

**SPEAKING NOTES:**

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**PRESENTATION TO THE FINANCE AND GOVERNMENT SERVICES  
COMMITTEE**

**SMITHERS, BC**

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- Good evening. My name is Michael Mehr and I am a chartered accountant with Edmison Mehr in Smithers.
- It is a pleasure to be here today to share my thoughts about the 2009 provincial budget.
- I would like to provide a quick overview of our region to provide some context for you.
- Our region has felt the impact of the downturn in the forest sector, but has also benefited from a strong mining sector. We're really seeing a regional split drawn along these two economic drivers of our economy. We're seeing investment and growth related to mining benefiting Smithers in particular, but many forest-dependent communities in the region have no mining activities in their centers and they have really been hurt by the downturn.

## Northern Issues

- In my opinion our regional economy must become more diversified. The growth in mining in recent years has diversified us from dependency on one natural resource based activity to two such activities. This is not adequate diversification. At a time when a strong mining sector is buoying sub-regions of our regional economy we must identify opportunities to truly diversify our economy. Projects such as the Prince Rupert container port, the Smithers runway extension, improved high-speed internet access all provide our region with additional tools to help diversify our economy. I believe opportunities exist in light manufacturing, natural resource education and amenity migration. The Provincial Government must continue to play an integral role by assisting to achieve this further diversification.
- For the Northwest, government has the ability to assist our mining sector by proceeding with the electrification of Highway 37. By putting the necessary infrastructure in place, government can have an enormous positive impact on the future of mining in Northwest B.C. which benefits all of British Columbia.
- I understand that the Province needs industry partners on this project. The Provincial Government needs to lead the way and bring industry groups, communities and First Nations to the table to see what solutions can be found to get the transmission line to proceed.
- For the Northwest, the new carbon tax is a major issue. In general I do believe government tax policy should have increased focus on taxing undesirable activities and providing tax incentive for desirable

activities. From this perspective I must accept the implementation of the new carbon tax. Northerners have little opportunity to avoid or reduce this tax with limited public transportation options and great distances between communities.

- My main concern with respect to this tax is the revenue neutral policy which results in redistribution of the tax to all residents of BC. This is completely unfair to the residents of Northern BC and constitutes little more than a redistribution of funds from individuals in Northern BC to individuals in the more populated regions of the Province. I believe the distribution mechanism was chosen simply because it is easiest. Issuing cheques in the same amount to all BC residents is relatively easy to administer compared to the alternatives.
- I recommend that the Provincial Government consider one of two possible alternatives with respect to the disbursement of carbon tax proceeds.
- The Provincial Government should utilize the carbon tax proceeds to fund programs which reduce carbon emissions by either funding projects furthering technologies which will reduce the reliance or necessary consumption of fossil fuels or by funding ventures that reduce carbon emissions.
- Perfect example. Northwest Premium Meat Co-op establishes the local meat packing plant to serve our region and significantly reduce carbon emissions from trucking cattle to Alberta feedlots and then trucking the meat products back to our region. But the meat co-op is challenged by its smaller economies of scale and its need of some

assistance to get started. The Provincial Government sees the opportunity to remove carbon emitting cattle and delivery trucks off the highway by assisting with the project from its carbon tax revenues.

- If the carbon tax is to be fully refunded to taxpayers then recommend that the Provincial Government take the extra steps necessary to distribute the carbon tax proceeds on a revenue neutral basis within each major region of the Province.

### Taxation Issues

- My comments are centered on the government establishing policies to increase the competitiveness of businesses in the province. In my opinion, the most effective policy to increase competitiveness is to move forward on sales tax harmonization.
- The lack of a harmonized sales tax translates into higher costs for businesses in two ways.
- Firstly, businesses require separate record keeping, reporting, and remittance for the GST and PST, creating unnecessary costs for accounting and administration. In addition, businesses deal with two sets of auditors enforcing compliance at the federal and provincial level.
- Secondly because both legislations are very complex, businesses in BC are required to invest significant time and often incur costly consulting fees from tax specialists in order to ensure compliance and reduce business risk associated with the complex legislations. Clearly one complex tax is less burdensome than two.

- Harmonization would also reduce Provincial Government spending on administering and enforcing the PST.
- There are challenges to reconcile differences between the two tax systems. These challenges are not insurmountable as the Province could use other methods to achieve policy direction (ie. Childrens' clothing is tax exempt under PST but taxable under GST could be reconciled by increasing the BC refundable sales tax credit).
- A key component of competitiveness is establishing a provincial tax structure comparable to our neighboring province. The Provincial Government has solid track record in recent years of remaining reasonably competitive with the tax regime in Alberta however Alberta has recently increased the corporate small business deduction threshold to \$500,000. This is consistent with Ontario and Saskatchewan. It would seem appropriate that B.C. match other jurisdictions and also increase our small business tax threshold to the \$500,000 amount. This is particularly relevant with the TILMA agreement in place.
- That concludes my presentation. Thank you for the opportunity to present to you today.