

CKNW-AM, The Bill Good Show, September 18, 2001

The following transcript is from Glenn Mair and Richard Reese's participation in The Bill Good Show.

BILL GOOD (HOST): Richard Reese is CEO of the Chartered Accountants of BC, he's here to talk about a study done on the BC investment climate. We're also joined by **Glenn Mair, who is a director of MMK Consulting Inc.** Mr. Mair, good afternoon to you. What did this study fund?

GLENN MAIR (MMK CONSULTING): Well, the general finding of the study was that BC as a place to invest has, as no surprise to anyone, has had a very tough time over the last decade, and that BC as a place to invest relative to Ontario and Alberta is now in a significantly worse situation than it was a decade ago.

GOOD: Mr. Reese, I mentioned that Alberta passed BC to become the third-largest economy in Canada despite having a, a million fewer people - that's quite remarkable.

RICHARD REESE (CHARTERED ACCOUNTANTS OF BC): Well, over the last ten years what we've seen is that, uh, the size of the, uh, the increase in real GDP per person in Alberta's gone up about 30%, in that same decade it went up in BC less than 6%, so that's a huge difference. Um, unfortunately the challenging investment environment has really held us back.

GOOD: And is that, that's the reason? A challenging business or investment environment. What makes an environment challenging, to use your word?

REESE: Well, I guess, uh, it's the issue of where do people invest and what drives the decision-making to, uh, to invest in business in BC? And a prime example at the moment is business taxes, where, uh, we have a situation where our announced corporate tax rates are significantly higher than those of our major competitors.

GOOD: Glen Mair, I take it your job is to, uh, advise people about where to invest and where to actually set up shop - is that true?

MAIR: That's correct.

GOOD: And what do you tell them if they're asking about British Columbia?

MAIR: Well, BC does have a number of positive attributes in terms of, uh, the labour force and the location, but certainly our experiences being dealing with dealing with the tax issue and the government regulation issue has been a major problem over the last, over the last number of years. So certainly now we're hopeful that that situation is starting to turn around with some of the tax cuts that have already been announced.

GOOD: Enough that you would advise people to consider British Columbia again?

MAIR: Well, we're never in a situation where we would absolutely not advise people to consider British Columbia, uh, taxes and costs are one element that drives a business's decision as to where to locate, generally a fairly important consideration, but a lot of other issues such as accessing your customers and accessing the labour force you're after also come into play, so we never an absolute rule of not advising people to consider British Columbia, but certainly the environment appears to be improving here.

GOOD: The events of the past week have rendered most studies and predictions irrelevant, I suspect - who knows what happens now? Richard Reese, is this a whole new, a whole new game, that's a poor choice of words, but you know what I mean.

REESE: I think it is. really I don't think anybody can predict quite what is going to unfold, uh, in the future. Having said that, uh, you know, I think the long-term prospects for British Columbia are good, uh, the messages coming out of Victoria are extremely positive, and, uh, if we can get them to, if we can get into a situation where they will make the type of commitment to tax competitiveness that has been made in Alberta and Ontario, I think the long-term prospects are excellent.

GOOD: Now, I'm interested. You applaud the government tax cuts, even though it looks like we'll run a \$2 billion deficit?

REESE: Yes, because, uh, because, you know, the bottom line on all of this is that you can't spend what you don't have, and, uh, and the, and basically we've got too, the problem we've got to solve is we've got to somehow generate more money, uh, in the economy and, uh, in government revenues, and we can only do that by actually increasing the level of economic activity. So the main driver is investment. And so we've got to get people investing in the province, to get people investing we've got to be competitive.

GOOD: Now why is a Liberal deficit okay and an NDP deficit not?

REESE: Uh, we haven't changed our tune, I know that other commentators may have had a different view, uh, we've said that, uh, that, that, uh, the deficit may have to go up in the short run in order to, uh, help stimulate the

economy so that we can get investment going, uh, but there's no question that we also totally applaud the Liberal commitment to balancing the budget and then bringing down the deficit.

GOOD: I take it your problem with the last government was that they were, they were spending the money they didn't have, but not generating revenue by doing so?

REESE: Uh, and had no plans to improve the investment climate in the province, and actually close that gap between investment and deficit.

GOOD: Let me take a break and when we come back I'm gong to open the phones to your calls, questions or comments - 604-280-9898, we do have to get past the events of the last week, business does go on, people still have to find jobs or go to jobs that they already have. So I'm interested on your thoughts on this matter, the local economy, the provincial economy, and where we go from here. 604-280-9898, my lines are open to you.

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GOOD: Talking about the future of British Columbia, the investment climate here. Richard Reese is CEO of the Chartered Accountants of BC, Glen Mair, director of MMK Consulting, and I welcome your calls, questions or comments to them. 604-280-9898. Just before I get to calls, uh, Glen Mair - does Alberta have some advantages that British Columbia can't compete with?

MAIR: Well, in terms of its resource base, that's certainly given it some strong advantages in recent years, but you know, resources are things that, is an advantage that comes and goes, so it's not necessarily always going to be the advantage it has been in recent years. Um, Alberta has positioned itself very aggressively in the last few years using the oil boom to pay down its, uh, provincial debt, and it's expecting to wipe that debt out completely in the next couple of years, and it's positioned itself very competitively on business taxes with no provincial sales tax and no corporate capital tax at the provincial level. So there are things that are certainly very tough to compete against.

GOOD: To calls - Clancy, hi.

CALLER #1: Good afternoon. Can I just make a couple of statements and then I, well, I'll just hang up and listen. My understanding is that they took over a balanced budget, and the deficit went from one point five to two billion, and also, oh, and I was going to mention, too, I was talking to a couple of my real estate friends about the boom, and they call it false hope - they said it's not really that, and also when, um, Collins announced the \$500 million increase in the deficit, he just did it during these terrible events that are going on instead of waiting, and, um I just thought that was terrible. And I thought -

GOOD: Clancy, if he hadn't said it, you'd have accused him of hiding it.

CALLER #1: No no, no... Not if he had waited a week like he was allowed to do, but the Emmy Awards are coming up and he should probably get the one for acting like an NDP'er. So what do you have to say, please?

GOOD: Mr. Reese?

REESE: Um, well, I, I know that in the last budget, provincial budget they said that it was going to be balanced, but I think the fiscal panel has, uh, that reviewed it, the independent panel, uh, which included a number of chartered accountants, did review that and they felt that, uh, that it was a structural deficit, and in fact that the figures from last year were not, uh reliable, and, uh, so that, I think, got us to the \$1.5 billion deficit, and now, uh, in, in, as a result of the changing economy, uh, he's now saying \$2 billion. I mean, frankly at least we're hearing, we are hearing about things, I am sympathetic to what you say about whether he could have been a little more sensitive last week, but I think the reality is, as Bill suggests, that we need to know this stuff.

GOOD: Hardy, hi.

CALLER #2: Hi, Bill good talking to you and your guests. I have a question regarding tax cuts. I understand the principle of tax cuts is that, you know, I'm self-employed so if I have more money in my pocket I'm going to spend it in the local economy. The only problem with that theory is that if I'm making, like, I make about sixty grand a year, so I don't have a lot of money to invest, but if I have a lot of money to invest, . I mean, the whole nature of money is to invest it where your greatest increase is going to be, and, you know, unfortunately the greatest increase is going to be probably in a market where the whole idea is to maximize your profit, not to make a standard of living good for everybody and all those social issues. And that's a bit of a conundrum, I think. I mean, I'm sure a lot of investors don't have that problem, they just want to make as much money as they can, but the problem is, I mean, governments have to run, you know, provinces for the good of all, and I have a problem with tax cuts not being in the best interests of everybody. I'd like to hear your comments.

REESE: Um, I think what you're referring to there is a scenario where we're talking about personal tax cuts, and I think you're absolutely right, and there are questions about the return on personal tax cuts. What we're talking about here is business tax cuts, and here we're looking at trying to get investment happening in this province, and the challenge we've got there is that investors don't have to invest in British Columbia - they can invest in Alberta, they can invest in Washington State, I mean, uh, if you were going down to the store to buy a TV and there's two

store next to each other, one sells it for two-thirds of the price, uh, that the other one does, which one are you going to go and shop at? The situation in 2004 is that the Alberta tax rate for business will be two-thirds of what it is in BC. The, Gary Collins and Gordon Campbell have said that they will do their best. Unfortunately the investor, investment analysts who are looking at where they're going to place their money, uh, don't have something in their spreadsheet for "do your best" - they have what is the current announced rate? So we've got a problem here, and we're, in terms of what we want to have happen is we need to have an attractive investment climate, we need to have people investing here, generating economic activity, and then there is the return to the government, which can flow through to all of the population of the province.

GOOD: But, Glen Mair, on the personal tax side, isn't there a legitimate argument to be made that if you put more money in people's pockets, they're likely to be spending it on consumer items and spending it in the provincial economy?

MAIR: Yes, that's, that's absolutely true, but I just want to echo Richard's comments that the issues here is not personal spending but business spending. And business spending and business investment is critical to building a sustainable economy and a healthy economy that provides jobs for people, puts money into individual's pockets so that then they can go out and spend it in the local economy, and that's what we're really talking about here.

GOOD: Thank you. Back with more calls after this - 604-280-9898. John, you're next.

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GOOD: How competitive is British Columbia? Richard Reese is CEO of the Chartered Accountants of BC, Glen Mair, director of MMK Consulting Inc. - you compared BC with the other provinces and found, found it lacking in terms of being competitive economically with Ontario and Alberta. Fair comment?

REESE: Absolutely. And also lagging the national average over the last ten years as well.

GOOD: That's pretty stunning to people who've lived in British Columbia for a long time.

REESE: Uh, yes - the shine's come off, unfortunately, and the challenge is how do we get it back?

GOOD: Well, how do we get it back? What has Ontario in particular done? We hear a lot about Alberta but we know Alberta well. What did Ontario do to turn its economy around, because it was in the dump about ten years ago.

REESE: Well, I think they basically had a major change in attitude of the government to be business friendly and to encourage investment, and that, then, specifically showed through with, uh, reviews around regulation and also addressing the tax issue, and, uh, so as a result of that they've forged ahead, uh, they've, uh, had large increases in corporate profits, which in turn have reaped large increases in government corporate tax revenues, so, that, it's a win-win.

GOOD: But did the business community grow? I mean, we've all experienced population increases, it sounds like British Columbia's lost business, lost businesses, which happen to be places where people work.

REESE: That's right, and then maybe the most telling statistic there is that BC lost 469 corporate charters between 1994 and 1999.

GOOD: That's nearly 500 companies that disappeared.

REESE: Yes. Left the province.

GOOD: And how does that compare with Alberta and Ontario? REESE: Well, they both grew. Uh, I don't have the exact numbers with me, but they both went up in that period.

GOOD: Let's take some calls. John?

CALLER #3: Yeah, hi, I just been listening to what's going on here, I just want to add a word of caution, at least from my own, uh, personal opinion. I think we have to be careful of this cutting of red tape, uh, willy-nilly, uh, primarily because of the example of the airport industry that we're just talking about. I think they had deregulation about 10 years ago, and, uh, I think when bottom-line businesspeople are making security decisions, I think you have to be worried. There's very little public input and control once that happens, and I think honestly they're only concerned about the bottom line. And I think in light of what's gone on, I think some of them may be partly responsible for that.

GOOD: Mr. Mair?

MAIR: Yes, well it's certainly, certain areas of the economy where government regulation, a strong government hand is essential. Um, but it's equally as critical for the government to identify those areas of the economy where its regulation isn't required and to let businesses get on with the business of, uh, running their companies. Running companies. creating income, creating jobs, creating income for individuals is something companies tend to do much more efficiently than governments, so that's what the bottom line of business regulation.

GOOD: Interesting discussion, I think you both for your time today.

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