumpage rates for the right to harvest it. The BC system is different from the private ownership systems prevalent in the US, the Maritimes and other competing countries. BC's tenure system is seen by some as a disincentive to investment coming from the US and overseas, as it tends to be less well understood by investors in these jurisdictions; and
- Export restrictions on BC logs -- whereby BC forestry firms are required to demonstrate that the harvested logs are surplus to the needs of BC mills in order to receive an export permit. This requirement provides an investment disincentive both for Asian firms looking for assured access to raw materials supply and for domestic firms looking to harvest logs for Asian as well as domestic markets.

[12] The AAC in the Interior was increased from 40-45 million cubic meters, to approximately 65 million cubic meters, to enable accelerated harvesting because of the Mountain Pine Beetle epidemic. However, the post-epidemic AAC is expected to stabilize at about 35-40 million cubic meters.



Chapter 6: Mining

Overview

While British Columbia has rich mineral deposits, the BC mining industry is assessed by interviewees for this study as having a number of potentially significant competitive disadvantages in attracting investment, of which the most important is the regulatory environment, including the federal and provincial environment review and permitting processes, which is seen by the industry as onerous and duplicative (although the recent federal initiative to reduce its direct involvement in the environmental assessment process is seen as a positive step).

Transport infrastructure, whilst improved in recent years, and access to tidewater are still issues in many areas of the Province and whilst significant progress is being made in partnering with First Nations, the bureaucratic process surrounding First Nations land claims is still seen as adding uncertainty to the approval process and operating environment.

In addition, labour supply and costs have been highlighted as major issues, especially in view of attracting skilled trades in competition with the Alberta oil sands.

Negative public attitudes in comparison to competing jurisdictions are also seen as an area of competitive weakness.

However, BC is seen as having relatively good access to capital because of the long-established Vancouver-based mining sector.

Sources of investment

As illustrated in Exhibit 6a, approximately one-third of the capital expenditures on mining and oil and gas extraction have come from foreign sources in recent years.

Exhibit 6a – Sources of investment in the BC mining and oil & gas industry

Foreign and domestic capital expenditures in BC - Mining and oil and gas extraction ($ millions)

	2009	%	2010	%	2011	%
Canada	3,410.2	67.9%	5,922.8	65.6%	5,697.7	66.2%
Foreign	1,614.1	32.1%	3,109.3	34.4%	2,909.3	33.8%
Total	5,024.3	100.0%	9,032.1	100.0%	8,607.0	100.0%

Source: Statistics Canada - Foreign and Domestic Investment in Canada

Traditionally, much of the capital investment at the exploration stage has come from junior firms, often using private investors and venture exchange financing, followed by capital investments from senior multinational firms at the feasibility and production stage.

State owned enterprises have become more involved in providing sovereign capital to the Canadian mining industry in recent years and industry experts indicate that Chinese and Korean Government agencies are 'currently in acquisition mode.'[13]

Global market competition

Exhibit 6b provides a number of indicators of BC's market competitiveness, as assessed by the Fraser Institute in its Annual Survey of Mining Companies 2011/12. BC Government policies in relation to the mining industry are assessed as being reasonably competitive on an international basis, but less competitive compared to other provincial jurisdictions in Canada. According to the survey, mineral potential would be much stronger if regulatory 'leading practices' were put in place. The Fraser Institute defines 'mineral potential if under regulatory best practices' as a measure of the 'pure' mineral potential of the area.

[13] Source: KPMG, Business risks facing the Mining Industry, December 2011, Risk #4 – Ability to raise capital. The publication notes that the China Investment Corporation and Korea are currently active and that the export development banks of consuming countries represent an important source of financing.

Exhibit 6b – Market competitiveness indicators

Government Policy and Mining Potential Among 93 Jurisdictions [1]

	Policy potential index		Mineral potential under current regulation		Mineral potential if under regulatory "best practices"	
	Score	Rank	Score	Rank	Score	Rank
Canada						
British Columbia	62.5	31	0.50	35	0.83	12
Alberta	91.5	3	0.60	18	0.64	57
Manitoba	74.6	20	0.64	11	0.76	26
Saskatchewan	88.9	6	0.69	4	0.81	20
Ontario	79.4	13	0.56	23	0.78	25
Quebec	89.0	5	0.65	9	0.82	13
New Brunswick	95.0	1	0.54	27	0.52	78
Nova Scotia	77.1	15	0.41	51	0.47	87
United States	65.1	29	0.43	47	0.66	48
Australia	69.0	25	0.49	36	0.63	51
Argentina	31.3	66	0.37	57	0.65	50
Chile	75.3	18	0.69	5	0.81	21
Indonesia	13.5	85	0.29	73	0.84	10
Mexico	58.8	35	0.58	21	0.85	8

Source: Fraser Institute, Annual Survey of Mining Companies 2011/12

[1] Scores and ranks for Australia, Argentina, and the US represent averages among study jurisdictions

Top investment decision criteria

At a high level, criteria for evaluating capital investment opportunities in the mining industry identified by interviewees for this study include:

- Mineral potential and costs to produce – What is in the ground and is it accessible? What are the costs of extraction, processing and transportation/ shipping to global markets?
- Mineral prices and potential revenues – What is the outlook for global production and future supply/demand relationships? What are the implications for potential revenues?
- Regulatory environment – How business friendly are regulations? Is the permitting process arduous, expensive and uncertain?

Mineral potential, production costs and price/revenue considerations are of course beyond the control of government, leaving the regulatory environment as the main area of government control.

Current 'leading practices' in other jurisdictions

With regard to taxation (including royalties) systems, BC and other provincial/international jurisdictions vary widely in terms of what is taxed, on what basis and at what levels. Despite the complex mix of policies, the World Bank has not found any apparent connection between the type and rate of royalties and the nature of the minerals sector in different countries. However, developed countries are noted as being more oriented towards profit-based royalty regimes[14], presumably because they are better able to monitor the profitability of mining operations and collect profit-based taxes.

More generally, the 'leading practices' in taxation policy, at least as identified by industry participants, include:

- Simplicity, transparency, clarity, certainty, efficiency, fairness and equity;
- Encouraging mining investment (i.e. minimizing up-front and pre-production taxes);
- Not discriminating between mineral sources; and
- Allowing for some sharing of risks and gains.

With regard to leading practices in other jurisdictions, Quebec's Plan Nord has been identified by interviewees as a potential 'leading practice' area for investigation. Established in 2011, Plan Nord is a 25-year overall economic development strategy for Northern Quebec. Among its other goals, the Plan aims to promote and further develop natural resource extraction in Northern Quebec.

Current capital investment incentives

Industry experts indicate that the federal Government's recent announcement that it will become less active in mining-related environmental approvals in future has potential to reduce the significant existing overlaps and duplication between provincial and federal environmental review and permitting processes and as such is being seen by many experts as a major step forward for the BC mining industry.

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[14] Presentation to Mineral Council of Australia's Biennial Tax Conference 2009.

Current capital investment disincentives

A December 2011 KPMG survey of mining executives reported the perceived biggest risks to be:

- Cost escalation (identified by 55% as a major risk);
- Government involvement in the industry (40%);
- Access to new projects (38%);
- Ability to raise capital (35%); and
- Labour shortages (34%).

In interviews for this study, industry experts focused primarily on the regulatory environment, including the federal and provincial environment review processes, is seen as onerous and duplicative (although as mentioned above the recent federal initiative to reduce its direct involvement in the environmental assessment process is viewed favorably by those in the industry).

Additional factors that are industry specific that were seen as issues of concern in many areas of the Province were:

- Labour supply and quality, especially in view of attracting skilled trades when in competition with the Alberta oil sands;
- Energy supply and access, where supply especially in remote areas is seen as a difficulty;
- Transportation infrastructure;
- Access to tidewater; and
- Whilst significant progress is being made in partnering with First Nations, the bureaucratic process surrounding First Nations land claims is still seen as adding uncertainty to the approval process and operating environment.

Finally, interviewees stated that negative public attitudes in comparison to competing jurisdictions are also seen as an area of competitive weakness when comparing jurisdictions.

On the positive side, BC is perceived as having relatively good access to capital because of the long-established Vancouver-based mining sector and being competitive with other jurisdictions in terms of corporate taxation.

Chapter 7: Natural Gas

Overview

The main issues with the natural gas industry were seen by interviewees for this study to be labour availability and cost, both of which were severely impacted by the proximity of the Alberta oil sands.

Of the areas where interviewees thought that BC had room for improvement, the most frequently discussed issue was the lack of LNG terminal infrastructure, where BC is perceived as being a desirable location for a major Liquefied Natural Gas (LNG) facility, in part because of its potential to help the Asian economy diversify its global supplies of natural gas.

With regard to the major proposals under development to liquefy and ship natural gas from BC to Asia, there is significant involvement and investment interest from international investors.

Sources of investment

As illustrated in Exhibit 7a, approximately one-third of the capital expenditures on mining and oil and gas extraction have come from foreign sources in recent years.

Exhibit 7a – Sources of investment in the BC Mining and oil & gas industry[15]

Foreign and domestic capital expenditures in BC - Mining and oil and gas extraction ($ millions)

	2009	%	2010	%	2011	%
Canada	3,410.2	67.9%	5,922.8	65.6%	5,697.7	66.2%
Foreign	1,614.1	32.1%	3,109.3	34.4%	2,909.3	33.8%
Total	5,024.3	100.0%	9,032.1	100.0%	8,607.0	100.0%

Source: Statistics Canada - Foreign and Domestic Investment in Canada

Canada is seen as an attractive market for international investment because the political environment is stable and because there are large reserves of natural gas. However, with the advent of new shale gas 'fracking' techniques in recent years, the US is projected to become self-sufficient in natural gas by about 2035 (see exhibits 7b and 7c). BC is expected by many to therefore need to find new offshore markets such as China, shipping LNG from coastal terminals.

Investors believe the lack of LNG Terminal infrastructure poses significant challenges for the industry so that LNG can be exported and unless this issue is solved BC will be at s significant disadvantage in comparison to competitors for the Chinese and other Asian markets such as Australia.

Industry specialists indicate that the main sources of capital investment are coming from the Asian markets. China is seen as the most significant investor, followed by Korea and Japan. With a limited domestic supply of natural gas and rising consumption, these countries would like to stabilize the price they pay by securing supply. In particular, China's consumption levels are going to more than triple over the next 25 years (see exhibit 7c below).

Global market competition

As illustrated in exhibit 7b, the two most significant producers of natural gas are Russia and the US. Canada produces the next most significant amount by country, but still only produces a little less than one-third of either leading country.

Over the next 25 years, China and Australia/New Zealand are expected to become much more significant producers of natural gas, increasing production by two-and-a-half times. By 2035, Russia and the US will still produce more than any other country, but by that time multiple countries producing at similar levels to Canada.

[15] Breakout not available for mining versus oil and gas.

Exhibit 7b – Natural Gas Production Forecast

World Natural Gas Production Outlook (Trillion Cubic Feet)

	2010	2015	2020	2025	2030	2035
United States	21.1	22.4	23.4	24.0	25.1	26.4
Canada	6.1	7.0	7.7	8.3	8.7	9.0
North Europe	9.2	7.7	7.0	7.0	7.3	7.6
Australia/N.Z.	2.1	2.6	3.1	3.8	4.8	5.7
Russia	22.7	23.0	24.9	27.3	29.6	31.2
Central Asia	5.5	6.4	6.7	7.0	7.5	7.9
China	2.7	3.1	3.7	4.7	6.0	7.3
Qatar	4.6	6.3	7.0	7.4	7.8	8.1
Other	39.0	45.1	50.3	55.5	61.0	66.0
Total	113.0	123.6	133.8	145.0	157.8	169.2

Source: U.S. Energy Information Administration, International Energy Statistics database and Annual Energy Outlook 2011

As illustrated in exhibits 7b and 7c, Canada's export opportunities to the US appear to be likely to shrink in future, as the US becomes more self-sufficient. However, overseas export opportunities for BC are expected to grow in other areas of the world. By 2035, the US is expected to be a net exporter of natural gas and China is expected to increase consumption by approximately three-and-a-half times their current level. Other emerging countries are also expected to increase consumption at a higher rate than most developed countries.

Exhibit 7c – Natural Gas Consumption Forecast

World Natural Gas Consumption Outlook (Trillion Cubic Feet)

	2010	2015	2020	2025	2030	2035
United States	23.8	25.1	25.3	25.1	25.9	26.5
Canada	3.3	3.5	3.7	4.2	4.6	5.0
Russia	16.3	16.2	16.1	16.2	16.8	17.4
China	3.3	5.3	6.8	8.6	10.2	11.5
Other	66.2	73.0	81.5	90.3	99.3	108.3
Total	112.9	123.1	133.4	144.4	156.8	168.7

Source: U.S. Energy Information Administration, International Energy Statistics database and Annual Energy Outlook 2011

Top investment decision criteria

Much of the current investment interest in BC is being driven by the growing Asian demand for natural gas. Industry sector specialists interviewed for this study indicate the top investment criteria for international investors as:

- Enhancing security of supply, through diversification of global sources;
- Having skilled workers and efficient production/shipping systems, to make sure the supply is reliable and cost-effective;
- Having a politically stable environment, with an effective and predictable regulatory structure; and
- Having the transportation infrastructure and energy required to develop and deliver the product to market.

Current 'leading practices' in BC and other jurisdictions

The 'leading practices' identified by industry sector specialists interviewed for this study, are:

- Hiring First Nations workers to help address the infrastructure deficit, particularly in building pipelines and terminal infrastructure;
- Planning and building new terminals to export LNG; and
- The importance of building trusted relationships within Asian markets, especially Japan.

Current capital investment incentives

Industry specialists indicate that Canada is generally seen as open to investment. While the current price of natural gas has dropped in recent years, some forecasters expect it to rise with future increases in demand.

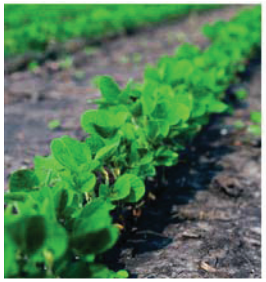
BC is seen to be a desirable location for a major LNG facility, in part because of its potential to help the Asian economy diversify its global supplies of natural gas.

Current capital investment disincentives

The major investment disincentive for natural gas identified by interviewees for this study was the availability and cost of labour due to the proximity of the Alberta oil sands.

With regard to the major proposals under development to liquefy and ship natural gas from BC to Asia, there is significant involvement and investment interest from international investors. However, BC is seen as being at a significant competitive disadvantage to competitors (in particular Australia) in terms of the regulatory approval process, First Nations land claims, public attitudes, transportation infrastructure and energy supply.

There was also a notable difference in attitude when we interviewed Australian experts, with the emphasis very much on a 'can do' mentality, which put in the words of one observer meant that "We (Australia) have seven pipelines in development and they'll be finished by the time you've built one." As Australia is likely to be a major competitor in the Asian market, this appears to be a notable difference in attitude and may be worth specific further investigation as such social and societal factors were not within the scope of this study.



Chapter 8: Agri-Foods

Overview

Much of the agri-food sector in BC is significantly regulated and the specific nature of the regulations varies among industries.

While the various regulatory regimes tend to stabilize market supply and demand relationships within the Province, in some industries they also limit the ability of BC producers to export outside the Province, putting BC at a competitive disadvantage in attracting new investment from outside the Province.

The Government of Canada is currently engaged in international negotiations, which could open up foreign markets to BC agri-food products. This development would strengthen BC's ability to attract new capital investment, but would require significant changes to the BC regulatory environment and would expose BC producers to increased international market competition.

While land-based and fisheries issues vary, industry specialists indicate that that land-based primary producers (e.g. farmers) often have issues with secondary production capacity (e.g. processing plants) and often have to ship their products out-of-Province for processing.

For seafood, industry experts indicate that there has been a significant shift over the past few years from salmon/herring-based to groundfish-based fisheries.

Both land and labour costs were also seen by interviewees for this study to be relatively uncompetitive. On the positive side, corporate tax rates, partnerships with First Nations especially in the fisheries and viticulture industries and business and public attitudes were all seen as relative competitive advantages for the industry in BC.

Different industry segments

The BC agri-foods sector includes both primary producers (e.g. farmers) and secondary producers (processing plants). Issues for land-based and fisheries industries are addressed separately later in this section.

As illustrated in exhibit 8a, exports from the BC land-based agri-foods industry are fairly evenly split between animal production and crop production. The amount of crop production exports has remained relatively constant since 2007, while animal production exports have seen a decrease in the past two years. For seafood, trends over the past five years have varied, and the five year overall trend is fairly flat; however, industry experts indicate that there has been a significant shift over the past few years from salmon/herring based fisheries to groundfish based fisheries.

Exhibit 8a – BC exports of selected agri-food and seafood sectors (including Cumulative Annual Growth Rates (CAGR))

BC exports of selected agri-food and seafood sectors ($ millions)

	2007	2008	2009	2010	2011	5yr CAGR
Crop production[1]	459.6	464.4	448.2	448.0	470.7	
CAGR		*1.05%*	*-3.49%*	*-0.03%*	*5.05%*	*0.60%*
Animal production[2]	441.0	455.8	459.4	426.1	388.2	
CAGR		*3.37%*	*0.79%*	*-7.26%*	*-8.90%*	*-3.14%*
Seafood production and packagi	408.0	416.4	398.1	447.5	430.4	
CAGR		*2.05%*	*-4.39%*	*12.40%*	*-3.80%*	*1.35%*

Source: Trade Data Online - Canadian Trade by Industry

1. NAICS Code: 111 - Crop Production
2. NAICS Code: 112 - Animal Production
3. NAICS Code: 3117 - Seafood Product Preparation and Packaging

As illustrated in exhibit 8b, crop and animal production exports are predominantly to the US (88% of exports to all countries in 2011), with other large export destinations mainly being made up of Asian countries. In the past five years, exports to the US have dipped slightly, although export growth has been achieved in areas such as India and China. However, the small percentage that these other countries contribute to total agri-food export sales does not make up for the loss of exports to the US. For seafood, the five-year trend has been flat to the US and downward to Japan and the UK, but has been upward for China, Russia and Hong Kong.

Exhibit 8b – BC exports of selected agri-food products by country

BC exports of selected agri-food products by country[1] ($ millions)

	2007	2008	2009	2010	2011	3yr CAGR	5yr CAGR
United States	810.9	814.3	825.1	777.6	755.9	-4.28%	-1.74%
Japan	30.6	38.1	26.6	26.3	24.0	-5.06%	-5.93%
Hong Kong	9.2	7.6	9.9	11.9	13.2	15.72%	9.54%
Taiwan	8.4	8.1	10.9	9.3	11.1	1.06%	7.22%
China	5.0	10.9	6.1	11.7	7.6	12.00%	11.10%
Netherlands	8.8	7.7	5.1	4.4	6.2	9.65%	-8.35%
India	0.3	0.1	1.0	4.0	4.6	117.20%	90.93%

BC exports of selected seafood products by country[2] ($ millions)

	2007	2008	2009	2010	2011	3yr CAGR	5yr CAGR
United States	128.8	132.1	114.7	129.3	129.9	6.41%	0.21%
Japan	119.5	109.5	128.8	141.9	96.4	-13.49%	-5.24%
China	35.6	36.0	31.3	23.2	49.4	25.77%	8.54%
Russia	12.7	18.0	8.7	20.1	26.7	74.85%	20.47%
Hong Kong	10.6	12.9	14.5	14.8	23.0	25.79%	21.43%
United Kingdom	31.2	28.9	28.3	37.8	21.7	-12.38%	-8.65%
Ukraine	15.2	19.4	20.4	21.0	20.3	-0.14%	7.60%

Source: Trade Data Online - Canadian Trade by Industry

1. NAICS Code: 111 - Crop Production and NAICS Code:112 - Animal Production

2. NAICS Code: 3117 - Seafood Product Preparation and Packaging

Sources of investment

For primary production, industry experts interviewed for this study indicate that there are three types of investment (broadly defined) within in primary production:

- Investment coming from the next generation of family-owned farms and family-owned seafood operations (both wild capture and aquacapture);
- Niche investments in the growing 'grow/buy local' trends in BC and globally – although these are tending to be small-scale; and
- Offshore investment sources vary. In the Fraser Valley, much of this investment has been from India (typically active purchasers/operators) and from China (typically passive investors) in addition to the traditional European countries, whilst in the BC interior, most foreign investment still emanates from Europe (typically ranch investments).

While there is a slow trend towards industry consolidation, the BC agri-food industry is still viewed as being more fragmented than other industries.

For secondary production, new capital investment has been very limited in recent years, for a number of reasons:

- Because of current regulations, farmers constructing processing facilities on Agricultural Land reserve (ALR) land are not allowed to have more than 50% of production originating from other farms – making it impossible to provide local secondary processing on ALR land;
- Short-run financial returns on secondary processing facilities tend to be very low, making it difficult to attract financing; and
- Because of the relatively short growing season, the facilities tend to sit idle for most of the year.

As a result of these factors, secondary processing facilities have struggled to remain financially viable in BC in recent years.

There has been significant new capital investment in certain sub-sectors, in both the land-based and seafood sectors. For example:

- In the land-based sector, the BC wine industry has shown steady growth, partly due to increased awareness and investment; and
- In the seafood sector, the BC salmon farming industry's growth in the 1990's and early 2000's was mainly a result of new capital investment from domestic and offshore sources (especially Norway). The main barrier to new capital investment in this industry is the lack of new sites because of the controversy regarding risks to wild salmon stocks.

Industry experts interviewed also noted that much of the current interest in making capital investment in Fraser Valley farmland is coming from traditional agricultural countries such as the Netherlands, Switzerland and India. Much of the interest in interior ranch-style investments is coming from central European countries such as Germany. These countries are often identified as the most likely to attract business people and agriculturalists who regard BC as an attractive environment.

Global market competition

Land-based Agri-food

In terms of investments competitiveness, BC's relatively high cost of farmland, relative to farmland in Alberta and Saskatchewan, means the farmers immigrating to Canada face much higher costs of entry relative to neighbouring provinces.

In the international context BC is a relatively small producer and is perceived to have a relatively fragmented industry structure, with investors assuming greater production economies in competing jurisdictions. Primary and secondary producers in other jurisdictions are also investing in the types of crops that have been BC's strengths in recent years. For example, while blueberries have been a profitable crop for BC producers in recent years, other jurisdictions (e.g. Florida) are expected to emerge as significant competitors as their production increases.

International jurisdictions (e.g. Serbia, Chile, the BRIC countries) are also seen as emerging competitors for large-scale production of some BC crops (e.g. raspberries). These new sources are in addition to the traditional sources, California and Mexico, as major exporters of farm products into BC.

The wine industry faces competition from inside Canada as well as from traditional producers such as France, Spain and Italy and the 'new world' markets of the US, Chile, Argentina, Australia and New Zealand.

In terms of secondary processing, the most significant market competition is from the Western US and Mexico.

Seafood

In terms of wild fisheries, BC's most significant global competitor is Alaska. Alaska has the advantage of having a more secure supply of wild fish stocks, but has the disadvantage of more remote locations, with processing plants that are typically distant from market s and only operate on a seasonal basis. In terms of aquaculture, in particular farmed salmon, BC's most significant global market competition comes from Chile – although BC has a competitive advantage in being able to truck fresh fish to Western US markets.

Top investment decision criteria

Land-based Agri-food

Industry sector experts indicate that the capital investment associated with farm acquisition in the fragmented BC industry is driven mainly by the lifestyle desires of the investor, since short-term financial returns tend to be very low relative to other sectors. While some consolidation is taking place, the progress is described as 'slow and steady' and is not expected to accelerate due to prevailing market and economic conditions.

While investment criteria in this industry may sometimes appear irrational to some extent in relation to other sectors, decision criteria still reflect:

- Land costs – The price and availability of quality of land is critical for primary producers;
- Labour costs – The necessary skills must be available and accessible in the local workforce, at a competitive cost; and
- Location – Proximity to primary markets and/or secondary processing facilities.

Labour costs are becoming an increasingly difficult area for operators; viticulture struggles with vineyard labour and usually imports labour at additional cost. One aspect of that cost mentioned regularly in our interviews was that immigration rules do not currently allow for labour applications to be 'pooled' so that a group of small businesses could share a number of workers and not hire on an individual whole time equivalent basis.

Seafood

Industry sector experts interviewed for this study indicated that, with a quota system in place in most wild fisheries (excepting salmon-herring), much of the investment is recent years has been in acquiring quota rather than making capital investments in facilities. The weak financial performance of the wild salmon-herring fisheries has also limited re-investment, and as a result the age and condition of the fleet has been worsening over time. There has been some consolidation of fishing industries, with a US-based firm acquiring a number of groundfish operations, and a BC-based firm acquiring a number of salmon-herring operations plus some groundfish operations.

For aquaculture, new investment in the salmon farming industry has been held back by lack of new sites, and much of the investment has been the acquisition of smaller producers by Norwegian-based firms. Growth of the groundfish aquaculture industries has been limited over the past decade, due in large measure to the weak financial performance of the small-scale operations that are typical of the industry.

Current 'leading practices' in other jurisdictions

Land-based Agri-food

Some other jurisdictions tend to offer production-oriented industry support programs. For example, in the US there are water supply support programs that essentially amount to an indirect subsidy on production. By contrast, Canada and BC support programs tend to be on the output side (e.g. market regulation).

US jurisdictions are also perceived as having significantly lower costs of production than BC in a number of key areas:

- Land costs;
- Labour costs;
- Sales taxes; and
- Carbon taxes.

Seafood

Industry experts indicate that the regulatory and investment environments in BC and competing jurisdictions vary widely by industry, and in many cases are designed to protect small operators.

With respect to processing facilities, Chile is seen as having more capital-intensive and efficient processing plants than BC. BC is seen as more opportunistic, able to capture and process the current wild harvest, but is seen as not building new processing plants.

Current capital investment incentives

Land-based Agri-food

Industry experts interviewed for this study indicate that the tax rules for primary producers are seen as favourable for farmers in BC, as well as in Canada generally. In addition, there are a number of post-secondary education institutions that offer agricultural programs in the Province, for example:

- The University of BC has many agricultural programs, at the bachelor, master and PhD level, through the Faculty of Land and Food Systems; and
- The University of the Fraser Valley has many certificate and diploma programs focused on applied competencies in agricultural disciplines.

In addition, a number of targeted industry support programs have historically been provided by the federal and provincial Governments.

Seafood

While the federal government provided a number of capital investment support programs to the wild capture industry during the 1970s and 1980s, these were discontinued as certain stocks (in particular salmon-herring) came under pressure, and the desire was to reduce the size of the industry.

Current capital investment disincentives

Land-based Agri-food

Industry experts interviewed for this study indicated that there are a number of disincentives to capital investment in BC:

- Land pricing – the price of farm land is very high compared to farm land in Saskatchewan, California and Nevada, creating a significant barrier to entry for new farmers;
- Availability and cost of unskilled labour – BC is seen as having higher labour costs for unskilled labour than the US, particularly in jurisdictions (e.g. California) where there is an underground labour force;
- Export restrictions on regulated products – Marketing boards, while helping to stabilize certain agricultural product markets, can also limit the export of regulated food products to other jurisdictions;
- Quota pricing – the price of quota (for regulated industry sectors) has become very expensive in BC, creating a barrier to industry growth (although the existence of the system is also seen as having a stabilizing effect on the industry);
- Limited short-term financial returns – returns on capital investment in the agri-food industry tend to be low in the short term;
- Limited secondary producer capacity in BC, relative to other jurisdictions and reflecting BC's relatively modest supply of land suitable for field crops. This is attributed to a number of factors including:
  - The relatively small and fragmented nature of production in many industries;
  - Regulatory restrictions on the ability of local secondary processing facilities to be located on ALR land;
  - The relatively short growing season and resulting plant idle time; and
  - Other regulatory issues (BC is seen to have tighter regulation than other jurisdictions in some areas);
- The carbon tax on food production – seen by those interviewed within the industry as putting BC at a competitive disadvantage to other jurisdictions;
- The distance to other larger markets, especially combined with later harvests and more challenging growing conditions; and
- The regulatory complexities and time delays associated with cross-border transportation.

Seafood

The current regulatory environment, in particular the precautionary nature of federal fishery management practices, is seen as a significant disincentive to capital investment in the industry. However, a strongly precautionary regulatory regime is acknowledged as being essential to the long-run sustainability of stocks and therefore investment in the long term.

BC also has some species-specific regulations, designed to protect existing operators, that both provide a disincentive to consolidation and impact capital investment. For example, no more than 1% of the BC halibut quota can be associated with any one vessel. Accordingly, if an investor were looking for significant market share they would have to acquire and operate potentially more vessels than in other jurisdictions where there were no such restrictions.

Chapter 9: Technology

Overview

The technology sector has been one of BC's fastest-growing sectors in the past decade and BC now has a well-established global profile in digital media, bio-tech, clean-tech and other industries.

Compared to other leading technology jurisdictions (in particular the US and UK) BC's investment competitiveness is assessed as relatively strong with regard to labour availability and quality and corporate tax rates. In addition, business and public attitudes and the broad stability of the political environment are seen by interviewees to this study to be positive aspects.

Personal factors are generally seen by interviewees to be an advantage, although the high cost of housing in Vancouver was commonly raised as an issue.

Access to capital has been an area of relative weakness for BC compared to international competitors, and although BC has outperformed Ontario and Quebec in recent years on a per capita basis, investment is now being lost to those Provinces in certain industry segments where government incentives have been increased in other jurisdictions relative to BC.

BC has in general been less eager than some competing jurisdictions (e.g. Ontario) to provide targeted incentives for technology firms, although this situation could change with proposed changes in the scope of business activities eligible for provincial income tax refunds under the Advantage BC Program.

The lack of an 'Open Skies' policy is also seen to impact the attraction of investment – no direct flights are available to a number of significant markets in the US (including Boston) and to other important countries such as Singapore.

Sources of investment

As illustrated in exhibit 9a, capital expenditures in BC are predominantly from within Canada. Capital expenditures (particularly from Canadian sources) have been growing in recent years.

Exhibit 9a – Sources of investment in BC technology industry

Foreign and domestic capital expenditures in BC - Professional, scientific and technical services ($ millions)

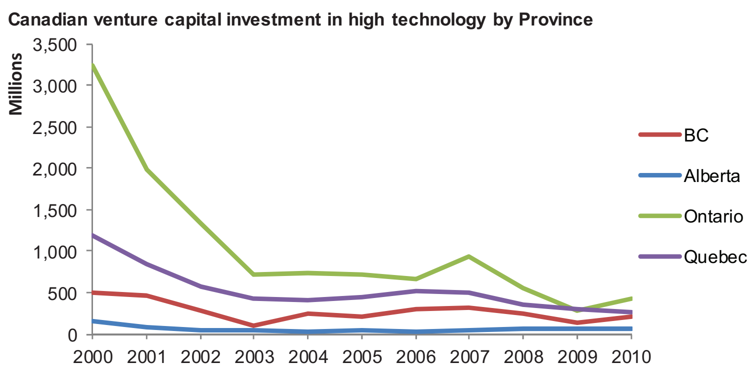
	2009	%	2010	%	2011	%
Canada	302.7	87.8%	361.0	89.5%	375.1	91.8%
Foreign	42.1	12.2%	42.3	10.5%	33.5	8.2%
Total	344.8	100.0%	403.3	100.0%	408.6	100.0%

Source: Statistics Canada - Foreign and Domestic Investment in Canada

The technology industry is largely fuelled by private equity. In Canada, the amount of capital available for start-up and early stage tech firms is lower than other jurisdictions, especially the US where on an average annual basis, the US invests about two-and-a-half times the amount of Canada and the greater value of investments tend to be in a smaller number of companies (approx 10% to 20% fewer companies).

As illustrated in exhibit 9b, venture capital has fallen dramatically in not only BC but also in Ontario and Quebec as the entire venture capital industry has diminished since the tech bubble in the early 2000s, but during that time BC has remained relatively stable. For venture capital investments in Canada, BC has consistently received the third largest amount by province.

Exhibit 9b – Venture capital investment in technology by Province



Source: BC Stats, Input Indicators of BC High Technology Sector, 2010

Global market competition

Industry sector specialists interviewed for this study indicate there is market competition from many sources, including:

- US (particularly Silicon Valley, but also New York, Boston and Seattle);
- United Kingdom (London);
- Israel;
- Finland;
- Ontario (Toronto, Ottawa and Waterloo); and
- Quebec.

Top investment decision criteria

Industry sector specialists interviewed for this study indicate that the top decision criteria for investors in technology are:

- The strength of the talent pool and whether there is a strong ecosystem of skilled labour, particularly in fields of engineering, science, math and business;
- The number of talented entrepreneurs, associated with an environment in which to build companies;
- Access to capital through the private equity industry and network of investors;
- Business support services, including a strong pool of management talent and mentors, as well as other professionals such as accountants and lawyers who understand the technology industry; and
- Incentives (especially tax incentives) for businesses, which in an increasingly competitive environment are seen to be greater competitive decision makers or deal breakers; and
- Housing costs in Vancouver which may be a negative factor in attracting and retaining top talent.

Current 'leading practices' in other jurisdictions

Industry experts interviewed indicated the following industry 'leading practices' that support investment:

- Incubator models that facilitate resources, hone talent, minimize risks and have potential to grow businesses faster;
- Awareness of success in the industry, with Governments playing a role in marketing success stories;
- Investment incentives, for example matching dollar programs with venture capitalists; and
- Venture capital industry incentives. For example, the Israeli Government provided incentives to creating a venture capital environment that:
  - Offered up to 40% ($8 million) of start-up funding for 10 Venture Capital firms, assuming the remaining 60% could be raised from foreign institutional investors;
  - Recruited foreign general partners with established track records that could attract foreign institutional investors; and
  - Allowed Venture Capital firms an option to buy out the Israeli Government's 40% stake at cost, plus interest, within five years.

Current capital investment incentives

Industry experts interviewed indicated that BC has strong incentives for capital investment. BC's location along the West Coast is conveniently located within a short proximity of Silicon Valley, in addition to being in the same time zone.

The talent pool in BC is also regarded positively. Skilled labour in BC is the product of quality math and science programs in the Province and labour is generally paid lower wages than most other larger cities in Canada and the US.

Current capital investment disincentives

The major disincentives to capital investment indicated by industry representatives include:

- The perceived lack of an 'intentional' BC Government strategy to support the further growth of the industry;
- Less financial industry support for the sector in BC (and Canada) relative to the US;
- Lack of intermediate venture capital financing, especially between and start-up/angel investor stage and the major private-public financing stage; and
- Lack of more aggressive incentives targeted at the industry to reflect those available in other jurisdictions (e.g. Ontario).

Chapter 10: Tourism

Overview

The BC tourism industry has suffered in recent years from the appreciation of the Canadian dollar and the decline in tourists from the US.

From a regulatory viewpoint, the international competitiveness of the BC tourism industry is seen as being negatively impacted by limited international air access, and whilst this is a federal issue, the industry is keen for BC and BC-based businesses to lead the 'Open Skies' debate.

In terms of business attitudes and operating models, tourism in BC is seen by interviewees for this study as being adversely affected (until recently) by the lack of a joint industry-government tourism promotion program.

The strength of hotel room stock is seen by some to be an issue outside of the Greater Vancouver area and Whistler, although most interviewees for this study agreed that significant opportunities exist for specific types of tourism, including that for:

- Family tourism;
- First Nations tourism;
- Eco-tourism; and
- Sports/Adventure tourism.

In general, public attitudes towards the industry are seen to be negative as interviewees believed that the benefits provided tend not to be well articulated and understood.

Sources of investment

As illustrated in Exhibit 10a, overseas residents are a significant provider of economic activity in BC, as well as earning foreign exchange for the Province.

Exhibit 10a – Spending by non-Canadian residents entering BC and Canada in 2010

Spending by non-Canadian residents entering BC and Canada

	Total Spending ($ millions)		Average Spend per Person-Visit		Average Spend per Person-Night	
	BC	Canada	BC	Canada	BC	Canada
USA residents	1,619	6,254	513	495	146	132
Overseas residents	1,765	5,667	1,210	1,049	82	78

Source: Statistics Canada - Trip Characteristics of USA and Overseas Residents Entering Canada

As illustrated in Exhibit 10b, all but a small percentage of annual capital expenditures in BC's information and cultural industries is reported as originating from Canada.

Exhibit 10b – Foreign versus capital expenditures in BC

Foreign and domestic capital expenditures in BC - Information and cultural industries ($ millions)

	2009	%	2010	%	2011	%
Canada	1,452.8	97.8%	1,217.5	97.9%	1,256.0	97.6%
Foreign	33.1	2.2%	25.9	2.1%	31.3	2.4%
Total	1,485.9	100.0%	1,243.4	100.0%	1,287.3	100.0%

Source: Statistics Canada - Foreign and Domestic Investment in Canada

While the above measure is not a perfect indicator for the tourism industry, the results are consistent with industry views that the main sources of investment in the tourism industry are:

- Domestic businesses that are investing and re-investing to maintain or increase the capital value of their tourism operations; and
- Government investments and expenditures in support of tourist attractions, as well as marketing BC as a tourist destination.

Global market competition

Tourism industry experts interviewed for this study stated that the leading competitors to British Columbia for global tourist visitors are the US, Australia, New Zealand and the United Kingdom.

Top investment decision criteria

Tourism industry experts interviewed indicated that the main decision criterion for significant new capital investments, such as a new hotel or tourist-related facility, is the business case in general and the financial return on investment (ROI) in particular.

One of the challenges in justifying tourism-related capital investment in BC on an ROI basis relates to the seasonal nature of many tourist activities, compared to the more year-round nature of the tourist season in some other jurisdictions (e.g. California).

Interviewees did discuss the opportunities available for the right tourist 'offer' and cited the following tourism markets as areas BC could concentrate on:

- Families tourism;
- First Nations tourism;
- Eco-tourism; and
- Sports/adventure tourism (outside of the well developed skiing destinations, especially Whistler).

In addition, those interviewed also did not believe that the benefits industry provides to BC in terms of jobs and additional income/investment was not well understood and on the whole business and public attitudes were negative.

Current 'leading practices' in other jurisdictions

Two of the 'leading practices' identified by industry experts include:

- Independent tourism marketing boards that operate as independent, arms-length entities from government. Independent tourism boards exist in some other jurisdictions (e.g. Alberta, Saskatchewan) and are viewed by industry experts as making a difference with some progressive marketing campaigns; and
- 'Brand USA' is a public-private-partnership that began operating in 2011. Its objective is to promote the US as a travel destination, including the communication of entry/exit policies and procedures. It is governed by an 11-member board of directors appointed by the US Secretary of Commerce. The annual budget is expected to be up to $200 million, with about half coming from the private sector and the other half coming from a $14 fee paid by visitors to the US from countries that do not require a visa (to be paid through the Electronic System for Travel Authorization (ESTA)).

This has been recently addressed by Tourism BC in the formation of Hello BC.com.

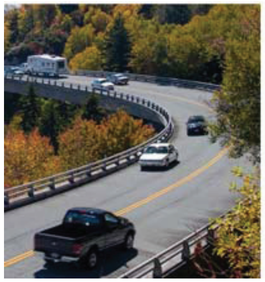
Current capital investment incentives

Our interviews did not identify any particular capital incentive program targeted at the tourism industry in BC or another jurisdiction worthy of note in this report.

Current capital investment disincentives

Industry experts interviewed identified a number of capital disincentives in the BC tourism industry:

- ROI in the hotel sector is currently low, due in some cases to the seasonality of demand. Companies are investing in other parts of the world, where the return is higher;
- Land tenures in remote areas are often restricted. Some adventure companies are looking to invest, but have a hard time gaining long-term access;
- The strong Canadian dollar has had a significant negative impact on tourist visits, particularly from the US; and
- While BC has many natural tourist attractions and the 2010 Winter Olympic and Paralympic Games as a strong platform to showcase BC to the world, the view has been expressed that BC is falling behind on reinvestment in product, especially in hotels, most especially in areas outside Vancouver with a few notable exceptions (e.g. Whistler).



Chapter 11: Transportation

Overview

The competitiveness issues for BC's transportation industry vary by mode, by the types of passengers/freight and by the geographic area of the Province.

Examples of areas in which the BC transportation industry is seen by interviewees for this study as relatively uncompetitive are:

- Labour availability (marine);
- International air carrier restrictions (no Open Skies);
- Marine terminal infrastructure (especially on the North Coast); and
- Cross-border trucking delays.

In terms of investment competitiveness, BC's complex regulatory approval system, relatively high energy costs and supply and First Nations claims are seen as competitive disadvantages in attracting major transportation infrastructure investment to the Province.

For the marine industry, the volumes through the port in Vancouver and the quality of labour were seen as positives, with pollution liability in particular seen as a specific disincentive for organizations to establish headquarters within BC.

Levels of environmental taxes were identified to be a significant disincentive for all industry segments within the transportation sector compared to other jurisdictions.

Different industry segments

The transportation sector encompasses a variety of modes and subsectors, with very different capital investment patterns and sources:

- **Roads and Public Transit:** While government has traditionally been the main investor in new road infrastructure, P3 (public private partnership) financings of public road infrastructure have been undertaken in major road and bridge infrastructure projects throughout the world. The opportunities for the Province to attract capital investment in public infrastructure are seen as mainly in attracting federal cost sharing of major transit infrastructure (such as the Canada Line and Evergreen Line).
- **Air:** Air transportation is federally regulated. Airports are operated either by Transport Canada or by local authorities and most airport capital investment has been driven by their public agencies. BC also has a number of small-to-medium sized regional airlines, aircraft maintenance companies and parts manufacturing/re-manufacturing firms. BC's proximity to Boeing's Washington State operations has led to some investments in BC.
- **Rail:** The major railways serving BC (CN, CP, and BNSF) are federally regulated, limiting the ability of the Province to act directly to encourage capital investment. CN in particular has been investing significantly in its Western Canadian infrastructure in recent years, including in the Prince George and Vancouver Corridors, as its market position has strengthened. Rail has been mooted as an alternative to pipelines for transporting oil and gas to the west coast for export to foreign markets, which if financially feasible could create a tremendous demand for capital investment to increase rail capacity.
- **Marine:** BC's major ports are federally regulated, again limiting the opportunity for the Province to act unilaterally in encouraging capital investment and job creation. However, there are many examples of specific major capital investments in BC marine terminal infrastructure that have involved significant participation from federal, provincial and private sources (e.g. Northeast coal). In addition, there are currently a number of significant existing and potential marine terminal developments, several of which are already in the public arena that would involve significant capital investment in BC from sources outside the Province. In addition, labour availability in the marine sector was seen to be a key issue.
- **Physical distribution centres:** Another opportunity to encourage capital investment in BC is with respect to the attraction of physical distribution centres, to compete with US-based ones in accessing both local and central/eastern North American markets.

The competitiveness issues for BC's transportation industry vary by mode, by the types of passengers/freight and by the geographic area of the Province.

Sources of investment

As illustrated in Exhibit 11a, Statistics Canada measured approximately $2.6 billion in capital expenditures in BC in 2011, of which 29% was from non-Canadian sources.

Exhibit 11a – Sources of capital expenditures in BC

Foreign and domestic capital expenditures in BC - Transportation and warehousing ($ millions)

	2009	%	2010	%	2011	%
Canada	1,723.2	65.8%	1,614.2	73.9%	1,873.0	71.3%
Foreign	896.7	34.2%	570.1	26.1%	754.1	28.7%
Total	2,619.9	100.0%	2,184.3	100.0%	2,627.1	100.0%

Source: Statistics Canada - Foreign and Domestic Investment in Canada

These statistics may not capture all of the capital investments in all of the transportation modes identified.

Four key sources of investment were identified and discussed in our interviews:

- Governments, identified as the primary investor in many modes, such as roads and urban transit;
- Companies from Pacific Rim countries (especially China, Japan, Korea), as they seek to secure the supply chain for products being imported (especially raw materials), as well as for finished goods being shipped to North America. Areas of investment interest include marine terminals, warehousing and trans-shipment facilities and other aspects of the supply chain;
- Private equity and pension funds, typically looking to invest in large transportation and other infrastructure projects that have a stable long-term cash flow. Such investments are typically made once construction is completed and potential revenues can be better modeled; and
- Other private companies (both foreign and domestic) that may or may not have a direct interest in a product or securing a supply chain, but that have particular transportation and physical distribution expertise.

Global market competition

Global market competition typically involves many factors. In taking Pacific Rim intermodal (rail/sea) container traffic as an example:

- The greatest competition to BC's major international ports comes from three US West Coast ports -- Los Angeles (Long Beach), San Francisco (Oakland) and Seattle that compete with BC for capital investment from international firms looking to secure their supply chain for product moving to and from North America; and
- The competitive factors for business investors in comparing BC west coast ports to US ones, include:
  - The availability and frequency of marine service between the ports of call in North America and Asia;
  - Marine-based tariff levels (shipping costs, port-based fees);
  - Convenience and cost of warehousing/intermodal handling at each West Coast port;
  - Rail charges;
  - Timing and reliability of delivery to final destination, including congestion-based delays during the land portion of the journey;
  - Cross-border customs issues; and
  - Available incentives (for example the ability to offset head-haul container delivery costs with revenues during the back-haul).

Each of the US and BC ports has a unique set of attributes in each of these areas and therefore BC's investment competitiveness is highly situation-specific.

Top investment decision criteria

While investment competitiveness factors vary by jurisdiction, our interviews and research program identified a number of common themes in terms of investment criteria:

- Access to intermodal transportation infrastructure – roads, rail, marine terminals, airports. The relative importance of the various infrastructure facilities of course varies by industry sector;
- Availability of land to build warehousing and physical distribution facilities that are proximate to the relevant transportation infrastructure, with uncongested access and egress;
- Government commitment to the development of large infrastructure hubs, such as ports and airports;
- Current capacity of the infrastructure, plus the potential to expand future capacity; and
- The impact of First Nations land and other claims and environmental regulations and the extent to which they can be effectively managed.

Current ‘leading practices’ in other jurisdictions

The ‘leading practices’ identified by interviewees included:

- For private sector companies, getting First Nations communities on side early in the discussions prior to approaching government with respect to a major capital investment; and
- For public agencies, making use of P3 partnerships such as those that have been implemented both in BC and in other jurisdictions.

Current capital investment incentives

British Columbia has a P3 model that is considered attractive to private capital investors, relative to other Canadian models. By contrast, Ontario’s P3 model is seen by prospective investors as more restrictive, requiring the proponent to demonstrate local experience in the market in order to be selected for a P3 partnership.

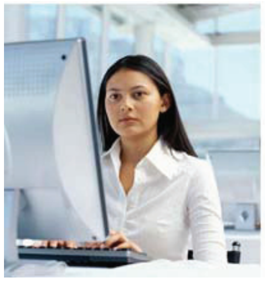
In the BC model, the criteria are clear and generally seen as a welcome model for investments.

Current capital investment disincentives

The main capital disincentive identified by interviewees in respect of air transport was the perceived current restrictions on foreign airlines through a desire to protect or save domestic routes. While this is a complex topic, a number of BC-based business organizations have advocated a shift towards a more “Open Skies” policy for airlines in BC and Canada.

Interviewees were unanimous in their view that the impact of environmental taxes were felt more within this industry segment than in others (as fuel costs are such a high proportion of total operating costs) and may be an area that could affect competitiveness, although it was acknowledged that this was to a certain extent counterbalanced by relatively low corporate tax rates.

Polution liability regulations (where there is a presumption of guilt not innocence) were seen to be a significant factor in determining whether transport companies (especially shipping companies) were headquartered in Canada/BC.



Chapter 12: International Education

Overview

International education is a spectrum of student educational services and levels, ranging from the global recruitment of top students to BC's leading accredited institutions, through the public and private provision of high school, technical and college level courses, through to the largely private sector provision of non-accredited ESL schools.

The number of international education students coming to BC has grown rapidly over the past decade, with all universities and many other academic institutions (community colleges, public secondary schools and many privately-operated colleges/schools) all seeing significant increases in admissions.

BC (and Canada) is seen as a very desirable destination location for international students – somewhat less desirable than the US and UK, but similar to Australia and more desirable than most other competing jurisdictions.

The market for international students is highly competitive and the success of BC public educational institutions has been attributed both to BC's reputation as a desirable place to study and live (both whilst in education and as importantly post-education) and to the growing stature of BC's major universities in academic rankings.

Sources of investment

As illustrated in Exhibit 12a, Statistics Canada estimates that virtually 100% of the annual capital expenditures on BC educational services come from within Canada.

Exhibit 12a – Source of investment in BC educational services

Foreign and domestic capital expenditures in BC - Educational services ($ millions)

	2009	%	2010	%	2011	%
Canada	1,240.9	100.0%	1,402.3	100.0%	1,107.1	100.0%
Foreign	0.5	0.0%	0.2	0.0%	0.2	0.0%
Total	1,241.4	100.0%	1,402.5	100.0%	1,107.3	100.0%

Source: Statistics Canada - Foreign and Domestic Investment in Canada

While the figures presented may not capture all of the annual capital investment in international education in BC, the results are generally consistent with those of our industry interviews.

For public institutions in BC, capital investment funding for public institutions comes in large measure from domestic sources.

For private non-accredited schools, there are many business models, including:

- Schools started by individuals to teach international students from their own country of origin;
- Private sector executives looking to set up institutes; and
- Private programs that are set up on university campuses and act as a funnel for new students.

It is also important to consider the college/vocational sector as while it is widely viewed that there is heavy competition amongst universities, the college/vocational sector appears to be relatively under-developed in terms of attracting international students. This phenomenon is widely accepted by the industry, however the opportunity exists for first movers in vocational courses that could concentrate on industries where BC is strong, such as forestry and mining and have the dual impact that they would also address key concerns in those industries of labour availability and quality into the future. Interviewees for this study found it difficult to assess why more is not being done to advance this agenda and this area may be worth further study.

In general, Canada is seen by industry experts as being behind in the internationalization of its academic institutions, however industry experts interviewed for this study reported that many organizations in BC are rapidly gaining ground and that all of the recent international trade delegations have had significant representation from an industry that is starting to better understand the importance of and foster long-term relationships with institutions across the globe.

Global market competition

For accredited institutions, the global market competition to BC in attracting students is assessed by interviewees as follows:

- The US is seen as the most attractive destination market for international students. In the words of one interviewee, US schools “Don’t even have to try”;
- Australia is assessed as the most commercial in attracting international students and being particularly willing to be as flexible as possible with regulations and rules to react quickly to student applications. A quick (24-hour) turnaround on applications is seen as a significant competitive advantage and until recently (where some social issues appear to have affected international student flows) Australia has held a significant ‘first mover’ advantage in the key market of India;
- The UK offers a very attractive combined visitor visa/study visa and is also seen as being a very desirable destination for international students; and
- Canada in general is also seen by students as a desirable destination by international students, with BC a very popular destination.

In terms of the country of origin for international students in BC, the top countries are assessed by the experts interviewed as:

(1) China (one industry expert suggested that China would continue to be the major potential market for the next few decades);

(2) India, a country that has a significant proportion of young people;

(3) Korea, for English as a Second Language (ESL) and vocational studies as well as academic studies;

(4) Japan (although ESL enrollment has been declining in recent years); and

(5) Brazil/other South American countries, from where six-month non-accredited international education programs in BC have been very popular.

Increasingly skills training for trades, especially for foreign markets, is seen to be an opportunity and interviewees considered this needs to be a higher priority for BC-based institutions.

Top investment decision criteria

In terms of foreign students making the decision to invest in BC higher education, the first criterion is normally the desire to gain admission to a well-regarded school. BC has made significant progress in the regulation and standardization of degree awards across the Province, where processes have been introduced to monitor the quality of all degrees awarded in the Province, providing the quality assurance sought by prospective students.

As illustrated below, BC has at least three well-regarded international universities, with the University of British Columbia (UBC) in particular moving up in the Times Higher Education rankings in recent years:

Exhibit 12b – International rankings of BC Universities

World Ranking of BC Universities

	THE [1]	QS [2]	ARWU [3]
University of British Columbia	22	51	37
University of Victoria	177	292	201-300
Simon Fraser University	226-250	260	201-300

[1] Times Higher Education World University Rankings 2011-2012
[2] QS World University Rankings 2011
[3] Academic Ranking of World Universities 2011

Other components in assessing the quality of education include access to research dollars and the quality of faculty (the two are often linked). This in turn reflects over time on international rankings and the attractiveness of BC to international students. Some schools have been particularly adept at creating the platform for success and international recognition. A good example is the University of Waterloo in Ontario, where the university has made dramatic advances, especially in new technology disciplines, through a combination of strategic hires to faculty and a driven and focussed business plan.

Another top criterion identified in the interviews conducted is the importance of being able to provide quick turnarounds on admission applications to attract top students. International students typically apply to several institutions at the same time and a quick (as fast as 24-hour) turnaround is seen as key to recruitment success.

The success of institutions such as Vancouver Island University in attracting foreign students has shown that the sector is not just about the larger schools, indeed international education has a vital role to play in smaller communities where the impact of greater numbers of international students has potentially disproportionately greater benefit.

BC is also seen as a leader in First Nations collaboration and work on education for indigenous peoples is receiving international acclaim.

Current ‘leading practices’ in other jurisdictions

With regard to the turnaround times in handling international student applications, different institutions have different time horizons:

- International students wanting to enter the US need to go for a personal interview;
- Other jurisdictions, such as Canada, New Zealand and the UK, do not require an interview but have a process that can take a number of weeks; and
- Australia has a one-day turnaround target, giving it a significant recruiting advantage over New Zealand and other competing jurisdictions.

Until recently when regulations changed, the UK was perceived to have a significant competitive advantage because it has guaranteed work permits post-education for certain classes of students, prolonging the stay in that country and also providing the opportunity for students to pursue residency/citizenship applications once established in the UK.

With regard to the methods of recruiting international students, some institutes will work with international companies (e.g. Navitas) that help students select which universities to apply to and then guide them through the process. Higher-ranked universities (including UBC) tend to operate their own international student recruitment operations, rather than using international companies that are also placing students with other institutes.

A key aspect of competitiveness appears to be collaboration between universities and academic institutions. In BC all organizations have their own marketing campaigns, international assessment criteria and relationships within different countries, effectively competing not only with other global institutions, but with each other for students, research dollars, etc. Other jurisdictions (e.g. the UK) have more collaborative approaches to students generally and the absence of a BC clearing system has been identified by interviewees as a key weakness that could benefit all institutions if properly introduced.

Another interesting development internationally that some organizations in BC are considering is the development of satellite campuses in other countries to enhance their international education profile and exposure. For example, Nottingham University (UK) has established a satellite campus in Shanghai and Monash (Australia) has established a satellite campus in Kuala Lumpur.

Current capital investment incentives

Capital investment incentives, from the point of view of the accredited institutions serving domestic and international students, include:

- ‘Matching dollar’ programs;
- Funding capital to build research facilities;
- Funding research chairs; and
- Governments providing land to build campus facilities.

Current capital investment disincentives

While there are different regulatory environments for non-accredited institutes among Canadian jurisdictions, the regulatory differences are not assessed as having a significant impact on the relative attractiveness of BC from the investment or operating viewpoint.

Examples of disincentives to BC public institutes undertaking capital expenditures to provide international education services include:

- Provincial policies limiting the ability to undertake debt-financed capital expenditure;
- Policies and other regulation (mainly conceived to manage financial risk) that limit both student numbers and available courses to both international and domestic students; and
- The lack of a co-ordinated and integrated public transport system outside the lower mainland and Victoria inhibits movement of students and may be a disincentive to investment.

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