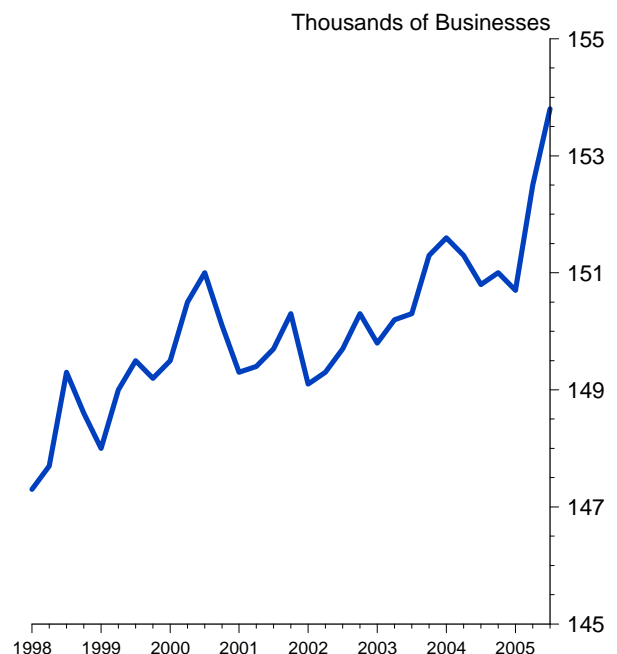


## Small Business Quarterly ♦ 3<sup>rd</sup> Quarter 2005

- The number of small businesses in BC (excluding self-employed persons without paid help) climbed 2.0% in the third quarter of 2005 compared to the same period a year earlier. This is the largest increase in small businesses with employees in seven years.
- The number of self-employed workers in the province jumped 7.6% in the third quarter as both self-employed with (+4.7%) and without (+8.0%) paid help increased in number. The number of self-employed has risen in each quarter since the first quarter of 2001.
- Employment in small businesses rose slightly faster than overall employment in the third quarter, climbing 1.7% compared to 1.6% for total employment in the province. The fastest growth was in the number of jobs in businesses with 20-49 employees (+3.2%) as employment growth in businesses with fewer than 20 employees was only 1.0%.
- The number of new business incorporations in BC soared 13.7% in the third quarter, continuing a streak of increases that began in the second quarter of 2002.
- Both business and consumer bankruptcies were up in the third quarter compared to the same period a year earlier. For consumer bankruptcies, the 1.9% jump was the first time in three years that the number has climbed. The 1.5% boost in business bankruptcies comes on the heels of two straight quarters of double-digit declines.
- The number of urban housing starts in the province was up 3.1% in the third quarter despite the fact that starts in BC's largest metropolitan area—Vancouver—fell 1.4%.
- The value of both commercial (+50.0%) and industrial (+5.8%) building permits continued to rise in the third quarter. In Vancouver, commercial permits jumped 25.2% and industrial permits rose 39.3%, while in the provincial capital, commercial permits soared 435.9% and industrial permits edged up 6.5%.
- The number of chartered bank business loans for less than \$200,000 (the size most likely to be pursued by small business) slumped 6.1% in the third quarter. This was the first year-over-year decline since the second quarter of 2004.

Small businesses with employees are on the rise in British Columbia



## BC Restaurants: An Industry Overview

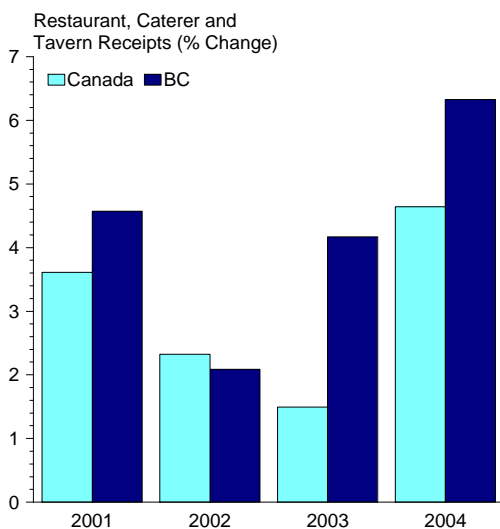
By Jade Norton

British Columbia's foodservice industry has made great strides in recent years and BC is currently the top-performing province in terms of foodservice sales. According to Geoffrey Howes, Past Chair of the BC Restaurant and Foodservices Association (BCRFA), "BC's positive economic climate [...] is reflecting in more people dining out and people spending more."<sup>1</sup> It is particularly important to assess the province's foodservice industry as we prepare to host the world for the 2010 Winter Olympics.

### Restaurant Performance in BC

Over the five year period from 2000 to 2004, BC restaurants showed signs of steady performance growth. One of the strongest indicators of the success of restaurants is measured in the strength of the restaurant, caterer & tavern receipts posted on a monthly basis by Statistics Canada.

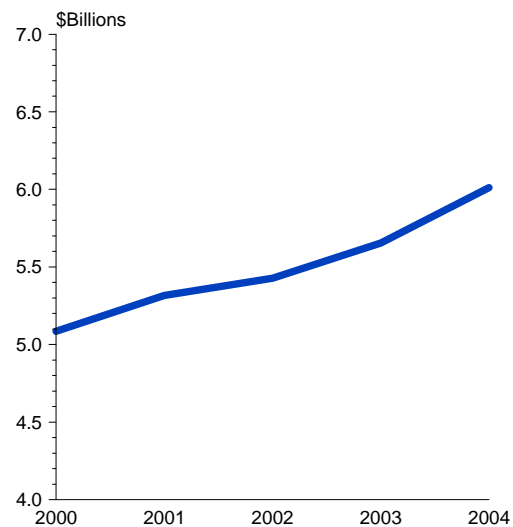
BC Records Higher Increase in Receipts



Data Source: Statistics Canada

In 2004, BC's restaurant, caterer and tavern receipts continued to climb, reaching an annual record high of over \$6.0 billion. This represented an 18.2% increase from 2000, significantly higher than the national increase of 12.6% over the same period.<sup>2</sup>

BC's Restaurant, Caterer and Tavern Receipts Climb Steadily



Data Source: Statistics Canada

The operating revenue for food services & drinking places,<sup>3</sup> a subsector of accommodation & food services, has also shown signs of significant increases. At \$5.5 billion in 2003 (the latest year for which data is available), operating revenues for BC's restaurants and drinking places were 6.1% higher than in 2002. Canada's total operating revenue for restaurants & drinking places slipped

<sup>2</sup> All data is from Statistics Canada unless stated otherwise.

<sup>3</sup> This subsector of accommodation and food services is comprised of establishments primarily engaged in preparing meals, snacks and beverages for immediate consumption on and off the premises. It does not include food services activities that occur within hotels, civic and social associations, amusement & recreation parks and theatres.

<sup>1</sup> BCRFA report 'BC's Restaurant Industry Helps Propel Provincial Growth' May 6, 2005. Retrieved from: <http://www.bcrfa.com>

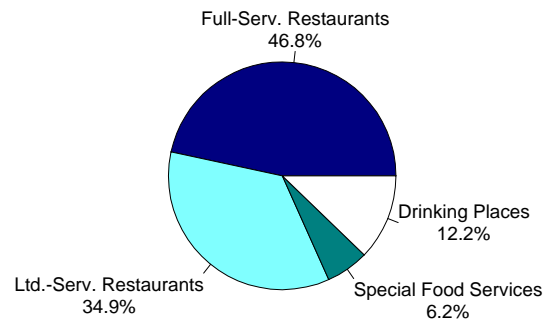
(-0.3%) over the same period, mostly as a result of the impact of SARS in Ontario where operating revenue was down 7.9% from 2002.

Among the other provinces, BC was second only to Quebec in terms of growth in operating revenue. BC outperformed the other western provinces, as Alberta recorded a more lacklustre increase (+1.6%) and Saskatchewan's operating revenue dropped (-7.1%).

"These numbers back up what we've been hearing anecdotally for some time now," says Ian Tostenson, President and CEO of the BC Restaurant and Foodservices Association. "Hotels, pubs, fine dining establishments, quick service operators – they're all generally experiencing good growth."<sup>4</sup>

Provincially in 2004, full-service restaurants, where patrons are served while seated and pay after eating, accounted for 46.8% of total operating revenue for food services & drinking places. Limited-service establishments, such as cafes, where patrons select items at a counter and pay before eating, made up 34.9%. Drinking places, which consist of bars and taverns primarily serving alcoholic beverages, represented 12.2% while special food services, which provide portable services at the customer's location, accounted for 6.2%.<sup>5</sup>

Restaurants Generate Most Revenue for Food Services & Drinking Places



Data Source: Statistics Canada

## Employment Characteristics

The foodservice industry is one of BC's largest employers and provides more first-time job experience and training for young, inexperienced workers than any other industry in the province. According to BCRFA, there is an immense demand for employees in every position, from entry level to executive chef and managerial positions.<sup>6</sup>

In Canada, the foodservice industry employs more than one million people, representing 6.5% of the nation's total employment. This means that more people work in food services than in agriculture, forestry, pulp and paper, banking, petroleum production & distribution and motor vehicle & parts manufacturing combined.

Reaching 754,017 persons in 2004, employees of restaurants and drinking places represent most food-service jobs in Canada. In 2004, BC had 117,786 employees working in restaurants & drinking places, making up 8.7% of workers

<sup>4</sup> BCRFA report 'BC's Restaurant Industry Helps Propel Provincial Growth' May 6, 2005. Retrieved from: <http://www.bcrfa.com>

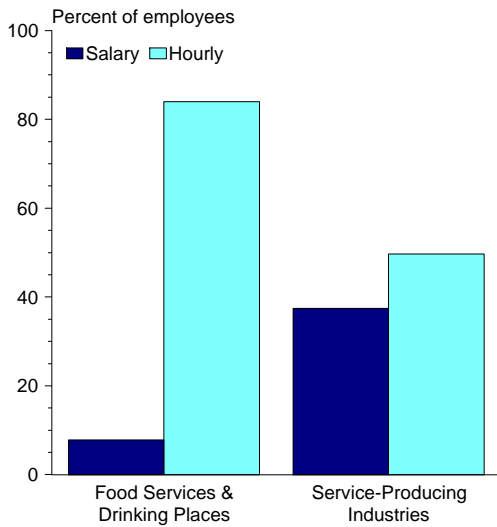
<sup>5</sup> For further description of industries and groups, refer to the North American Industry Classification System (NAICS) under classification number 722.

<sup>6</sup> BCRFA report 'BC's Restaurant Industry Helps Propel Provincial Growth' May 6, 2005. Retrieved from: <http://www.bcrfa.com>

in the service-producing industries as a whole.

Most (84.0%) of the employees of restaurant & drinking places were paid by the hour and only 7.8% were paid by fixed salary. This is in stark contrast to the service-producing industries as a whole where 49.7% of workers are paid hourly wages and 37.4% are paid salary.

Employees of Food Services & Drinking Places Paid Mostly by the Hour



Data Source: Statistics Canada

This is indicative of the unpredictability of restaurant work, in that the volume of customer influx, and the consequent need for labour, varies daily, monthly, seasonally and even annually for many establishments. Most employees paid on a salary basis are in either supervisory or managerial positions.

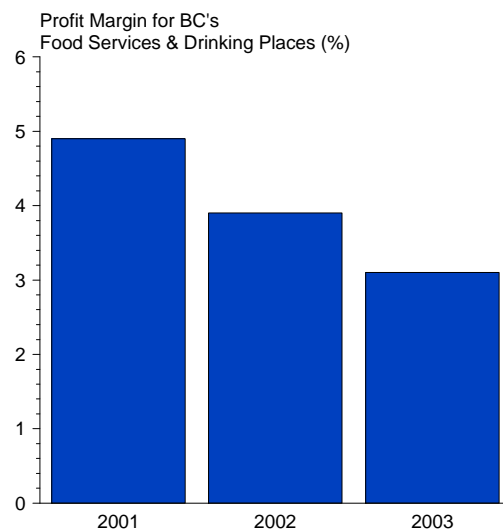
The average hourly earnings of employees working in food services & drinking places in the province are significantly lower than the average for those in the service-producing industries as a whole. In 2004, for example, the average hourly earnings including overtime for BC's food service & drinking places workers was \$11.03 versus an average of \$16.64 for the service producing industries in total.

This, however, is not surprising given the large number of entry-level positions and employment for young people that restaurants and drinking places provide, as well as the expectation that employees earn the lion's share of their income through gratuities paid by patrons. On average, in 2004, BC's employees of food services and drinking places earned a higher wage than the national average of \$9.72.

### Operator overview

It takes a substantial amount of staff to operate a restaurant or drinking establishment. Indeed, payroll is a huge cost for the labour-intensive foodservice industry. Data indicate that in 2003, operating expenses for food services & drinking places in BC were \$5.4 billion with salaries, wages and benefits paid to employees accounting for \$1.7 billion (30.3%). Due in part to higher employment costs, profit margins for B.C. operators were only 3.1% in 2003, down from 4.9% only two years earlier. The national profit margin was similar (3.3%).

Profit Margins Slip



Data Source: Statistics Canada

## The Bigger Picture

According to Statistics Canada's Survey of Household Spending, British Columbian households spent an average of \$7,124 on food in 2004, second only to Alberta (\$7,125) and well above the Canadian average of \$6,910. This was an 18.3% increase from 2000, by far the fastest rate of growth among the provinces.

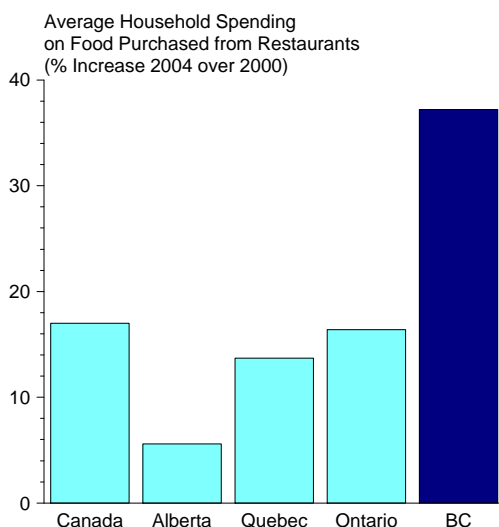
A similar trend presents itself in the household spending patterns on food purchased from restaurants. On average, households in BC spent the most of all the provinces on food purchased from restaurants in 2004. The average annual expenditure was \$1,727, significantly more than the national average of \$1,519.

BC's 2004 numbers also showed the most significant boost from 2000, a whopping 37.2%, while other provinces' spending on restaurant food showed increases ranging from just 5.6% in Alberta to 28.9% in Newfoundland & Labrador respectively.

24.2% of their total expenditure on food on restaurant meals. Again, this is highest in the country with Canadian households as a whole spending an average of 22.0% of total food expenditures on food purchased from restaurants.

For the most part, BC's restaurants and drinking places show signs of steady growth and stamina. With more businesses opening and more jobs being created, the contribution to the province's economy as a whole is significant and the variety of menus available to residents and visitors alike is seemingly endless.

BC Households Spend More  
on Restaurant Meals



Data Source: Statistics Canada

Perhaps more interestingly, households in British Columbia spent an average of

## Recent Feature Articles Listed by Issue Number

**05-3:** *'BC Restaurants: An Industry Overview'*

(released Dec 2005)

**05-2:** *'Effects of Canadian Dollar Mixed for Small Business'*

(released Oct 2005)

**05-1:** *'Small Businesses that Export'*

(released Jun 2005)

**04-4:** *'Small Business Outlook'*

(released Mar 2004)

**04-3:** *'Lumber Dispute Big Issue for Small Business'*

(released Dec 2004)

**04-2:** *'Small Business and Older Workers'*

(released Oct 2004)

**04-1:** *'Small Business Suffers Gas Pains'*

(released Jun 2004)

**03-4:** *'Small Business is Embracing the Internet'*

(released Mar 2004)

**03-3:** *'Cost of Insurance is the Top Concern for Small Business in BC'*

(released Dec 2003)

**03-2:** *'Chartered Bank Business Loans Continue to Decline'*

(released Sep 2003)

**03-1:** *'Moonlighting in British Columbia'*

(released Jun 2003)

**02-4:** *'Stay-at-Home Workers'*

(released Mar 2003)

**02-3:** *'Profile of Women Entrepreneurs'*

(released Jan 2003)

**02-2:** *'A Comparison of Small Business Size, 1993 and 2001'* (released Sep 2002)

**02-1:** *'Will Retiring Boomers Lead to Labour Bust?'* (released Jun 2002)

**01-4:** *'Expectations of Manufacturers Showing Signs of Improvement'*

(released Mar 2002)

**01-3:** *'Business and Consumer Bankruptcies are on the Rise in BC'*

(released Jan 2002)

**01-2:** *'The Benefits and Costs of a Higher Minimum Wage'* (released Nov 2001)

**01-1:** *'Small Business On-Line: Internet Use Among SMEs'* (released Sep 2001)

**00-4:** *'Co-operatives Grew Steadily Throughout the 1990s'* (released May 2001)

**00-3:** *'Profile of Self-Employed in British Columbia'* (released Mar 2001)

**00-2:** *'Latest Small Business Employment Numbers Show Three Year Changes'* (released Jan 2001)

**00-1:** *'Some Distinctive Features of The Small Business Workplace'*

(released Oct 2000)

**99-4:** *'Transfers of Corporate Charters to Other Provinces Suggest Business Migration From British Columbia'*

(released Jul 2000)

**99-3:** *'755 Thousand British Columbians Rely On Small Businesses For Jobs'* (released Mar 2000)

**99-2:** *'A Quarter of All Employees In British Columbia Work For Small Employers'* (released Nov 1999)

**99-1:** *'Self-Employment In British Columbia Takes On New Profile'*

(released Sep 1999)

**98-4:** *'Co-Operative Movement Grows Through the 1990s'* (released Apr 1999)