



Small Business Task Force

Engagement Summary Paper

July 23, 2018

Thank you for your input! ...Did we get it right?

On May 2nd, 2018, Honourable Bruce Ralston, Minister of Jobs, Trade and Technology launched the Small Business Task Force (the Task Force). The Minister mandated the Task Force to seek ideas from entrepreneurs and business owners throughout the province on how to maintain and strengthen a healthy small business sector in British Columbia (B.C.). The Task Force is a special initiative of B.C.'s Small Business Roundtable and is supported by its membership. Created in 2005, the Roundtable works with small business owners to understand challenges and opportunities they face and to develop recommendations for government on how to enhance growth and success for the sector.

In June 2018, the Task Force hosted engagement sessions in seven communities across B.C., including Indigenous-focused sessions in three communities, and conducted an online questionnaire to collect additional input from small businesses and other stakeholder organizations in the province.

This Engagement Summary Paper presents a summary of feedback we heard from participants but does not represent an analysis of the issues or mean that government will endorse recommendations we may make as a result of the engagement.

We also recognize that, in some cases, the programs and services proposed may already exist, but that there is a gap in awareness or access to these supports. The purpose of this paper is to seek feedback on the key themes emerging from the engagement:

- Did we get it right?
- What did we miss?
- What issues and suggestions need more emphasis?

We will use this feedback to prepare a final report with recommendations to Minister Ralston for consideration in October 2018 in time for Small Business Week.

We would like to thank all the in-person and online engagement participants for your input so far and we look forward to your comments.

Sincerely,



Michael Hwang
Chair
Small Business Task Force



Cybele Negris
Vice-Chair, SB Roundtable and
Small Business Task Force Member

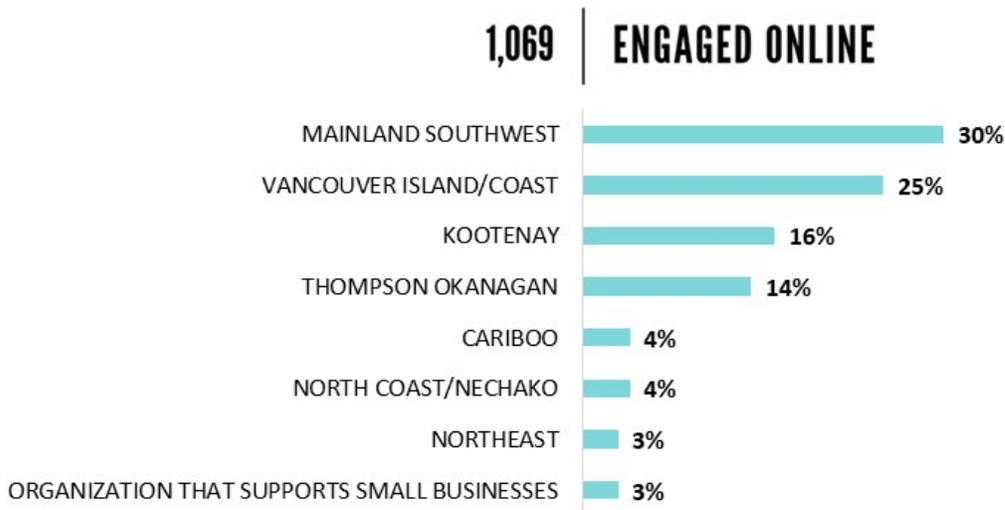
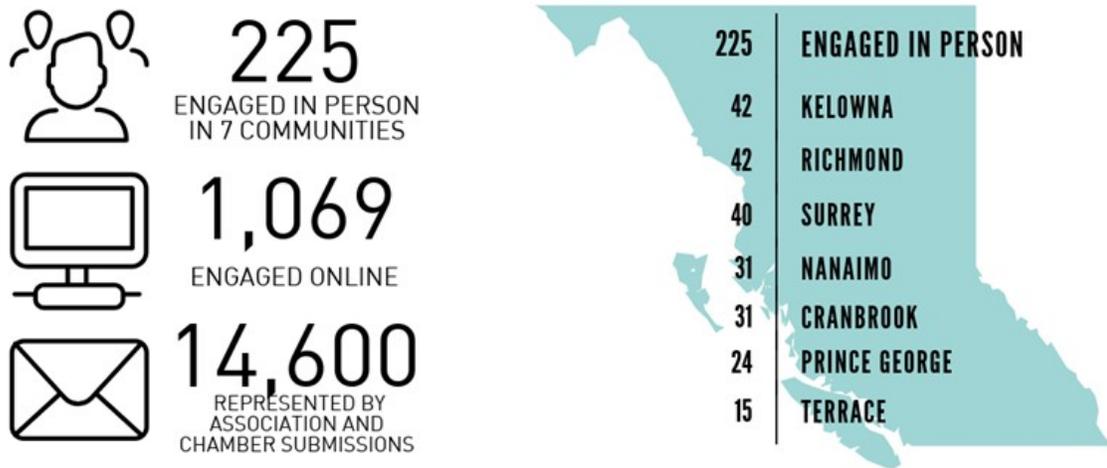


Shahraz Kassam
Small Business Task Force Member

Small Businesses and Stakeholders Engaged

The **online questionnaire** received 1,069 responses from across B.C., providing a broad representation of the province's urban and rural small business population. The questionnaire was available from June 1st to 29th, 2018 and has a margin of error of plus or minus 3%. Industries represented were diverse, ranging from retail, professional and businesses services, tourism, arts and culture, real estate, and mining to clean technology and life sciences. Email submissions were received from five associations and chambers of commerce for a total indirect reach of 14,600 small businesses.

A total of 225 small businesses and stakeholders were engaged as part of the **in-person engagement** sessions in Kelowna, Richmond, Surrey, Nanaimo, Cranbrook, Prince George, and Terrace. Indigenous-focused engagement sessions were also held in Nanaimo, Terrace, and Richmond, while other communities preferred combined sessions.



Engagement Summary by Topic

The information below is a summary of what we heard online and in person.

Challenge #1: The Cost of Doing Business in B.C.

Small businesses are facing significant challenges managing the cost of doing business. Seventy-three per cent of questionnaire respondents view managing the cost of doing business as a major challenge. Participants often told us that the best thing the government can do to minimize these costs is to ‘get out of their way.’ Challenges highlighted most frequently included the cumulative tax burden, costs related to minimum wage increases, and commercial property costs:

- **Cumulative Tax Burden** – Taxation was identified as the number one challenge impacting the cost of doing business by questionnaire respondents. Participants engaged in-person elaborated on issues and possible solutions:
 - **Employer Health Tax (EHT)** – Participants told us the emerging tax on payroll will drive up their cost of doing business and may result in job reductions, the reduction or elimination of employee benefit packages or bonus structures, and price increases. Participants suggested reducing the EHT, postponing its implementation to 2020 to coincide with the removal of the Medical Services Plan (MSP) premiums, increasing the \$500,000 threshold to \$1.25 million, implementing graduated threshold tiers, increasing thresholds in the future based on inflation, and examining alternative best practices for paying the MSP premiums such as amending the EHT to a more even split between employers and individuals.
 - **Provincial Sales Tax (PST)** – Participants relayed that the complicated PST exemption rules make compliance challenging and result in high bookkeeping costs and more frequent audits and fines. The lack of harmonization with the Goods and Services Tax (GST) was reported to make B.C. businesses less competitive than those in other provinces or the United States. In addition, potential changes to PST rules may allow taxes previously allocated for tourism (i.e., the municipal and regional district tax (MRDT), or “hotel tax”) to be available for housing, further impeding competitiveness. The spending of MRDT revenues on affordable housing has since been clarified and additional information can be found in the [Program Requirements](#). Participants suggested eliminating PST paid on business inputs such as equipment, machinery, and software, reintroducing the Harmonized Sales Tax (HST) but changing the name to the Value Added Tax (VAT) for example, simplifying PST exemptions, providing support for bookkeeping services, not charging PST on charitable donations, and not changing PST rules related to the use of hotel taxes.
 - **Other Taxes and Fees** – Participants emphasized that the cumulative burden of different taxes and fees from all levels of government is impacting small businesses. In major urban centres, municipal business licence fees and WorkSafeBC fees were identified as significant burdens. In northern and rural and remote areas, participants reported being disproportionately impacted by the Carbon Tax due to their lack of public transportation and reliance on ground shipping, and high utilities costs due to the climate. Participants proposed further reducing the corporate income tax rate for small businesses from 2% to zero, more support for mobile or intermunicipal business licences, refunding a portion of the WorkSafeBC fee surplus, and northern and rural and remote rebates for utilities, Carbon Taxes, and the Luxury Vehicle Tax (which applies to some trucks).
- **Minimum Wage** – The minimum wage increase was identified among the top challenges impacting the cost of doing business by questionnaire respondents. Participants engaged in-person explained that the increase is driving up wages for all staff and may result in hiring fewer youth and increased use of automation. Participants suggested introducing a lower wage for trainees, or youth still living with their parents, more gradual increases which are tied to the Consumer Price Index, implementing a tiered minimum wage structure that would account for the employee’s level of skill and training, and not making any changes to the *Employment Standards Act* that would negatively affect small businesses.

- **Commercial Property Costs** – High commercial property costs resulting from high taxes due to soaring property values and ‘best use’ assessments, triple net leases,¹ a lack of protection for commercial tenants, and high Property Transfer Tax costs were reported to be preventing businesses from expanding and threatening the sustainability of some businesses by preventing succession deals or forcing owners to sell to developers. Suggestions included revising B.C. property assessment practices by introducing split assessments and lengthening averaging terms, revising the commercial to residential property tax ratio, amending the *Commercial Tenancy Act*, reducing the Property Transfer Tax, supporting access to financing for capital development and investment, and supporting the creation of co-working spaces for small businesses.

Challenge #2: The Diverse Needs of Small Businesses & Entrepreneurs to Startup, Sustain, and Grow

Some small businesses are facing challenges starting up, sustaining their operations, and growing their businesses to the next level. Also, some groups are in greater need of support. Challenges identified most frequently included access to business resources, mentorship, and capacity building, access to financing, and government procurement and sector diversification:

- **Access to Business Resources** – The lack of government support programs was identified as a major service gap by questionnaire respondents. Participants engaged in-person told us that there is unequal access to business service organizations such as Small Business BC, Community Futures, Women’s Enterprise Centres, and Futurpreneur (for young business owners) in different regions of the province, particularly in northern and rural and remote communities. Participants recommended establishing regional Small Business BC storefronts and facilitating co-location of different business service providers in a one-stop-shop.
- **Mentorship and Capacity Building** – Support for mentorship and business planning services was identified among the primary ways the government can support diversity in small business owners by questionnaire respondents. Participants engaged in-person noted that many business owners lack skills to help them sustain and grow their operations, and in succession planning. Participants identified youth, women, Indigenous people, and newcomers as groups in particular need of support. Suggestions included to support business-to-business mentorship, to integrate business skills curricula in K-12 education (e.g., developing a youth entrepreneurship course), to help businesses to sustain and grow (e.g., providing grants for MBA students to assist businesses with commercialization and market development research), and to facilitate business succession ‘matchmaking’ with aspiring entrepreneurs. Participants also noted services for newcomer business owners should be described in plain language, translated in different languages, and provide a checklist about what is required to start a new business in Canada.
- **Access to Financing** – Access to loans or financing was identified as a key service gap by questionnaire respondents. In-person engagement sessions revealed that some groups face greater challenges accessing financing, particularly youth, women, Indigenous people living on-reserve, newcomers, and businesses in northern and rural and remote communities. Lack of credit history is a major barrier among many of these groups. Businesses in higher risk sectors like hospitality or with larger upfront capital costs like in the construction sector also face barriers starting up. Participants recommended supporting financing programs for underrepresented groups, providing tax credits for capital, machinery, and other startup or expansion costs, and facilitating access to non-traditional investors (e.g., interested in investing in rural or Indigenous-owned businesses).
- **Government Procurement and Sector Diversification** – Government procurement was identified among the top challenges by questionnaire respondents in northern and rural and remote communities and in-person participants. Participants explained that small businesses lack sufficient access to government and major project

¹ A triple net lease (triple-Net or NNN) is a lease agreement on a property where the tenant or lessee agrees to pay all real estate taxes, building insurance, and maintenance (the three "nets") on the property in addition to any normal fees that are expected under the agreement (rent, utilities, etc.).

procurement opportunities. Participants recommended that the B.C. government prioritize local small businesses in procurement processes. Participants also indicated that there is a need for a government champion to promote sector diversification and ensure local taxes and fees contribute to this effort (e.g., as stated earlier, the hotel tax should be used for promoting the tourism sector and not housing).

Challenge #3: Employment and Skills Training Needs

There was a consensus in the questionnaire and in-person engagement that labour and skills shortages are impacting small businesses across the province in both larger urban centres, and northern and rural and remote communities. The most frequently identified challenges included the need for greater access to skilled labour, training supports that are accessible and designed to meet the labour needs of employers, and assistance with labour attraction and retention:

- **Access to Labour** – Increased access to skilled labour was identified as a top recommendation among participants of the online questionnaire and in-person engagement. Participants suggested that K-12 and post-secondary training programs should be better tied to labour market data, that training programs should have longer funding contracts, and that they should allow dual credit programs in different sectors other than trades. Participants also suggested that more funding be given to post-secondary institutions to increase the ratio of domestic students and facilitate employer involvement and matching with graduates. To increase access to new entrants to the workforce, participants recommended streamlined foreign and inter-provincial credential recognition processes, longer work terms, and special considerations for northern and rural and remote communities under the Provincial Nominee Program and the Temporary Foreign Worker Program. To improve access to underemployed groups (e.g., persons with disabilities and Indigenous people), participants suggested more support for job readiness training, employer education about the needs of particular groups, job matching services, and tax credits for hiring underemployed groups.
- **Training Supports Designed to Meet Employer Needs** – Participants engaged in-person frequently told us that small businesses continually incur costs training new staff, as staff relocate due to the cost of living or take positions with larger employers. However, the complicated and restrictive design of the existing training grants and wage subsidies make them inaccessible to many small businesses. Questionnaire and in-person participants suggested revising training grants to be more accessible (e.g. by offering rolling intakes, adopting more flexible eligibility criteria, streamlining the application processes, using merit-based rather than first come, first served assessments, and having shorter approval and reimbursement timelines) and expanding eligibility for wage subsidies. Many participants suggested training tax credits would be more efficient than grant programs and explained there is a need to support employer-led in-house training.
- **Labour Attraction and Retention** – Training on labour attraction and retention strategies was identified by questionnaire respondents as one of the key ways government can help small businesses address their training and employment needs. Northern and rural and remote communities face particular challenges attracting and retaining both skilled and entry-level staff. Some businesses have had to limit their operations despite the high demand for services by customers because they cannot find the staff they need to grow. Cost of living (e.g., housing, transportation, and childcare) is impacting recruitment across the province, with the Speculation Tax putting a strain on new housing developments in some communities. In-person participants suggested that the government launch an awareness campaign to promote living and working in northern and rural and remote communities and offer incentives for relocation such as student loan forgiveness. To address affordability, participants suggested government invest in areas to reduce the cost of living (e.g., affordable housing, childcare, and transportation infrastructure), eliminate the Speculation Tax in areas with low rates of speculation, and implement measures that increase housing supply and density (e.g., offer tax credits for creating rental suites and reduce taxes and fees associated with constructing new homes).

Challenge #4: Awareness of and Access to Government Programs and Services

Small businesses are largely unaware of the programs and services available to them and face challenges finding programs and getting answers to questions about policies or programs. Challenges identified most frequently included obtaining timely information about programs and accessing telephone and in-person resources:

- **Information About Programs** – The online questionnaire demonstrated that the overwhelming majority of small businesses are not aware of and/or have never used the diverse range of available government support services and resources. Participants engaged in-person told us that business owners lack the time needed to conduct the research required to access these programs as the information is spread across too many websites and is lengthy and not in plain language. Small businesses participating in the questionnaire indicated that they most commonly learned about programs and resources from other businesses, financial institutions, business associations, chambers of commerce, boards of trades, government service providers (e.g., One Stop Business Registry, Service BC, Small Business BC, and Work BC), and universities or colleges. The main recommendation from participants was for the government to create one centralized portal or concierge system for all government programs and services for small businesses with information presented in plain language. Other recommendations included an awareness campaign about available government programs for businesses, and the development of partnerships with municipalities to share the information with businesses when they register or renew their business licence.
- **Telephone and In-person Resources** – In-person participants explained that they have had challenges accessing reliable information about programs, tax policies, and regulations due to the reduced face-to-face government staff in the regions and limited information available by telephone. In some cases, telephone staff are not able to answer questions, provide inconsistent information, and lack an understanding of regional circumstances. Participants recommended providing enhanced in-person support, utilizing chambers of commerce, boards of trade, and business association networks to promote programs and services (e.g., business walks organized by chambers of commerce), reinstating regional business information officers or creating regional Small Business BC offices, modernizing online and telephone information services (e.g., offering a voicemail or call back option instead of waiting on hold and online chat functions), ensuring there are sufficient staff resources to respond in a timely manner, and better training of government staff to respond to small business questions.

Challenge #5: Government Interactions with Small Businesses

During in-person engagements, participants identified challenges with the limited impact analysis or advanced notice on policy changes, the lack of coordination between different levels of government, challenges with the grant application process, and issues with the level of service efficiency and provided several recommendations for improving government's interactions with small businesses:

- **Impact Analysis and Advance Notice on Policy Changes** – Participants in each community indicated that there has been insufficient analysis of the combined impact of major policy changes such as the Employer Health Tax (EHT), increases to the minimum wage, and the Speculation Tax, and limited time to adjust, which has led to uncertainty and negatively impacted investment in some cases. They recommended that there should be more meaningful stakeholder engagement processes and transparent, evidence-based analysis on policy changes, longer notification timelines prior to implementation, and that small businesses should have more opportunities to be heard (e.g., through reinstating the business right to vote in municipal elections or establishing a provincial Ministry of Small Business).
- **Coordination Between Levels of Government** – Participants in several communities noted that there is a lack of communication between different levels of government (i.e., municipal, provincial, and federal), resulting in conflicting policies and messaging, overlapping tax audits, and a duplicative tax and regulatory burden faced by small businesses. Participants recommended that there should be enhanced communication and information sharing between levels of government particularly with respect to taxes imposed on small businesses, auditing, and regional definitions (e.g., of what constitutes a rural area). Participants also suggested that the three levels of government could better collaborate on information sharing about business resources.
- **Grant Applications** – Participants explained that government programs intended to help small businesses are often inaccessible due the barriers imposed by the complex eligibility criteria, restrictive intake periods and onerous application process of numerous government grant programs (e.g. the Employer Training Grant, federal research and development grants, and technology grants). Participants told us how the lengthy and complex

proposal submission process serves as a barrier for small business owners with limited time and resources to apply. They also reported that the brief intake periods often result in funding being exhausted by the time they have prepared their application. Participants recommended providing longer timeframes from the grant announcement to the application deadline, offering regular intakes, introducing a shorter pre-qualification stage, allowing profiles to be saved into the granting system, and providing checklists with clear expectations about timing and requirements.

- **Provincial Government Service Efficiency** – Further to the comments above, participants in some communities indicated that the provincial government could do more to improve its customer service and efficiency and operate more like a business. Suggestions included providing customer service and cultural sensitivity training to frontline staff interacting with small businesses, implementing an annual scorecard to grade government bureaucracy, and establishing transparent service standards, which are reported out to the public.

Challenge #6: Supporting the Needs of Indigenous People and Business

Participants engaged in-person during the Indigenous-focused engagement sessions, and in the online questionnaire highlighted various challenges faced by Indigenous-owned small businesses and in leveraging Indigenous labour. Needs identified most frequently included the need to facilitate partnerships between Indigenous and non-Indigenous businesses or investors, the need for capacity building and access to financing for Indigenous businesses, the need to better leverage the Indigenous labour force, and the need to implement Indigenous policy frameworks.

- **Partnerships Between Indigenous and non-Indigenous Businesses** – Participants in several communities told us that there is a disconnect between the on-reserve Indigenous community and the off-reserve community. Many non-Indigenous businesses and investors lack information on how to engage with Indigenous businesses (e.g., point of contact, protocol, and cultural considerations), and some Indigenous communities, particularly Indigenous bands and economic development offices, lack the capacity to develop communication protocols and respond to joint venture and other business enquiries. Respondents also noted that Indigenous businesses have not been sufficiently considered in government procurement opportunities like highway construction or larger resource projects, and that there is an opportunity to promote Indigenous businesses in diverse sectors such as cultural tourism. Participants suggested that the government should work with Indigenous communities to create an investment matching portal or telephone directory and provide support for Indigenous communities to develop their own communication protocol capacities. It was also noted that the government should adopt Indigenous-specific procurement policies and tax credits for large projects (e.g., LNG) to procure from local Indigenous businesses.
- **Capacity Building and Access to Financing for Indigenous Businesses** – Participants identified a need for capacity building and mentorship of Indigenous entrepreneurs to help them develop confidence, build professional networks, and acquire business management skills and expertise. Participants also reported an ongoing need for increased access to financing, due to the inability to use on-reserve property as collateral, a lack of credit history, a lack of awareness of available financing programs, and the long approval timelines and restrictions of existing Indigenous small business financing programs (e.g. limited financing for marketing). Structural and historical barriers are also constraining Indigenous business development, particularly related to band and economic development office capacity constraints, a lack of treaty rights, and lower levels of wellness and education due to intergenerational trauma from residential schools. Recommendations included supporting culturally appropriate business-to-business mentorship programs for Indigenous businesses, working with the federal government and Indigenous communities to establish on-reserve business resource centres, enhancing access to timely Indigenous business financing support, and developing a single point of information about programs and financing available for Indigenous businesses.
- **Leveraging the Indigenous Labour Force** – Participants in some communities indicated that there are opportunities to better leverage the Indigenous labour force. Challenges highlighted included gaps in employment readiness or misalignment of the skills training with available local job opportunities, and a lack of cultural awareness among employers. Participants recommended providing funding for life skills and pre-employment skills programs, providing cultural competency training for employers hiring Indigenous people, and

designing training programs, in partnership with employers, that match participants with a job at the end, and that also provide short-term post-placement mentorship support to ensure the transition is successful.

- **Implementing Indigenous Policy Frameworks** – Participants in some communities identified a lack of a clear action plan for implementing Indigenous policy frameworks that have been adopted by the federal and B.C. governments such as the Truth and Reconciliation Commission (TRC) of Canada: Calls to Action, particularly recommendation 92 related to business and reconciliation, and the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). Participants also indicated that there was insufficient Indigenous business representation as part of the Small Business Task Force, though there has been representation through the Small Business Roundtable. Suggestions included to develop an action plan for implementing UNDRIP and the TRC recommendations related to the business sector by using other countries such as Australia as best practice examples, and to continue to include Indigenous representation as part of the Small Business Roundtable, and any future engagement initiatives.

Conclusion

After reviewing the feedback from the online questionnaire and hearing from small businesses and stakeholders in communities throughout B.C., it is clear that the small business sector is passionate about contributing to a better future for our province. Though businesses spoke of many challenges impacting them, from adjusting to new taxes and costs, to navigating government websites, to doing what they can to recruit, hire, and retain the workers they need, time and time again businesses reminded us that above all, they want their voices to be heard and their ideas considered. Many businesses expressed their appreciation that this Task Force has been established and that the Small Business Roundtable will continue to advocate for a progressive business environment after the final report is presented to government.

By reviewing this document and providing us with any further feedback, you are giving us the ideas we need to demonstrate the importance of B.C.'s entrepreneurial spirit in preparing our final report to Minister Ralston.