

ADVICE TO MINISTER

CONFIDENTIAL ISSUES NOTE

Ministry of Jobs, Trade and Technology

Date: January 16, 2020

Minister Responsible: Hon. Bruce Ralston

IN Trade and Investment Representative Office Transition in Asia

SUGGESTED RESPONSES:

- Increasing trade and investment for British Columbia is critical to building a strong, sustainable economy and an important part of our government's economic plan.
- British Columbia needs to adapt to an international trade landscape that is continually changing.
- That's why the province's future business in Asia will be carried out by provincial staff who will be co-located in the Government of Canada's embassies and consulates.
- This change gives us flexibility we need to take advantage of the major trade deals that have been signed in recent years.
- Co-locating in Canadian missions also brings us closer to the Canadian Trade Commissioner Service and Invest in Canada teams so we can broaden our business development network while at the same time lowering our fixed costs.
- Considering the major free-trade agreements (CPTPP, CKFTA) that have come into force, now is a good time to make sure our international resources are making the most of these new trade and investment opportunities.

If asked if this decision was made in response to budget pressures:

- This operational change is about improving services, giving us more flexibility to move resources to different markets as we diversify and expand trade.
- The Province is currently spending about \$1.6 million per year to maintain office space within Asia.

- We do expect to reduce costs from expensive office leases.
- Any of those cost savings will be redeployed to better support B.C. businesses in international markets.

If asked if the new model will mean staffing reductions:

- There will be no changes in service levels in any of our existing markets.
- This new model will give us more flexibility to move resources to different markets as we diversify and expand trade.

If asked if working in the federal offices will mean B.C.'s representatives will prioritize the federal government's agenda:

- We will continue to pursue trade and investment opportunities that align with our own economic priorities and create jobs and opportunities for B.C. businesses.
- Co-locating in Canadian missions gives us the added benefit of the considerable international federal resources through the Trade Commissioner Service and Invest in Canada teams.

If asked if new staff will be in place before contracts expire:

- The new co-location model will be in place on April 1, 2020 for all offices in Asia.
- In the meantime, the current trade and investment representatives will continue to work for B.C. businesses through the remainder of their contracted terms.
- We are confident this new model will better meet the needs of B.C. businesses over the long term.

BACKGROUND:

On Dec. 30 and 31, 2019, ministry staff notified contract trade and investment representatives in Asia (China, Japan, South Korea, Philippines, Indonesia, Singapore and India) that their contracts would not be renewed.

On Dec. 30, an Opposition MLA sent out a Tweet suggesting that all B.C. trade and investment representative offices in Asia were being shut down. Questions were raised about the timing of the notification (letters were issued Dec. 30 and 31 to meet contractual obligations to notify those whose contracts were set to end March 31, 2020). Media picked up the story and a

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minister's statement was sent out on Dec. 30 clarifying that the trade and investment model in Asia was changing to one where provincial trade and investment staff would be hired and co-located in Canadian embassies and consulates.

This new delivery model is focused on achieving greater flexibility and improved service delivery, not cost savings. Any costs savings will be redeployed to expand the provincial trade and investment network. The ministry anticipates redeploying several million dollars in 2020/2021 to new in-market activities and expansion into new markets.

Trade and investment representative offices in Europe, the U.K. and the U.S. will not be not affected by this delivery model change. In 2019/20, B.C. had about 65 trade and investment representatives based in 17 locations worldwide.

Communications Contact: Lara Hurrell/ Hope Hickli/ Brad Spencer

Program Area Contact: Siobian Smith for David Currie/ Tim Lesiuk /David Collier/ / Tracy Campbell

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INFORMATION NOTE

Cliff #: TBD

Date: 29 December 2020

PREPARED FOR: Bobbi Plecas, Deputy Minister of Jobs, Economic Recovery and Innovation

ISSUE: B.C. former Trade and Investment Representative for Beijing and Shanghai

KEY POINTS:

- BC maintained a contract for trade and investment representative services with Ho Hing Consulting represented by Mr. Kevin Tsui, Managing Director from 2009 - 2020 in Beijing and Shanghai, China.
- Upon conclusion of the contract on March 31, 2020,^{s.13}
- According to LinkedIn, Mr. Tsui assumed the position of Invest Alberta Chief Representative for China, based in Beijing, on December 1st, 2020.

BACKGROUND:

Ho Hing Consulting

- Ho Hing Consulting ("the Contractor"), the business of Mr. Kevin Tsui, was selected as the B.C.'s Trade and Investment Representative ("TIR") in Beijing starting in 2009. His title was Managing Director, Beijing, BC TIR.
- The Contractor assumed additional responsibility for the Shanghai office in 2014.
- The Province held a contract with the contractor valued at \$2,060,000 per annum.
- The contract term commenced on April 1, 2017 and concluded on March 31, 2020 with an option for one extension term of 3 years remaining.
- Since April 10th 2014, the contractor has received \$9,751,596.23 in payments from the Ministry.
- The team, including the Managing Director, consisted of 12 people.

Contract Conclusion

- On December 30, 2019 Ministry staff notified the contractor that their contract would not be renewed.

DISCUSSION:

Outstanding Payment

- The Ministry conducted a final reconciliation of payments and expenses for the three-year contract term (April 2017 – March 2020).
- The final reconciliation did not consider any contract period prior to April 1, 2017.
- The reconciliation was based on information from the Ministry finance system and from quarterly financial reconciliations provided by the contractor.

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Considerations:

- s.13; s.14
- s.13; s.14

NEXT STEPS

- s.14

ATTACHMENTS:

Appendix 1 – Concerns

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Prepared by:

Reviewed by			
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Attachment 1 – Concerns

Staff Fees

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September 2018 Snapshot

Team Member	Monthly Salary Charged to Ministry	Employee Social Security Contribution	Income Tax	Income Tax as a percentage of salary
1	s.17; s.21			
2				
3				

Note: Employer Social Security Contribution was not included in the above table because it is not part of their taxable income

Note: September reflects a typical month.

- According to the Trade Commissioner Service website, the applicable tax rate in China for someone making s.17; s.21

Accounting Fees (Lee & Lee Associates)

- The contractor's accounting fees are unusually high.
 - 2016 s.17; s.21
 - 2017 ·
 - 2018 ·
 - 2019 ·

s.13; s.17; s.21

Severance Liability

- s.13; s.17; s.21

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s.13; s.17; s.21

Social Benefit Payments

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Bank Statements

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Corporate Income Tax and Value Added Tax

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Other Service Contracts in China

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