



Business Council of
British Columbia

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Via Email: livingwatersmart@gov.bc.ca
(Original to follow by mail)

Honourable Mary Polak
Minister of Environment
PO Box 9047 Stn Prov Govt
Victoria BC V8W 9E2

Dear Minister:

The Business Council welcomes the introduction of and the discussion that will occur around Bill 18, the *Water Sustainability Act*, including how water is priced in British Columbia.

We recognize that water is essential to human economic, social and cultural activity, all of which are dependent on a healthy natural environment. As such, water has intrinsic value – for what it is and what it can bring – but it also has instrumental value, as a means to an end, including through its use, for example, as an input in business and industrial activity. As a result of these two different perspectives, there is longstanding debate in many jurisdictions about whether and how to price water. We already price water in British Columbia, through both fees and rent collection. The question, therefore, is whether changing the current pricing structure would help to achieve a better or more appropriate balance among the province's economic, social/cultural and environmental objectives going forward.

As a starting and important contextual point, the Business Council is concerned that British Columbia's relative competitive position has deteriorated in the past few years, as a result of: the re-establishment of an antiquated and inefficient provincial sales tax that is no longer integrated with the federal GST; the levying of the highest carbon tax in North America, which has hurt a number of energy-intensive and trade-exposed industry sectors that figure prominently in BC's export economy; increasingly complex and difficult-to-navigate public consultation, regulatory and permitting processes facing industries involved in natural resource and infrastructure development; the recent one-point hike in BC's corporate income tax rate; punitive and unfair property taxes imposed on business and industry in some BC municipalities – and the absence of effective provincial oversight or control in this area of taxation; and the aggressive use of business

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and investment incentives by other provinces and US states that, in some cases, are drawing capital and business activity away from British Columbia.

The reality is that more and more BC enterprises now operate in a very competitive global economy, one where capital and high-value business activities are mobile and firms consider a range of jurisdictions when looking to invest and grow. Against this backdrop, it is critical that policymakers in British Columbia pay closer attention to the nature, scope and impact of government-imposed costs and how these may influence the investment and operational decisions of enterprises operating in the province.

The steady increase in the number and complexity of government-mandated regulatory requirements across provincial Ministries and agencies has led to heightened concern about government's ability to manage and complete reviews in a timely manner. This creates additional uncertainty about whether natural resource, manufacturing and infrastructure in British Columbia can move beyond review to actual development. In response to budget constraints, there appears to be an emerging and concerning trend across all levels of government to cost-recover for various services provided, by levying specific fees; this trend is most apparent in the natural resources sector. The trend to impose fees is a departure from past practice, wherein most of the operating costs needed to review proposals and process applications previously were paid for out of general government revenues.

Water rentals collected in British Columbia, which are currently in the order of \$450 million per year¹, would seem to be more than sufficient to cover the costs of administration and management of water resources. These largely electricity-related water rentals represent the lion's share of overall water revenues, but as we understand it they are to be specifically excluded from consideration in any new water pricing scheme. Therefore, the challenge is how to fairly and equitably price water use among the remaining consumptive users (accounting for about 1% of total licensed volumes), who are almost equally distributed among industry/commercial/mining/petroleum, agriculture/aquaculture (food production) and municipal/domestic uses, so that they all have appropriate incentives to use water wisely.

In this regard, the Business Council agrees that beginning the conversation and reviewing the existing water pricing structure is a sensible step. In terms of the Ministry's paper, *Pricing BC's Water*, it is hard to argue with any of the principles articulated therein,

¹ Including \$357 million collected from BC Hydro in 2012.



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although there may be specific details that will need to be carefully considered during implementation (e.g., treatment of saline groundwater). As a result, we have no substantive commentary on the text as presented. At a high level, collecting fees is an acceptable tool available to government to enable service delivery. However, fee schedules applicable to industrial development must recognize the ability to pay at different times and stages of the natural resource development/production process. The Business Council also believes that fee schedules set by the Ministry of Environment (and other Ministries) should be explicitly tied to some sort of performance measure indicating improved service. In addition, any changes to the water pricing framework should be assessed within a broader initiative that tracks and aligns the fee structures across government Ministries and agencies, with a view to ensuring that the total costs of doing business in BC do not further erode the province's competitive position in the natural resource, manufacturing and infrastructure development sectors.

The Business Council looks forward to participating in future discussions around water pricing as part of the larger effort to modernize water management in British Columbia.

Yours sincerely,

Original Signed by
Jock Finlayson

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Executive Vice President and Chief Policy Officer

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