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5315B - 50<sup>th</sup> Ave. S Box 196  
Fort Nelson, BC  
V0C 1R0  
Tel. 250.774.2956  
Fax. 250.774.2958  
info@fortnelsonchamber.com

Visit us online:  
[www.fortnelsonchamber.com](http://www.fortnelsonchamber.com)

Select Standing Committee on  
Finance and Government Services

September 19, 2011

Re: Written Submission to the 2012 Budget Consultation

To Whom It May Concern,

This submission is prepared by the Fort Nelson & District Chamber of Commerce on behalf of our membership representing over 200 of Northern Rockies Regional Municipality's small and medium sized businesses.

The businesses and residents of Fort Nelson are the backbone of the provincial economy providing hundreds of millions of dollars annually in oil and gas royalties and yet experience significant cost disparity in all areas of the cost of doing business and living compared to other areas of the province.

The following areas are important to enable Fort Nelson businesses to thrive and continue to support the Province of BC while affording residents the amenities common in the rest of the province.

1. Address the significant cost disparity between businesses and residents in Fort Nelson compared to other communities.
  - a. We are the greatest distance away from markets and suppliers resulting in higher shipping costs, both to and from the community. Putting local businesses at a significant disadvantage and in turn costing residents in increased living costs.
  - b. We are among the coldest communities in the province resulting in higher heating costs. When natural gas prices increase provincially it is far more significant in Fort Nelson where turning the heat down is not an option.
  - c. We have the highest fuel costs in the province without the option of public transit. Long distances (400 km from next nearest centre) and winter temperatures require vehicles; road conditions and distances travelled often require larger vehicles. The addition of a carbon tax puts a larger burden on our residents as we don't have the option of not driving.

- d. Travel costs are significantly higher in Fort Nelson whether you drive or fly. For example it costs as much for us to fly to Vancouver as it does to fly to most of Europe from our southern counterparts.
    - e. Due to the above considerations, particularly the high cost of living, businesses struggle to recruit and retain qualified employees. We are a young community and without solid community amenities and the means to travel to visit extended family people do not want to move their families to the Northern Rockies Regional Municipality.
    - f. Housing is also a challenge addressing the community as the need to hire qualified employees outpaces the availability of housing.
2. The importance of the development of infrastructure to support business expansion in the Northern Rockies Regional Municipality particularly around roads, the airport, and services. Businesses provide service to the oil and gas industry and routinely drive hundreds of miles on secondary roads, high grade gravel roads and in the winter ice roads.
  - a. The Alaska Highway between Fort St John and Fort Nelson sees significant heavy traffic and requires maintenance and upgrading. This is the lifeline of the community and the only road access to the southern parts of the province.
  - b. The Sierra Yoyo Desan Road is the major road to the Horn River Basin and needs upgrades and continuity in maintenance to ensure businesses can safely access the area. An accident resulting in the death of man took place last month due to road conditions.
3. The businesses and residents of Fort Nelson should not bear the cost of the development of the infrastructure needed to support the gas industry when the revenue from that industry goes directly to government coffers and a conservative estimate shows the province gains hundreds of millions of dollars in annual oil and gas royalties directly from this area. The expenses for those supports should come from the revenue before it goes into the general provincial revenue. In order to meet the growing needs of the industry Fort Nelson requires the development of infrastructure to facilitate the increase in residents, businesses and transient workers.
4. Industry property taxes are linked to personal property tax so raising local taxes on industry is not a viable option to increase local revenue for infrastructure improvements. Increasing industry property taxes would only further encourage companies to locate outside of the community and perhaps province.
5. Due to infrastructure and housing issues we see company's weekly fly hundreds of people in and out of the Northern Rockies Regional Municipal airport for transportation directly to camps in the Horn River Basin. In many cases these people are from outside of the province and are taking dollars from the BC economy but are not paying BC taxes and are not directly spending in the community other than for transportation directly out to camp.

6. Our retail service sector struggles to compete with the wages offered in the oil and gas industry and yet has difficulty meeting the labour market requirements of the foreign temporary worker program. The program needs to expand to be more flexible in order to assist the retail and service sector. Fort Nelson has a very low unemployment rate and businesses are challenged to find and retain qualified employees. Without our retail and service sector it is difficult to recruit and retain employees to Fort Nelson for the oil and gas industry.
7. The Northern Rockies Regional Municipality has not received Fair Share monies from the Province to assist in the development of community amenities unlike Fort St John, Dawson Creek and Chetwynd. Our residents and businesses deserve to have the same access to services, amenities and cost parity as other communities in the Province. The Fort Nelson and District Chamber of Commerce fully supports the Northern Rockies Regional Municipality in its efforts to attain Fair Share.
8. We would support a further Provincial Northern Tax Credit to offset some of the disparity in the cost of living. Please see the attached "Addendum A" for a more detailed submission.
9. In order to provide more residents with the Northern Travel Benefit which is currently a benefit employers can choose to provide in Box 32 of the Income Tax Form we would suggest all Northern residents should be eligible for a deduction given the high cost of travel to and from the area and would support the development of a true Northern Travel Deduction residents could apply to their income which would be administered in the same fashion as the Northern Residents Tax Credit.

In order for the Northern Rockies Regional Municipality and the surrounding oil and gas industry to reach its potential appropriate financing must be made available to ensure there is road and transportation infrastructure, available housing, strong education, recreation and cultural infrastructure. Fort Nelson businesses provide a significant portion of the provincial revenues and residents should not be penalized by a higher cost of living and limited access to services.

In closing we would like to thank the Select Standing Committee on Finance and Government Services for their consideration of the above information.

Sincerely,

Dave Milner,  
President

## Addendum "A"

### Proposal to Select Standing Committee on Budget and Finance

A major issue for British Columbia, is to encourage British Columbians to work in the far North. The present Northern Resident Tax program is a joint Federal/ Provincial Income Tax Credit, deducted against earned income, which serves to lower taxable income for individuals that live and work in the North. There are very specific criteria (Zone A or B) for eligibility. It is a deduction of \$6,025.

**On behalf of the Fort Nelson Chamber of Commerce, I encourage the Finance Committee to consider implementing a British Columbia Northern Resident Tax credit that would only apply to individuals that declare they were resident in and maintained a Residence, in the Northern Zones of BC for at least six consecutive months. (Same as the Federal tax program).**

This would mean that approximately 10-15,000 (estimated) British Columbians who currently reside in Area A or an estimated 75,000 who reside in Area B would receive a Tax deduction against Earned Income, that would serve to put additional dollars in their pockets. This tax deduction would not benefit individuals with Income below the Basic Individual Exemption amount.

The principal purpose would be to encourage individuals and families that earn income in the North, but reside in other areas, to make the North their permanent home. This deduction would not affect (benefit) out of province workers who travel in and out. It would also not benefit workers in the Southern part of the Province who choose to maintain their residence other than in the North. We all know that increased dollars in peoples' pockets means more spending and eventually more tax revenue.

Keeping the criteria similar to existing Federal Northern Residence guidelines would make for ease of Administration. Guidelines would need to be in place to protect against individuals living in camps for less than six months consecutively (required to provide Property Tax or Utility receipts).

The cost to the Provincial Treasury for this program would be modest but the benefits could be dramatic as tax payers learn the value of the Northern Resident Tax deductions and living in our beautiful region.

Earned Income after existing deductions against taxable income	\$101,000
Current Tax payable (2010)	\$ 23,062
<b>Less proposed BC Northern Residents deduction of *\$3,000</b>	<b>\$ 3,000-</b>
New Taxable Income	\$ 97,000
NEW Tax payable	\$ 21,080
Marginal Tax bracket of 38 % means <u>a Tax savings to Northerners of :</u>	<b>\$ 1,140</b>