BC STATS
Province of British Columbia
Ministry of Finance and Corporate Relations

Infoline

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Report

Immigrant Investor Program

BC at a glance . . .

POPULATION (thousands)	Jan 1/97	% change on year ago
BC	3,902.5	2.2
Canada	30,135.9	1.1
GROSS DOMESTIC PRODUCT		% change
(BC - at market prices - $ millions)	1995	on year ago
Current Dollars	103,273	4.6
Constant (1986) Dollars	74,107	1.9
TRADE ($ millions)		
Manufacturing Shipments (seas. adj.) Feb	2,843	7.0
Merchandise Exports (raw) Feb	2,100	8.9
Retail Sales (seasonally adjusted) Feb	2,734	3.9
CONSUMER PRICE INDEX		% change
(all items - 1986=100)	Mar '97	on year ago
BC	139.6	0.9
Canada	137.6	2.0
LABOUR FORCE (thousands)		% change
(seasonally adjusted)	Mar '97	on year ago
Labour Force - BC	1,985	1.4
Employed - BC	1,819	1.5
Unemployed - BC	167	0.4
		Mar '96
Unemployment Rate - BC *(percent)*	8.4	8.5
Unemployment Rate - Canada *(percent)*	9.3	9.4
INTEREST RATES (percent)	Apr 30/97	May 1/96
Prime Business Rate	4.75	6.50
Conventional Mortgages - 1 year	5.55	6.50
- 5 year	7.65	8.50
US/CANADA EXCHANGE RATE	Apr 30/97	May 1/96
(avg. noon spot rate) Cdn $	1.3970	1.3626
US $ *(reciprocal of above rate)*	0.7158	0.7339
AVERAGE WEEKLY EARNINGS		% change
(industrial aggregate - dollars)	Jan '97	on year ago
BC	616.83	3.9
Canada	594.44	4.0

SOURCES:
Gross Domestic Product: Statistics Canada, revised by BC STATS
Population, Trade, Prices, Labour Force, Earnings: Statistics Canada
Interest Rates, Exchange Rates: Bank of Canada Weekly Review

Released this week by BC STATS

- Earnings and Employment Trends, January 1997
- Tourism Room Revenue, December 1996

Next week

- Exports (BC Origin), February 1997

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Infoline Report:

May 2, 1997

Proposed New Immigrant Investor Program

Reprinted from the 4 Quarters of 1996 issue of *Immigrtion Highlights.* An annual subscription is $30 + GST.

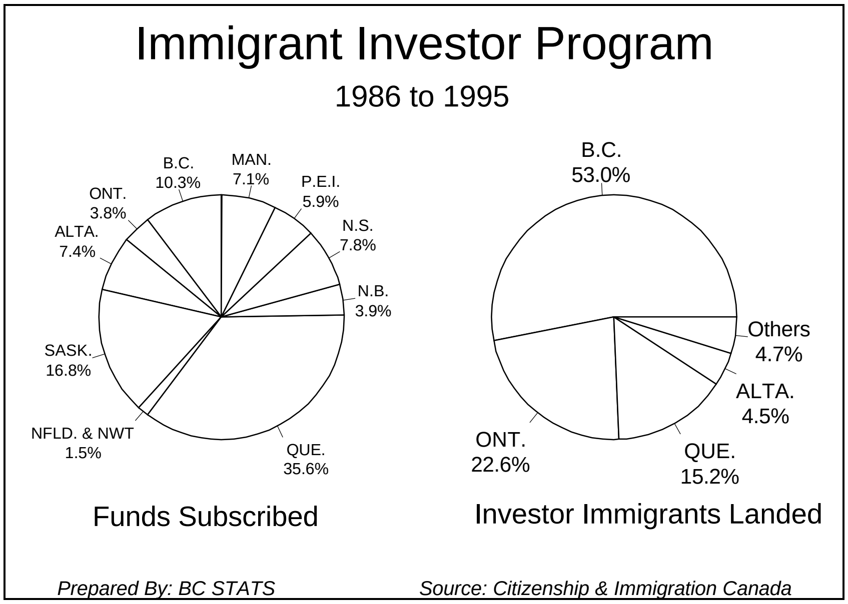
On March 18, 1997, Lucienne Robillard, Federal Minister of Citizenship and Immigration, announced some proposed changes to the Immigration Investor Program. The program was introduced in 1986 with the intention of promoting economic growth in all regions of the country by providing a means for experienced business persons to immigrate to Canada and make substantial investments in small to medium-sized businesses. Over the last decade, the program has brought very different results for different provinces. Also, "*despite a significant interventionist role on the part of CIC (Department of Citizenship and Immigration) , the program has been vulnerable to mismanagement, abuse, and fraud*" [1] , as stated in a report prepared by the federal department.

One of the problems that B.C. is facing with regards to the existing Immigrant Investor Program is that the majority of investor immigrants absorbed by the province made their investment in other provinces. In 1996, about 54 per cent of all the investor immigrants chose B.C. as their intended destination, while the province received less than six per cent of all the funds invested during the same period of time. As a result, B.C. might have been disadvantaged, compared to other provinces, by the imbalance between the costs of settling the investor immigrants and the economic benefits from their investments. The high costs associated with settling investor immigrants include provincial medical services and English language training for the investor immigrants themselves and their children. As pointed out in previous issues of *Immigration Highlights*, despite the relatively small numbers, immigrants in the Investor Class have the lowest average English language ability, and at the same time the average number of accompanying children is the highest for the Investor Class immigrants.

The major reason for this imbalance is that, in the existing Investor Immigration Program, a three tier system has been adopted that requires three different minimum amounts of investment depending on the choice of province where the investment is made. Currently, the minimum investment is $350,000 (Tier 2) for B.C., Quebec, Ontario, and Nova Scotia; $250,000 (Tier 1) for the rest of Canada. Tier 3 is a special investment arrangement in which return of the entire principal is guaranteed after five years of commitment and the minimum investment for this tier is $500,000. The intention of the tier system was to encourage investment in all parts of Canada by allowing a lower minimum in provinces which receive less than 10 per cent of total Canadian business immigrants in any year.

As part of the program objectives, investment money was supposed to be used in higher risk ventures, and as a result investments under the program were generally perceived not to be sound investments by investor immigrants. This perception also prevailed among potential investor immigrants due partly to the poor performance history of many investment projects and partly to the incidences of mismanagement and fraud. Investor immigrants were quick to find out that they could lower their risk by investing in Tier 1 regions while they could still choose to live in the province they preferred. Since the inception of the program, British Columbia has been the most favored province for investor immigrants due in part to its mild climate and proximity to Asian-Pacific countries, the source of most investor immigrants.

While the tier system creates disincentives for investment money to come to B.C., a different dimension of competition for investment also exists between Quebec and other Tier 2 provinces. The *Canada-Quebec Accord on Immigration* signed in 1991 has given Quebec unparalleled authority over the administration of independent immigrant selection and processing. This different treatment for Quebec has made it more difficult for B.C. and other provinces to compete for investments due to the flexibility that Quebec enjoys in the administration of its own immigrant investor program. During the period 1986 to 1995, Quebec attracted 35.6 per cent of all the subscribed investments in Canada while it only absorbed 15.2 per cent of immigrant landings under the Investor Class.



Some of these investor immigrants who made their investment in Quebec were believed to have settled in B.C., as B.C. absorbed 53.0 per cent of investor immigrant landings during the same period of time.

In the new Immigrant Investor Program proposed by the federal government, the tier system will remain in effect except that Tier 3 will no longer exist. The minimum investment will increase to $450,000 (Tier 2) for B.C., Quebec, Ontario, and Alberta; and to $350,000 (Tier 1) for other parts of the country. In addition, it is proposed that the responsibility of management and administration of the program be largely transferred to the provinces and territories. New privately administered immigration funds will no longer be allowed; however the provinces may appoint private sector fund managers to manage their provincial funds or approve private sector funds owned and managed by investment dealers or trust companies. The nature of investment in the new program will also be changed to require 60 per cent of the funds to be invested in an eligible Canadian business selected by the investors, and the remainder 40 per cent to be invested according to the provinces' investment criteria which are not subjected to federal rules.

Many of the problems that B.C. has been dealing with in regards to the Immigrant Investor Program have not been addressed by these proposed changes. The imbalance of costs and benefits created by the tier system, although acknowledged by the federal government, remains unaddressed. In the same federal report, it was noted that "*The number (of investment subscriptions) does not reflect actual residence because immigrants are not required to settle in the destination indicated on their visas. Many investors invest in Tier 1 provinces and settle in Tier 2 provinces*."[1] Under the proposed changes, the province will also be administratively and financially responsible for the costs of operating and regulating the new program. It may also be a concern that the proposed changes will encourage investment funds to be channeled to ventures that are less risky in nature as under the new program 60 per cent of the funds will be allowed to be invested at the discretion of the investors. This may defeat the original purpose of using the program to stimulate regional economic growth by attracting high-risk capital that is normally difficult to raise from domestic business sectors.

The actual economic benefits that will be generated from the new program are further questioned since under the proposed changes there is no limitation on financing schemes and the investor immigrants will be allowed to finance a substantial portion of their investment domestically rather than injecting their own money. Given all these concerns and unaddressed problems inherent in the program, one of the biggest issues might be the question of whether a balance between costs and benefits of operating the program could be achieved.

[1] Regulatory Impact Analysis for the New Immigrant Investor Program, March-1997, Department of Citizenship and Immigration, Government of Canada.

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highlights

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a weekly digest of recently released British Columbia statistics

Tourism

- **Tourism room revenue increased 8.2% (seasonally adjusted) between November and December.** Revenues were up in four of the province's eight development regions, with the strongest gains occurring in the Kootenay (+11.5%) and Northeast (+11.1%) regions. Mainland/Southwest (+10.3%) also registered strong growth in December. More moderate gains (+3.5%) were recorded in Thompson/ Okanagan, and revenues were down in the Nechako (-5.6%), North Coast (-4.8%) and Vancouver Island/Coast (-0.2%) regions of the province. Preliminary room revenue estimates for 1996 show a province-wide increase of 9.8% over the previous year. Final estimates based on more complete data are not yet available.
Source: BC STATS
- **Large hotels (250+ rooms) continued to dominate the hotel sector in December, with revenues increasing 13.9% (seasonally adjusted).** Hotels with 150–249 rooms also recorded relatively strong growth in December (+9.6%). While revenues increased for all accommodation types, the smallest gains were for motels (+1.7%) and vacation rentals (+2.0%).
Source: BC STATS

Labour Force

- **The number of employment insurance (EI) recipients in British Columbia continued to decline in February, falling 1.6% to 68,310 (seasonally adjusted).** Nationally, the number of EI recipients was 3.3% lower than in January, at 597,130. The number of EI beneficiaries declined in nine of the country's twelve regions. The largest decrease was in New Brunswick (-3.9%). In Yukon, the number of EI recipients rose 5.5%. Manitoba (+1.9%) and Saskatchewan (+1.6%) also recorded increases.
Source: Statistics Canada

Business and Economics

- **BC manufacturers surveyed in April were relatively optimistic about their prospects in the second quarter of the year.** Among those surveyed, the balance of opinion (the difference between the percentage expecting increases and the percentage expecting declines) for expected production was 14%. Twenty-two per cent of manufacturers stated that their current level of new orders was increasing, while 16% reported declining orders. However, the balance of opinion on unfilled orders was -16, and more than a third (35%) of BC manufacturers said their inventories were too high, compared to just 6% who thought they were too low.

  Just over two-thirds (69%) of manufacturers surveyed did not report any production difficulties. Among those who reported having difficulties, a shortage of raw materials was a concern for 14%. Four percent were concerned about a shortage of working capital, 6% about a shortage of skilled labour, and 10% reported other sources of production difficulties.
Source: Statistics Canada
- **Department store sales in British Columbia were up 7.4% during the first quarter of 1997.** The year-over-year increase in sales was below the national average (+8.4%) and the lowest of any province west of Quebec. Alberta (+10.2%) recorded the strongest sales growth, followed by Ontario (+9.8%) and Saskatchewan (+9.7%). Department store sales were weakest in New Brunswick, where they increased only 3.9% over the first three months of 1996.
Source: Statistics Canada

Population

- **Eighty-five percent of British Columbians lived in urban areas (areas with a population of at least 10,000) in 1996.** Ontario, where just over 85% of the population lived in urban areas,

For data originating from Statistics Canada: data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the publication name or catalogue number.

Did you know...?
There are 649 people for every square kilometre of land in the Vancouver Census Metropolitan Area (CMA) and 480 people per sq km in Victoria CMA. Only Montreal CMA at 827 and Toronto CMA at 727 have higher population density.

had the highest urbanization rate in the country. The national average was 78%. The Northwest Territories (27%) and Newfoundland (44%) had the lowest urbanization rate in the country.
Source: 1996 Census of Canada

- **There were 4.2 people in BC for every square kilometre of land area in 1996.** This was above the national average of 3.1 people per square kilometre of land. The population density in other parts of the country ranged from 0.02 in the Northwest Territories to 23.8 in Prince Edward Island. Nova Scotia (17.2) had the second-highest population density in the country, followed by Ontario at 11.7. Saskatchewan (1.7), Newfoundland (1.5) and Yukon (0.1) had a population density of less than two people per square kilometre. *Source: 1996 Census of Canada*

Social Trends

- **One in five Canadian adults (aged 15 and over) reported getting three or more sunburns between June and August of 1996, according to data from the 1996 Sun Exposure Survey.** Of the many types of damage caused by overexposure to the sun, Canadians said they were most concerned about skin cancer and sunburns. Over half of Canadians said they wore sunglasses when exposed to the sun. However, less than half said they usually or always sought shade, wore a hat or protective clothing, and used sunscreen. Television and magazines were the most commonly cited sources of information about sun protection.
Source: Statistics Canada

- **In March, there were 191,242 individuals and families receiving some form of assistance under the BC Benefits program.** This was 10.9% less than in the same month last year. The caseload for the Welfare to Work program, which accounts for about two-thirds of all cases, was down 12.6% from March 1996. The number of cases for the Youth Works program was down sharply (-22.5%) to 26,931 in March.

  Single men accounted for 42% of the total caseload, with single women comprising another 21%. Twenty-five percent of cases involved single-parent families. In total, there were 321,315 recipients of BC Benefits in March, 13.1% less than twelve months previously.
  Source: Ministry of Human Resources Administrative Data

- **The number of reported Criminal Code offences in British Columbia that are deemed to be founded is expected to reach 532,589 in 1996/97, up from 531,086 in the previous fiscal year.** Twenty-eight percent (148,625) of the cases are expected to be solved, with 82,600 resulting in a recommendation to lay charges.
Source: Ministry of Attorney General, Key Indicator Report

- **A total of 3,631 films and videos were viewed by the Film Classification Branch in 1996/97.** This compares to 1,145 films and videos in 1990/91. While most (91%) of the films were approved for viewing in the province, only 41% of the 3,079 videos viewed during the last fiscal year received approval. The figures for 1996/97 include estimates for the period from January to March. *Source: Ministry of Attorney General, Key Indicator Report*

The Nation

- **Canada's economy grew 0.5% (seasonally adjusted) in February, as measured by real GDP at factor cost.** The economy had grown 0.6% in January. Continued strength in the goods sector (which increased 0.7% for the second consecutive month) was a major factor in February's growth. High performers in the goods sector included the construction (+3.1%) and mining (+1.1%) industries. GDP was down in logging (-2.7%) and utilities (-1.7%).

  Service sector growth was down slightly from the previous month, at 0.4%, compared to 0.6% in January. The communications (+2.0%) and wholesale trade (+2.0%) industries surged ahead, with more moderate growth recorded in most other sectors. GDP fell in the community, business and personal service industries (-0.2%) and in the non-business service sector (-0.2%) which includes services such as those provided by governments and non-profit organizations.
  Source: Statistics Canada

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