

The Greater Charlottetown Area Chamber of Commerce
Member Survey

Harmonized Sales Tax (HST)

Report prepared by LexEcon Inc.

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Survey - Comments:

There were 260 responses to the e-mail survey via Survey Monkey. Assuming that the response pattern was random, this sample size (260 out of 850 members, with a response rate of 31%) would provide a reasonably high level of confidence that the responses are reflective of the total Chamber membership (95% confidence, + or - 5%).

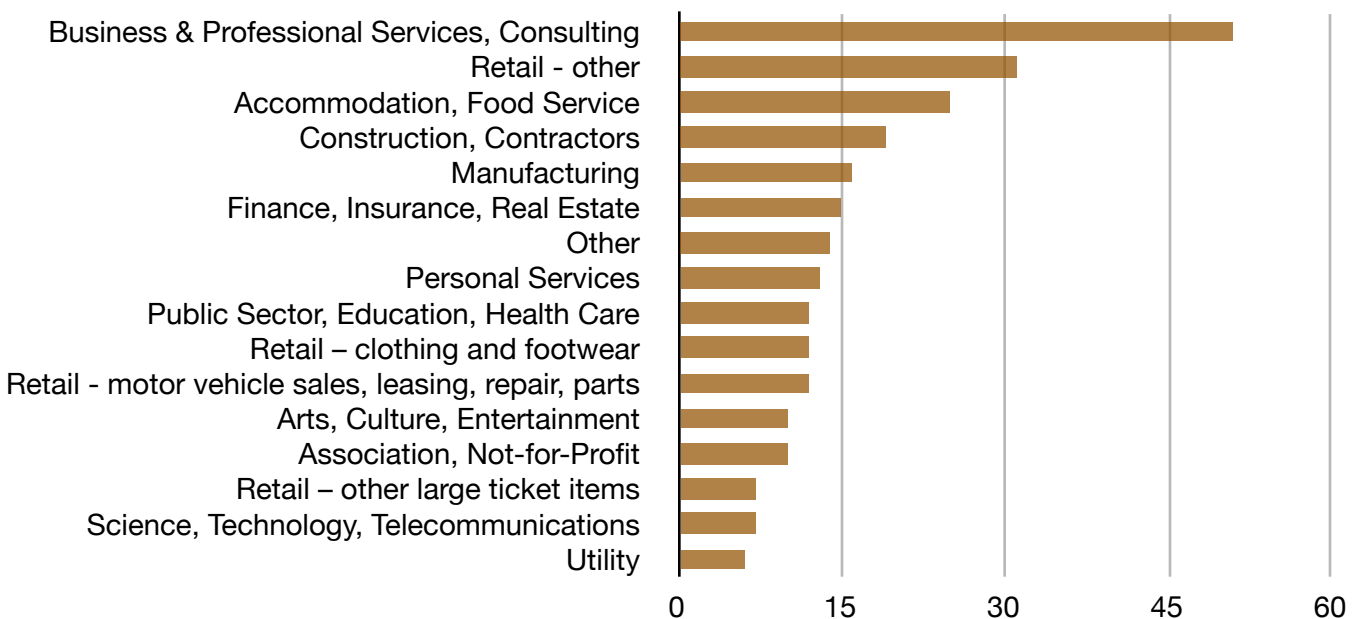
It is not possible to say whether the same level of confidence applies to each of the business categories without comparing the number of responses in each group to the total membership in that group. For example, if there are 50 businesses in a group, a response rate of 88% is required to be confident that the responses are reflective of that group.

Survey - Key Themes:

- While there was wide recognition of the reasons the neighbouring provinces moved to a harmonized sales tax, business competitiveness was not viewed as the main reason.
- There was a significant variation (75% to 8%) among business groups as to being at a competitive disadvantage with neighbouring provinces with HST.
- There was wide recognition of benefits to PEI businesses, with 'Simplified accounting and reporting' as the most frequent selection.
- Most businesses have a moderate to high understanding of the HST mechanics.
- Most businesses reported a moderate to high understanding of the impact of the HST on the provincial economy. Small firms were less likely to have adequate understanding.
- 78 of 259 responses expected the HST would have a neutral impact on their bottom line. 101 expected a positive or very positive impact. Positive impact increases with business size.
- A significant proportion of businesses reported not knowing about the impact on capital investments. Again, as with impact on the bottom line, positive impact on capital investments increases with business size.
- There is considerable room to increase understanding of the impacts of introducing a harmonized sales tax, particularly for small businesses. There is no particular approach that stands out as a preferred mechanism to enhance understanding (mail-out has a slight preference).
- 25% of respondents provided text comments, with a range from 0% for the Utility group, to 67% for the Retail - clothing & footwear group.

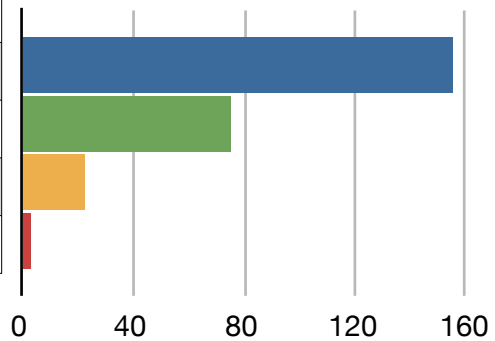
The first four business categories in the following list accounted for 48% of responses

Q1 Please select the category which best describes the nature of your business/organization.	#	%	Cumulative %
Total	260	100%	
Business & Professional Services, Consulting	51	20%	
Retail - other	31	12%	32%
Accommodation, Food Service	25	10%	41%
Construction, Contractors	19	7%	48%
Manufacturing	16	6%	55%
Finance, Insurance, Real Estate	15	6%	60%
Other	14	5%	66%
Personal Services	13	5%	71%
Public Sector, Education, Health Care	12	5%	75%
Retail – clothing and footwear	12	5%	80%
Retail - motor vehicle sales, leasing, repair, parts	12	5%	85%
Arts, Culture, Entertainment	10	4%	88%
Association, Not-for-Profit	10	4%	92%
Retail – other large ticket items	7	3%	95%
Science, Technology, Telecommunications	7	3%	98%
Utility	6	2%	100%

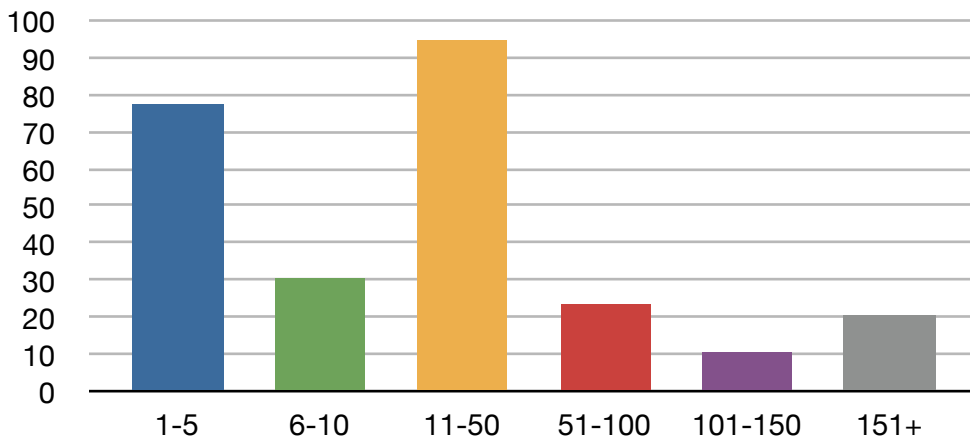


Although Questions 1, 2 & 3 were supposed to be mandatory, two businesses did not respond to Q2.

Q2 What is your position in the business?	Total	
Total	258	100.0%
Owner-operator	155	60.1%
Senior manager	76	29.5%
Employee	23	8.9%
Other	4	1.6%




Q3 Please indicate the number of employees in your organization.	#	%	Cumulative %
Total	260	100.0%	
1-5	78	30.0%	
6-10	31	11.9%	41.9%
11-50	95	36.5%	78.5%
51-100	24	9.2%	87.7%
101-150	11	4.2%	91.9%
151+	21	8.1%	100.0%



This table breaks out Q1 'Nature of Business' by Q3 'Business Size'.

Cross tabulation of 'Nature of Business' and 'Business Size'								
	1-5	6-10	11-50	51-100	101-150	151+	Total	
Business & Professional Services, Consulting	19	5	21	4	1	1	51	20%
Retail - other	11	5	10	3	1	1	31	12%
Accommodation, Food Service	1	1	13	1	1	8	25	10%
Construction, Contractors	2	4	7	4	1	1	19	7%
Manufacturing	3	3	6	1	2	1	16	6%
Finance, Insurance, Real Estate	3	2	8	1		1	15	6%
Other	8		2	1	2	1	14	5%
Personal Services	5	3	3	1	1		13	5%
Public Sector, Education, Health Care	4	1	4			3	12	5%
Retail – clothing and footwear	1	4	5	2			12	5%
Retail - motor vehicle sales, leasing, repair, parts	4	1	5	2			12	5%
Arts, Culture, Entertainment	6		1	1		2	10	4%
Association, Not-for-Profit	7		3				10	4%
Retail – other large ticket items	1	2	4				7	3%
Science, Technology, Telecommunications	3		2		2		7	3%
Utility			1	3		2	6	2%
Total	78	31	95	24	11	21	260	
	30%	12%	37%	9%	4%	8%		

Cross tabulation of Q4 'For what reasons do you believe the governments of Newfoundland & Labrador, Nova Scotia, New Brunswick, Quebec and Ontario decided to harmonize their retail sales tax with the GST?' and Q1 'Nature of business'	 Shows the most frequent choice for each business group						
	Admin. Savings	Business competitiveness	Neutral impact on Gov revs.	More efficient tax system	All of the above	None of the above	Don't know
	38%	28%	12%	38%	33%	5%	13%
# of responses for each reason	100	73	30	98	87	12	35
Accommodation, Food Service	8	8	4	10	12	1	2
Arts, Culture, Entertainment	3	3	2	5	4		1
Association, Not-for-Profit	4	3	2	5	3		2
Business & Professional Services, Consulting	20	18	6	15	18		8
Construction, Contractors	7	7	3	7	8		1
Finance, Insurance, Real Estate	4	1	2	4	4	3	4
Manufacturing	10	8	4	9	6		2
Other	6	4	2	2	5		
Personal Services	2	1	1	1	3	2	4
Public Sector, Education, Health Care	6	3	1	6	2		3
Retail – clothing and footwear	4			4	2	2	2
Retail - motor vehicle sales, leasing, repair, parts	5	3		4	4	1	1
Retail - other	12	7	1	15	7	3	4
Retail – other large ticket items	3	3	2	5	2		1
Science, Technology, Telecommunications	4	2		4	3		
Utility	2	2		2	4		

Respondents identified 'Administrative savings' (38%) & 'More efficient tax system' (38%) most frequently, followed by 'All of the above' (33%) and 'Business competitiveness' (28%). Only 5% checked 'None of the above', (a strong negative indicator), and 13% said they 'Don't know'. Thus 82% could identify reasons why neighbouring provinces implemented a harmonized sales tax (HST).

These cross tabulation tables highlight the differences in perception of being at a competitive disadvantage with the neighbouring Atlantic Provinces with HST. In the first table, the overall range is interesting (75% to 8%).

<i>Cross tabulation of Q5 'Do you believe your business is at a competitive disadvantage compared to similar businesses in the other Atlantic Provinces that have a harmonized sales tax?' and Q1 'Business type'</i>	Yes	No	Don't know	Yes as % of group responses
	103	128	25	
Retail - motor vehicle sales, leasing, repair, parts	9	3		75%
Construction, Contractors	14	4	1	74%
Accommodation, Food Service	15	9	1	60%
Retail – other large ticket items	3		2	60%
Manufacturing	8	8		50%
Utility	3	3		50%
Business & Professional Services, Consulting	23	21	7	45%
Other	6	7	1	43%
Personal Services	4	8	1	31%
Arts, Culture, Entertainment	3	4	3	30%
Science, Technology, Telecommunications	2	4	1	29%
Retail - other	8	21	2	26%
Association, Not-for-Profit	2	6	2	20%
Retail – clothing and footwear	2	10		17%
Finance, Insurance, Real Estate	2	11	2	13%
Public Sector, Education, Health Care	1	9	2	8%

	Q5 Competitive disadvantage		
Q9 Understanding	Yes	No	Don't know
Very high	20	4	
High	24	27	2
Moderate	49	54	7
Low	9	32	10
Very low	1	11	6
	103	128	25

This second table shows that those who believed their business was at a competitive disadvantage generally had a higher level of understanding of the impact of implementing HST on the PEI economy.

Cross tabulation of Q1 'Nature of business' and Q6 recognition of 'Benefits to PEI businesses from an HST'.	Simplified accounting & reporting	Lower effective rate of taxation	Deductibility of input tax credits	Competitive equivalence	None of the above	Don't know
# of responses for each choice	172	105	125	144	25	32
Accommodation, Food Service	20	11	16	18	2	
Arts, Culture, Entertainment	8	4	4	7		1
Association, Not-for-Profit	6	4	4	4		2
Business & Professional Services, Consulting	35	23	23	28	5	7
Construction, Contractors	15	12	11	12	1	1
Finance, Insurance, Real Estate	13	4	4	6		3
Manufacturing	12	8	7	9		4
Other	6	3	4	8	3	2
Personal Services	5	3	5	5	3	3
Public Sector, Education, Health Care	5	4	5	3	2	4
Retail – clothing and footwear	3	2	5	2	4	1
Retail - motor vehicle sales, leasing, repair, parts	8	5	6	9		
Retail - other	20	11	18	18	5	1
Retail – other large ticket items	7	3	4	7		
Science, Technology, Telecommunications	5	3	4	3		2
Utility	4	5	5	5		1

Benefits to PEI businesses of an HST were reasonably well recognized with 'Simplified accounting and reporting' selected most often (66%), followed by 'Competitive equivalence with HST provinces' (55%) and 'Deductibility of input tax credits' (48%).

Identifies the most frequent choice(s) for each business category and least frequent.

Of 260 respondents, 32 (12.3%) checked 'Don't know', and only 25 (9.6%) checked 'None of the above'.

Challenges of an HST to PEI businesses are presented in the table below. The most frequently selected was 'Changes to systems' at 105, followed by 'Higher prices' at 69.

Approximately one-third of respondents checked 'None of the above', indicating no perceived challenges from an HST.

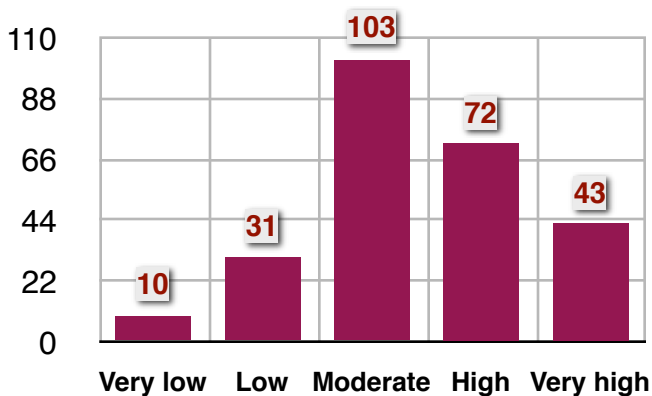
 Identifies the most frequent challenge(s) checked by each business group.

Cross tabulation - Q1 'Nature of business' and Q7 'What challenges would an HST pose to your business?'	Changes to systems	Cash flow issues	Less competitive	Higher prices	Changes to marketing & promo materials	None of the above	Don't know
# of responses for each choice	105	52	25	69	49	84	14
Accommodation, Food Service	15	5	2	2	10	4	2
Arts, Culture, Entertainment	4	4		3	4	1	1
Association, Not-for-Profit	3	2	1	3	1	4	1
Business & Professional Services, Consulting	16	12	3	10	4	20	4
Construction, Contractors	6	4	1	5	2	11	
Finance, Insurance, Real Estate	5	1	1	8	1	3	2
Manufacturing	6	2	1	3	4	8	
Other	5	2		4	3	5	
Personal Services	5	3	3	6	3	2	1
Public Sector, Education, Health Care	4	5	2	6	3	3	
Retail – clothing and footwear	5	3	6	10	2	1	
Retail - motor vehicle sales, leasing, repair, parts	3	2	1	2	2	8	
Retail - other	19	5	4	4	7	7	2
Retail – other large ticket items	4				1	3	
Science, Technology, Telecommunications	4	1			1	2	1
Utility	1	1		3	1	2	

45% said they had a 'High' or 'Very high' understanding of how the HST works.

■ Identifies the most frequent choice(s) checked by each business group.

Cross tabulation of Q1 'Nature of business' and Q8 'What is your understanding of how the HST works in the other Atlantic Provinces?'	Very low	Low	Moderate	High	Very high
	4%	12%	40%	28%	17%
Accommodation, Food Service		1	14	7	3
Arts, Culture, Entertainment		1	8	1	
Association, Not-for-Profit		1	6	3	
Business & Professional Services, Consulting	5	5	17	10	14
Construction, Contractors		1	7	7	4
Finance, Insurance, Real Estate	2	4	4	5	
Manufacturing		1	8	4	3
Other		4	2	6	2
Personal Services	2	2	5	4	
Public Sector, Education, Health Care	1	3	3	3	2
Retail – clothing and footwear		1	2	7	2
Retail - motor vehicle sales, leasing, repair, parts		1	3	5	3
Retail - other		5	15	7	4
Retail – other large ticket items			4	1	1
Science, Technology, Telecommunications		1	3	1	2
Utility			2	1	3
Total	10	31	103	72	43



Distribution is skewed towards more understanding rather than less

Understanding of HST impact on the PEI economy increases as firm size increases.

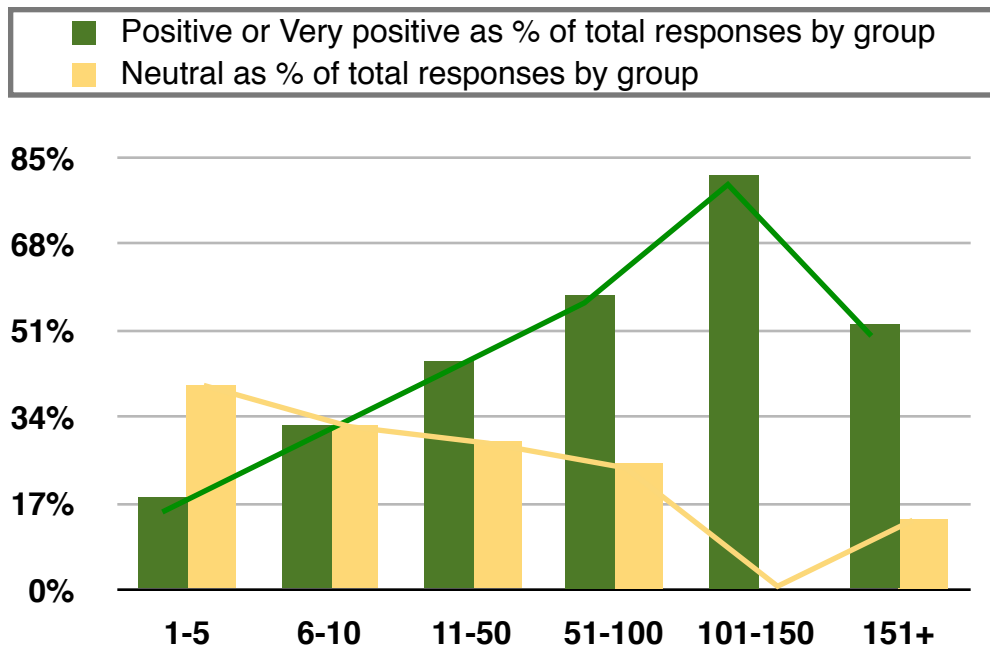
<i>Cross tabulation of Q3 'Size of business' and Q9 'What is your understanding of the long-term impact of a harmonized sales tax on the overall PEI economy?'</i>	Very low	Low	Moderate	High	Very high	Total	High + Very high as % of total
1-5	15	22	28	9	3	77	16%
6-10	0	4	18	8	1	31	29%
11-50	2	19	44	19	10	94	31%
51-100	0	4	8	8	4	24	50%
101-150	1	1	4	4	1	11	45%
151+	0	1	10	5	5	21	48%
Total	18	51	112	53	24	258	

Excluding those who responded 'Don't know', 45% expected that moving to HST would have a 'Positive' or 'Very positive' impact on their bottom line (72+29) / (259-34)

Cross tabulation of Q1 'Nature of business' and Q10 'How would an HST affect your bottom line?'	Don't know	Very negative	Negative	Neutral	Positive	Very positive	Total
Accommodation, Food Service	4		2	3	13	3	25
Arts, Culture, Entertainment	1			3	4	1	9
Association, Not-for-Profit		2		6	1	1	10
Business & Professional Services, Consulting	5	2	3	21	15	5	51
Construction, Contractors		1		6	8	4	19
Finance, Insurance, Real Estate	3		5	5	1	1	15
Manufacturing	1		1	6	5	3	16
Other	4	3		3	3	1	14
Personal Services	3	3	3	2	2		13
Public Sector, Education, Health Care	1	2	3	3	2	1	12
Retail – clothing and footwear	1	5	5			1	12
Retail - motor vehicle sales, leasing, repair, parts	1			4	4	3	12
Retail - other	8		3	11	7	2	31
Retail – other large ticket items			1	1	4	1	7
Science, Technology, Telecommunications	2			3	2		7
Utility			2	1	1	2	6
Total	34	18	28	78	72	29	259

Graphic of cross tabulation of Q3 'Size of business' and Q10 'How would an HST affect your bottom line?'

Positive impact on bottom line increases as business size increases.




The following table shows a relatively large % (19%) who responded 'Don't know' to knowledge of HST impact on their capital investments. ■

Excluding those who responded 'Don't know', 49% expected that moving to HST would have a 'Positive' or 'Very positive' impact on their capital investments $(71+32) / (259-49)$ ■

Small firms tended to estimate neutral impacts. ■


Cross tabulation of Q3 'Business size' and Q11 'How would an HST impact on capital investments in your business?'	Don't know		Very negative		Negative		Neutral		Positive		Very positive		Total
Total	49	19%	5	2%	13	5%	89	34%	71	27%	32	12%	259
1-5	26	34%	4	5%	2	3%	29	38%	12	16%	4	5%	77
6-10	6	19%		0%	3	10%	14	45%	8	26%		0%	31
11-50	9	9%		0%	6	6%	37	39%	29	31%	14	15%	95
51-100	2	8%		0%		0%	4	17%	12	50%	6	25%	24
101-150	1	9%		0%		0%	3	27%	4	36%	3	27%	11
151+	5	24%	1	5%	2	10%	2	10%	6	29%	5	24%	21

Cross tabulation of Q10 'Impact on bottom line' and selection of 'Deductibility of input tax credits' from Q6 'How would PEI businesses benefit from an HST?'

While only 125 (48%) of respondents selected 'Deductibility of input tax credits' in Q6, it is important to note that 64% of the 125 indicated a 'Positive' or 'Very positive' impact on their bottom line. 

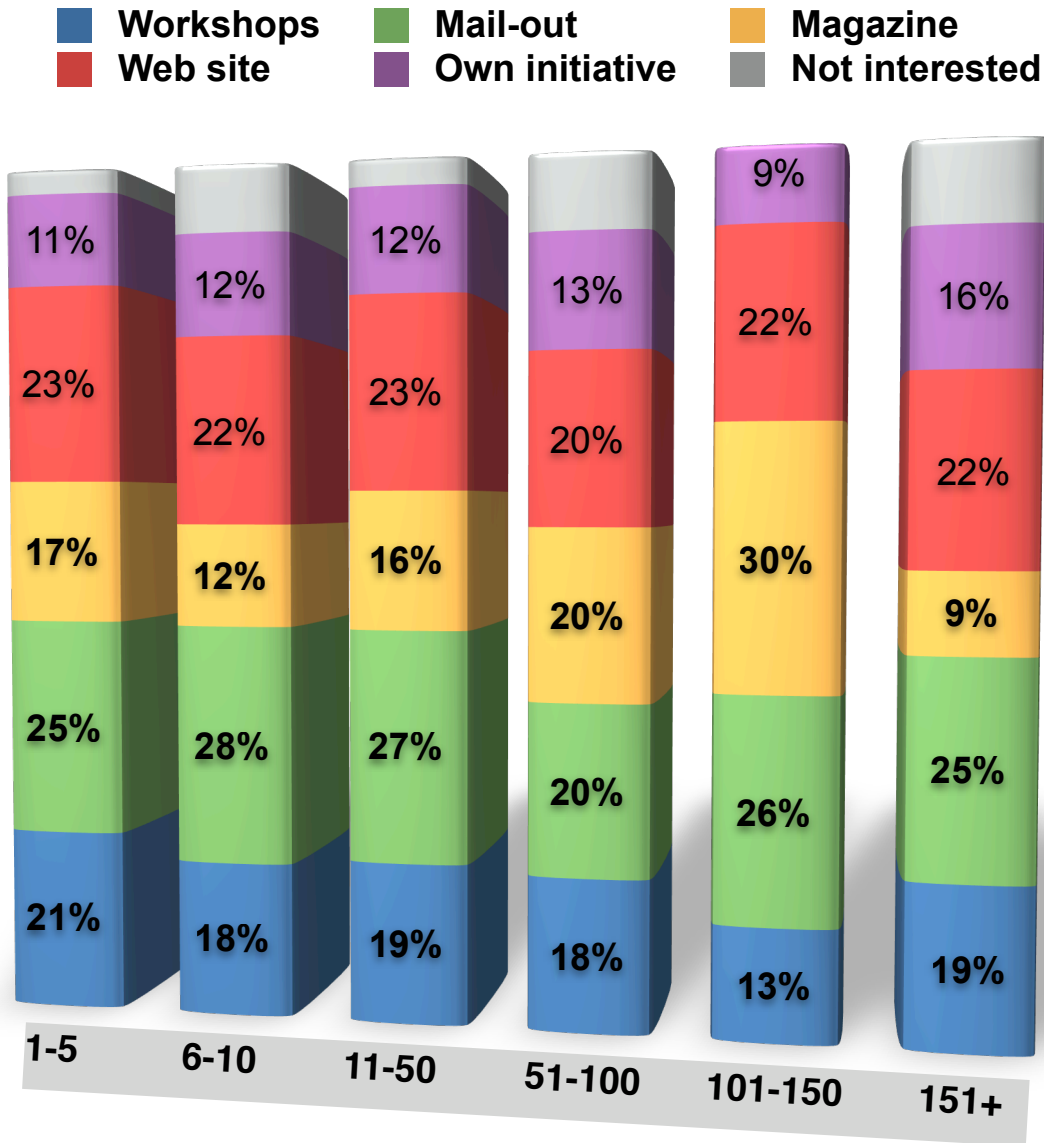
	Impact on bottom line							
	Don't know	Very negative	Negative	Neutral	Positive	Very positive	Blank	Total
Deductibility of input tax credits	8	2	6	28	51	29	1	125
					41%	23%		

Cross tabulations of Q11 'Impact on capital investments' and selection of 'Lower effective rate of taxation' from Q6 'How would PEI businesses benefit from an HST?'

Again, as would be expected, there is a very strong association between selecting 'Lower effective rate of taxation' and indicating a 'Positive' or 'Very positive' 'Impact on capital investments' (75%). 

	Impact on capital investments						
	Don't know	Very negative	Negative	Neutral	Positive	Very positive	Total
Lower effective rate of taxation on capital investment	3	0		24	48	30	105
					46%	29%	

Graphic of cross tabulation of Q3 'Business size' and Q13 'How would you like to get better informed about the HST, both mechanics and impacts?'



Cross tabulation of Q1 'Business type' and Q14 'Please provide any additional comments you believe would be helpful to a thoughtful weighing of the advantages and disadvantages to PEI businesses.' Also included is a subjective rating of the 'Tone of comments'.

				Subjective rating of Tone of comments		
	# of comments	# in group	%	Negative	Neutral	Positive
Total	65	260	25%	28	14	23
				43%	22%	35%
Accommodation, Food Service	7	25	28%	1	1	5
Arts, Culture, Entertainment	2	10	20%	1		1
Association, Not-for-Profit	2	10	20%	1	1	
Business & Professional Services, Consulting	11	51	22%	4	3	4
Construction, Contractors	3	19	16%			3
Finance, Insurance, Real Estate	5	15	33%	4		1
Manufacturing	2	16	13%		1	1
Other	5	14	36%	2	2	1
Personal Services	3	13	23%	2	1	
Public Sector, Education, Health Care	3	12	25%	2	1	
Retail – clothing and footwear	8	12	67%	8		
Retail - motor vehicle sales, leasing, repair, parts	3	12	25%		1	2
Retail - other	7	31	23%	2		2
Retail – other large ticket items	3	7	43%	1	3	2
Science, Technology, Telecommunications	1	7	14%			1
Utility		6	0%			

The Retail - clothing and footwear group had the most comments with 67% of responders providing a comment, all of which were negative.

43% of all comments had a negative tone while 57% were either neutral or positive.

Text analysis of Q14, 'Please provide additional comments . . .'

Text Analysis of Comments	
Word + variations	Frequency
business	51
tax	38
clothing	14
customer	9
retail	9
footwear	9
competition	8
price	8
economy	7
impact	6
heat	6
disadvantage	5
negative	5
electricity	4
saving	4
burden	3
tourism	2
visitor	2
support	2
off Island	2
investment	1
food	1
against	1
exports	0
positive	0