

- Labour income in BC rises 0.5% in the fourth quarter of 2008
- Room revenues slump 2.8% in September
- Canada's economy contracted 0.8% in the fourth quarter of 2008

Economy

- **Wages, salaries and benefits earned by workers in British Columbia inched ahead 0.5% (seasonally adjusted) in the fourth quarter of 2008.** Nationally, labour income advanced only 0.7% during the quarter despite a strong showing in most provinces, the average being dragged lower by sluggish growth in Ontario (+0.2%), Nova Scotia (+0.4%) and BC (+0.5%).

Data Source: Statistics Canada

- **Residential investment in BC dropped for the third straight quarter, falling 4.1% (seasonally adjusted) in the fourth quarter of 2008.** Much of the decrease was due to a sharp drop in new construction (-7.8%), particularly single-family homes (-8.6%) and apartment blocks (-8.1%).

Data Source: Statistics Canada & BC Stats

- **Provincial investment in non-residential building construction inched 0.4% higher (seasonally adjusted) to \$1.4 billion dollars during the fourth quarter of 2008.** The increase was primarily the result of a rise in commercial construction (+2.2%) as investors pulled back spending on both industrial (-12.9%) and institutional (-0.5%) building projects.

Data Source: Statistics Canada

- **The value of building permits issued by municipalities in BC slumped 3.3% (seasonally adjusted) in January, marking a fifth consecutive monthly decline.** While the downward trend in residential building intentions has turned (+2.4%), the value of non-residential permits issued was down sharply (-9.6%) with a drop in both institutional (-46.5%) and industrial (-29.6%) projects offsetting an increase in commercial (+7.8%) intentions. Nationally, the value of permits issued was off for a fourth straight month (-4.6%).

Data Source: Statistics Canada

- **British Columbia's food service and drinking establishments saw receipts jump 2.6% (seasonally adjusted) in November.** This adds to the increase recorded in the previous period marking an end the recent trend of seesawing sales from month to month. Revenues were higher at both drinking places (+7.0%) and restaurants (+2.0%).

Data Source: Statistics Canada & BC Stats

- **Central 1 Credit Union's Coincident Economic Index (CEI) for BC dipped 0.4% (seasonally adjusted at annual rates) in the fourth quarter of 2008.** Many components of the CEI contributed to the downturn observed including residential property sales, business incorporations, housing starts, retail activity, manufacturing shipments and hours worked.

Data Source: Central 1 Credit Union

2008 in Review

- **Wages, salaries and benefits earned in BC were up 5.6% in 2008.** Nationally, labour income jumped 4.9%. Alberta (+8.4%), Saskatchewan (+8.3%) and Manitoba (+6.0%), BC (+5.6%) and New Brunswick (+5.0%) all recorded increases in labour income above the national average. Only Newfoundland & Labrador registered a decline in earned income (-4.4%).

Data Source: Statistics Canada

- **Despite a slowdown late in the year, total investment in residential construction increased (+7.0%) in 2008.** While construction of single-family dwellings decreased for the first time since 2001, this was more than offset by the boom in multi-family housing, particularly apartment complexes (+24.8%).

Data Source: Statistics Canada

Did you know...

In 2007, small business accounted for a third of British Columbia's total GDP.

Data Source: BC Stats

- **On an annual basis, non-residential construction was down 1.4% in 2008.** While commercial projects rose (+6.6%), industrial (-31.3%) and institutional (-8.6%) construction were off sharply compared to the previous year.

Data Source: Statistics Canada

Tourism

- **September saw a continuation of a downward trend (-2.8%, seasonally adjusted) in room revenues.** Northeast (+5.2%) was the only region to experience an increase in room revenues. However, declines in Vancouver Island/Coast (-1.9%), Nechako (-2.0%), Cariboo (-2.4%), Thompson/Okanagan (-2.4%), Kootenay (-2.5%), North Coast (-2.6%) and Mainland/Southwest (-3.8%) led to the province wide drop in receipts.

Data Source: BC Stats

Performing Arts

- **British Columbia's live performing arts industry generated operating revenues of \$109.7 million in 2007, down sharply (-8.3%) from the previous year.** However, despite reduced revenue levels, profit margins (13.2%) rose slightly as a result of lowered operating expenses (-8.6%).

Data Source: Statistics Canada

Immigration, Education and Earnings

- **Immigrants are more likely to be highly educated than their Canadian-born counterparts.** In 2006, nearly one-third (31%) of immigrant males had a university degree compared to fewer than one in five (18%) Canadian-born men. Similarly, a larger proportion of immigrant women (21%) had obtained a university degree than those who were native-born Canadians (17%). However, earnings between these two groups differed drastically with immigrant males earning roughly half (50%) as much as their Canadian-born cohorts. For women, the gap in earnings between immigrant and Canadian-born was slightly smaller (44%), but no less significant.

The disparity appears to be linked to the lack of transferability of skills and work experience from an immigrant's country of origin to the Canadian labour market. Evidence for this exists in the fact that when only Canadian work experience was taken into account, immigrants

and Canadian-born workers earned similar amounts. Furthermore, in the years following immigration, earnings rose at rates exceeding those of Canadian-born workers for both men (2.5% faster) and women (2.8% faster) with the difference disappearing as the two groups approached similar levels of work experience.

Data Source: SC Catalogue no. 81-004-X

The Nation

- **Canada's real gross domestic product (GDP) dropped 0.8% in the fourth quarter, the sharpest quarterly decline in GDP since 1991.** After keeping growth in the Canadian economy afloat for some time, final domestic demand shrank 1.2% as capital investment by businesses was down significantly (-4.7%) and consumer spending retreated (-0.8%) for the first time since 1995. Despite a depreciation of the loonie against the US greenback, exports continued to fall (-4.7%) for a sixth consecutive quarter. Imports, however, contracted (-6.4%) more than exports leading to a narrowing of the trade deficit.
- **Strong final domestic demand (+2.5%) continued to buoy the Canadian economy in 2008, leading to a slight increase (0.5%) to GDP.** Despite the fact that exports shrank (-4.7%) as markets for Canadian goods dried up in 2008, the value of imports expanded (+0.8%) providing a boost to the economy at the cost of a widened trade deficit.

Data Source: Statistics Canada

Data Source: Statistics Canada

The World

- **In the US, more than 651,000 jobs were cut in February, pushing the unemployment rate in that country to 8.1% (seasonally adjusted), a 25-year high.** Since the recession in the US began in December 2007, 4.4 million workers have joined the ranks of the unemployed with 2.6 million of those payroll cuts occurring in the past four months alone.

Data Source: US Department of Labor, Bureau of Labor Statistics

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Tourism Tax Dollars Reinvested in B.C.

"Taxes, after all, are the dues that we pay for the privileges of membership in an organised society."

—Franklin D Roosevelt

Introduction

Many regions across Canada collect provincial, as well as federal service tax. In addition to these taxes, most provinces charge some form of supplementary tax specifically on accommodation sales.

Alberta started such an accommodation tax in 1987 at 5%, which was later (April 1, 2005) reduced to 4%. Québec currently charges 3%, while Ontario and Saskatchewan add 5% to the sale of lodging purchases.

The *Hotel Room Tax (HRT) Act* in British Columbia was initiated on April 1, 1971. It currently requires eligible establishments to levy 8% HRT on behalf of the provincial government. The tax is applied to the regular charge for overnight or short-term stay in a unit of accommodation across BC. However, this has not always been the case.

After its inception, HRT was raised on March 10, 1981 from 5% to 6% on rooms under \$50, while rooms costing \$50 or more were levied with 8% tax. Later (March 1, 1984) this regulation was changed to 7% regardless of the room rate, until finally (March 20, 1987) it was fixed at 8%.

Establishments that are exempt from collecting HRT are those that

- offer less than 4 units of accommodation;
- have rooms or suites that are rented long-term (more than a continuous one-month period); or
- provide accommodation for \$30 or less per day, or \$210 or less per week.

Other exemptions¹ may also apply. From the above, lodgings like hostels and some small bed-and-breakfasts typically do not charge HRT on their rooms.

A portion of this tax is transferred to *Tourism BC (TBC)* to provide secure funding for the promotion of tourism in the province. Effective April 1, 2008, TBC's portion of HRT tax increased from 1.65% to 3% to maintain the funding requirements of a growing tourism industry.

The HRT Act also enables eligible entities within BC (municipalities and regional districts in particular, although any public body may be eligible) that collect HRT to apply for an *additional hotel room tax (AHRT)* to be levied on their behalf. Collection of up to 2% AHRT on the sales of accommodation may be requested within the jurisdictions, and is gathered through the existing HRT collection system run by the Ministry of Small Business and Revenue.

Benefits of collecting 2% additional hotel room tax

Municipal funds collected via AHRT must be put towards a specific purpose—typically local tourism related industries—and collection thereof is approved based on a strategic business plan which provides evidence of complementing (not duplicating or replacing) existing tourism initiatives, as well as possible contributions to an overall increase in tourism revenue.

¹ Ministry of Small Business and Revenue, Hotel Room Tax Exemptions, available online from: http://www.sbr.gov.bc.ca/business/Consumer_taxes/Hotel_Room_Tax/hrt_exemptions.htm
cited December 2008.

Although these terms may be considered very broad and potentially allow many eligible entities to request collection of AHRT, approval of applications follows strict guidelines. However, successful applicants enjoy the full-circle benefit of initiatives that are related to tourism being partly funded by tourism—one way of establishing a so-called “organised society”.

Which municipalities are eligible?

The September 1996 issue of the TSM² reported that seven municipalities across BC collected AHRT. This number has grown dramatically with 39 (see Appendix) municipal jurisdictions collecting 2% AHRT at present.

A minimum requirement for eligible entities to be successful in their application for AHRT is support from at least 51% of the accommodation sector within their jurisdiction. This condition stems from the fact that an additional tax on lodging could potentially drive customers away from accommodation operators’ businesses. Additionally, the new tax will be implemented for a period of 5 years, after which the jurisdiction must re-apply for AHRT and be subject to the same prerequisites for it to be reinstated.

Once approved, the successful jurisdiction imposes a bylaw that requests the province of British Columbia to levy the AHRT on its behalf. Accumulated AHRT (less a collection-and-dissemination charge from the government) is then remitted on a monthly basis to the respective municipalities.

Approved entities must disclose how the AHRT funds were implemented on an an-

nual basis to the Ministry of Finance, and stipulate how the fund usage is consistent with the originally approved business plan.

The broad definition of AHRT usages across municipalities with such diverse needs implies that funds may contribute towards

- *leisure marketing* (print advertising, TV, radio, brochures, maps, posters, rack cards, golf and ski promotion, tour and travel agents, news media, website upgrades and links, billboard advertising, etc.);
- *tourism equipment and facilities;*
- *tourism trade shows;*
- *consumer trade shows* (sports, travel and leisure);
- *development of brand and theme for municipality;*
- *development of signage program for tourists;*
- *information centre staffing and operation;*
- *festivals and special events;* and
- *tourism research.*

Tourism funding generated via additional hotel room tax

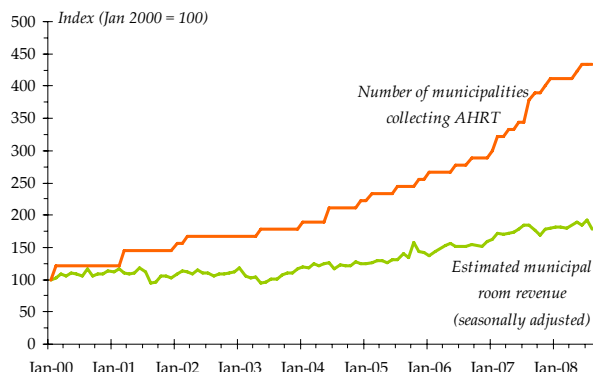
Since the inception of AHRT, numerous municipalities have opted in to receive this additional tourism subsidy. At the turn of the century only 8 municipalities had passed AHRT bylaws, with this number growing to 39 by June 2008, 11 of which started collection in 2007.

The increase in AHRT-collecting municipalities has outpaced the growth of municipal room revenue in BC. This is because the major room revenue contributors (City of Vancouver, Resort Municipality of Whistler, City of Richmond and City of Kelowna) established AHRT bylaws before January 2000.

The graph below shows how the total (estimated, seasonally adjusted) municipal room revenues in BC have increased as more enrolled into AHRT collection since January 2000.

² BC Stats, Tourism Sector Monitor, September 1996, available online from: <http://www.bcstats.gov.bc.ca/pubs/tour/trr9609f.pdf> cited December 2008.

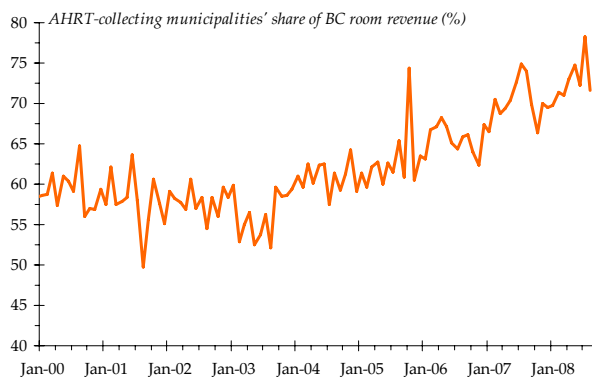
Growth of AHRT-enrolled municipalities has outpaced the growth of municipal room revenue in recent years



Data Source: BC Stats

Room revenue collected within the 39 municipalities has slowly been climbing since 2003 when it comprised around 56% (or \$123.8 million on average per month, seasonally adjusted) of total BC room revenue. This has been boosted to almost 73% (or \$166.4 million on average per month, seasonally adjusted) in 2008.

AHRT-collecting municipalities' share of BC room revenue is slowly climbing



Data Source: BC Stats

The City of Vancouver had an estimated \$238.8 million in municipal room revenue from Jan-Jun 2008, with more than 100 accommodation establishments filing HRT returns on average every month, placing it first in terms of AHRT contributions towards tourism. The runner-up is the Resort Municipality of Whistler that collected almost half as much

(\$123.1 million) from 55 properties on average every month. The top 5 municipal jurisdictions in terms of AHRT for the first half of 2008 are presented in the table below.

City of Vancouver earns the most room revenue of 39 AHRT-collecting municipalities in BC

Municipal jurisdiction	Estimated room revenue (000s, seasonally adjusted)	Average monthly properties [‡]
Vancouver (C)	\$ 238,833	109
Whistler (RM)	\$ 123,070	55
Richmond (C)	\$ 66,944	23
Victoria (C)	\$ 64,192	76
Kelowna (C)	\$ 29,765	37

[‡]Based on the number of unique accommodation establishments reporting tax in each month from Jan-Jun 2008.

Key: C = City, RM = Resort Municipality
Data Source: BC Stats

Additional funding for resort areas

In addition to AHRT that support the growing demand of the tourism industry, some communities designated as *resort areas* may apply to receive a portion of the collected HRT (similar to the HRT ratio granted to TBC). The portion may range between 1% and 4%. According to the *Community Services Statutes Amendment Act 2007*, this share of funds should be used to “finance new or improved resort infrastructure and services to increase the number of visitors to these resort areas”. Each resort area appoints a so-called resort body that receives the funding on behalf of the resort area.

At present, ten resort areas receive additional funding by means of this *Resort Area Tax Regulation*. The City of Rossland and Village of Valemount collect 1% of HRT, while Village of Harrison Hot Springs, City of Kimberley, Town of Osoyoos, Village or Radium Hot Springs³ and District of Tofino

³ Designated resort area extends beyond the town/village limits.

each receive 2% of the regional HRT. The City of Revelstoke receives a 3% share of HRT, whereas Town of Golden and Resort Municipality of Whistler each accept a 4% HRT grant.

Appendix

The 39 municipalities within BC that have a 2% AHRT collection bylaw currently in effect (with the effective bylaw start date) include:

Resort Municipality of Whistler¹ (May 1988)
City of Victoria⁴ (Feb 1989)
District of Oak Bay⁴ (Aug 1989)
District of Saanich⁴ (Oct 1990)
City of Prince Rupert⁴ (Nov 1990)
Town of Smithers⁴ (Nov 1990)
City of Vancouver⁴ (Oct 1998)
City of Richmond (Oct 1999)
City of Chilliwack (Jan 2000)
City of Parksville¹ (Feb 2000)
Town of Qualicum Beach¹ (Feb 2000)
City of North Vancouver (Mar 2001)
District of North Vancouver (Mar 2001)
City of Rosland¹ (Jan 2002)
City of Surrey (Mar 2002)
City of Abbotsford (May 2003)
City of Kelowna (Jan 2004)
City of Burnaby (Jun 2004)
District of Wells (Jun 2004)
Regional District of Kitimat-Stikine (Dec 2004)
City of Merritt (Feb 2005)
City of Kamloops (Jul 2005)
Sun Peaks Mountain Resort Area (Nov 2005)
City of Penticton (Jan 2006)
District of Port Hardy (Jun 2006)
Columbia Shuswap Regional District (Sep 2006)
Village of Harrison Hot Springs (Jan 2007)
Regional District of Alberni-Clayoquot (Feb 2007)
Regional District of East Kootenay (Feb 2007)
City of Kimberley (Apr 2007)
District of Tofino (Jun 2007)
Regional District of East Kootenay (Radium Area) (Aug 2007)
Township of Langley (Aug 2007)
Village of Valemount (Aug 2007)
City of Langley (Sep 2007)
Regional District of Nanaimo (Nov 2007)
Town of Osoyoos (Dec 2007)
City of Revelstoke (May 2008), and
District of Ucluelet (Jun 2008).

