

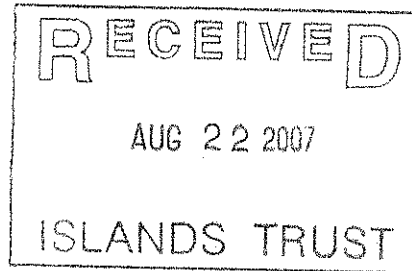


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August 14, 2007

Ref: 69956



Ms. Kim Benson
Chair
Islands Trust Council
200 - 1627 Fort Street
Victoria, BC V8R 1H8

Dear Ms. Benson:

Thank you for your letter of July 10, 2007 in which you raise a number of concerns about the potential effect of, and seek an exclusion from, the B.C.-Alberta Trade, Investment and Labour Mobility Agreement (TILMA) on the ability of the Islands Trust to carry out its mandate.

Governments who sign the Agreement retain the responsibility to enact public policy in the best interests of their citizens. A persistent misinterpretation of the Agreement in this respect concerns its potential impacts on municipalities. I would like to assure you the TILMA does not threaten the ability of the Islands Trust to preserve and protect the trust area, its unique amenities, or the environment.

TILMA has been mis-characterized as requiring the elimination of all government measures that might thwart any and all investment. This is not the case. Under the General Rules of TILMA, Article 3 entitled "No Obstacles," reads: "Each Party shall ensure that its measures do not operate to impair or restrict trade *between or through the territory of the Parties*, or investment or labour mobility *between the Parties*." This applies to the flow of trade, investment or workers across provincial borders. This does not extend to "internal measures" like domestic laws or regulations made by governments.

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TILMA's "Non-Discrimination" clause (Article 4) requires regulations to apply equally to investors, workers or businesses from the other province. If a government measure applies equally to trade, investors, and workers in both Alberta and British Columbia, then it is not contrary to the Non-Discrimination clauses. This includes regulating the rate and scale of growth, unique standards and practices, reduced road widths, and determining agricultural land use decisions. The TILMA does not remove the right of governments to regulate as long as they do so in a non-discriminatory manner.

Many local governments have also expressed concerns about the ability to continue offering local incentives under TILMA. This could include things like lease subsidies, heritage incentives, revitalization tax exemptions and tax abatements. As a general rule, subsidies are acceptable as long as they are not designed as "one-offs" that favour a single business to the detriment of another.

The objective of the TILMA is to reconcile or mutually recognize standards and regulations where there are any unnecessary differences, overlap or duplication. As the party to the Agreement, the Province is solely responsible for reviewing measures in relation to TILMA. Under the TILMA, different standards and regulations may continue and there is no requirement to de-regulate or harmonize to Alberta's regulation or standards.

Finally, under TILMA's dispute resolution mechanism, municipalities are not required to defend their own measures or pay monetary awards. Only the provincial government, as a party to the Agreement, is responsible for responding to the dispute settlement process. It has not been determined at this point what the Province would do in the case of non-compliance by local governments, but I would expect local governments to abide by their existing commitments under the Agreement on Internal Trade (AIT), like TILMA.

The Ministry of Economic Development is working with the Union of BC Municipalities (UBCM) to finalize a formal consultation agreement on TILMA. I have formally welcomed a UBCM representative to participate at the table when the two provinces begin negotiations on measures that affect municipalities. This will provide an additional opportunity for local governments to give their input and expertise into this Agreement so that its benefits can be maximized. Ministry officials are also working with interested local governments, including the Islands Trust, who wish to be directly consulted, or are seeking technical briefings on the application of the TILMA. If you would like to schedule a direct consultation with Ministry trade officials, please contact Guy Gensey by telephone at 250-952-0453 or by email at guy.gensey@gov.bc.ca.

Thank you again for the opportunity to address your concerns about the TILMA.

I would encourage you to kindly circulate this letter among the Trust Council Trustees and include this item on your next Council agenda for their consideration and assurance.

Yours truly,

A handwritten signature in black ink, appearing to read "Colin Hansen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Colin Hansen
Minister

cc: Honourable Ida Chong
Minister of Community Services

Ms. Brenda Binnie
President
Union of British Columbia Municipalities