REPORT ON CHINA TRADE MISSION

Overview

Shanghai, Suzhou, Changsha, Tianjin and Baotou | October 20 – 30, 2012

This report highlights the successful outcomes of the 2012 Victoria delegation to China. The delegation visited the cities of Shanghai, Suzhou, Changsha, Beijing, Tianjin, and Baotou from October 20 – 30, 2012.

Participating Organizations

- City of Victoria
- Tourism Victoria
- The Butchart Gardens
- Royal Roads University
- Sooke School District #62
- DHF Real Estate
- AB Mack Immigration Canada
- Greater Victoria Harbour Authority
- University of Victoria
- Camosun College
- Neverblue Media – A Global Media Company
- Ayase International Consulting Inc.
- BC International Trade and Investment Offices (in Shanghai, Beijing, and Guangzhou)

Why China?

China is the most populated country in the world at 1.34 billion people. Since the 1978 economic reforms, China has slowly risen to become a global super-power and is expected to become the largest economy in the world over the next 15 years (currently #2 behind the USA). With recent announcements that China is pushing towards a more consumer-driven economy, the nation could rise to the #1 economy in the world much faster than the 15 year estimate.

China is an important and relevant partner to Victoria because:

- Victoria has the oldest Chinatown in Canada and one of the oldest in North America, which means our community has deep and natural ties to China. Victoria’s Chinese-descended population exceeds 15,000 or 4.4% of the region’s population. Additionally, Victoria has had a sister-city arrangement with Suzhou for over 32 years.
- Many Victoria-based businesses and institutions are already doing business with China, but need to consistently reinforce relationships there – a key aspect to doing business in China. Some of these include: Neverblue Media, Viking Air Ltd., University of Victoria, Royal Roads University, Camosun College, Cebas Visual Technologies, Pacific Energy Fireplace Products Ltd., and many others.

Tourism:

- Tourism is a key driver of Victoria’s economy with $1.9 billion in annual impact and has experienced volatility since 9/11. Beyond hotels and tourist destinations, many retailers, restaurants, and service firms rely on tourists to sustain their businesses and create jobs;
- Outbound tourism from China is up 40%, but Chinese visits to Canada only increased about 20%, which means we are missing our share of this opportunity. As of one Canada’s most prominent destinations, Victoria must develop a strong brand in China with the partners that influence the Chinese tourist. (Note: despite 1% decline in tourism across Canada, the sector is growing 4.6% annually worldwide and in 2012 became a trillion dollar industry).

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Why China? continued

Education:

- The economic impact of the education sector to Victoria’s economy exceeds $3 billion per year making it one of the most significant local industries. Every dollar invested in educational institutions results in $3.40 in impact to the local economy – a higher multiplier than most other industries (2007, CC Benefits Inc.).
- International students are increasingly important to these institutions. In Canada they spend in excess of $6.5 billion on tuition, accommodation and discretionary spending; create over 83,000 jobs; and generate more than $291 million in government revenue. Nearly 40% of that revenue came from two countries – China and South Korea. As of December 2008, Ontario and BC hosted nearly two thirds of the international students in Canada – 65,833 and 50,221 respectively (Roslyn Kunin & Associates, Inc., 2009).
- Of the 50,000 international students in BC, only about 3,500 are educated in Greater Victoria – a significant missed opportunity for such a beautiful, safe, and relatively small community with world-class institutions.
- Each of Victoria’s post-secondary institutions has experienced significant growth in international student enrollments over recent years. International students help reduce tuition pressures for other students, contribute to the diversity of the learning experience for all students, as well as contribute, on average, approximately $3000 per month in the local economy (comprised of tuition, homestay fees, food & entertainment expenses etc.). Parents often come to visit, and we have tangible examples where Chinese families have invested in the city as a result of student connections.
- With a young population, rising incomes, and GDP growth of 7.4% in 2011, China has a strong need for educational excellence. Victoria-based institutions have world-class knowledge and curricula that can be shared in this key market. This presents opportunities beyond inbound student recruitment into areas of contract education service, curricula design and licensing, and other partnerships that aid in institutional revenues and reduce upward tuition pressures for local students.

Business, investment, and immigration:

- There are more than 14,000 businesses in Greater Victoria, many of which rely on international markets. Companies that export create the wealth in the region that is then dispersed into the economy through induced spending. China is a key market for many of these firms – both for sales and as a source of investment and partnership.
- Many Chinese investors are looking outside China for investment opportunities in order to shelter their currency from volatility. Canada not only is renowned for its financial stability and strong currency, but the Chinese generally respect and admire Canada.
- Many Chinese citizens are looking to immigrate to Canada. With an average birth rate of 1.4 children per woman in Canada and an aging population, Canada’s ability to compete internationally and increase GDP will be heavily reliant on immigration. Immigrants should be fully embraced in Victoria for many reasons beyond economic ones.
- Immigration is also key to entrepreneurship and innovation; for example, approximately half of the new “Start-ups” in Silicon Valley include at least one immigrant among their founders.
- BC’s Provincial Nominee Program (PNP) can streamline immigration for business investors. To qualify, they need a minimum $200,000 investment as well as must create a full-time equivalent job for at least one Canadian citizen. Every investment is new wealth coming into the community and helps with other areas of the economy – like construction, housing, and retail – all sectors that have struggled in the past few years.
2012 China Mission Overview

2012 Outcomes & Opportunities Overview:

Tourism
• The Tourism delegation met with over 50 tour operators to further establish existing relationships and develop several new ones. For every additional tourist that these meetings generate, $135 is earned for the local economy per day of their visit. The average visit might be two days (data is not readily available for this); therefore, a $270 impact per person.
• The delegation met with Canada Consul General Rick Savone to discuss many issues, one of which was VISA process time. Mr. Savone provided useful instruction to the delegation on how to address this important issue for Victoria.
• The delegation met with the Suzhou Tourism Bureau (17 million people visit Suzhou per year) and agreed on a joint promotion initiative involving China's social media platforms: Ren Ren and Sina Weibo. In return, Tourism Victoria will market Suzhou on Facebook and Twitter.
• If these meetings/activities increase inbound tours into Victoria by just a few hundred people per year, the impact could range modestly at $100,000 per year and growing.

Education
• University of Victoria’s Peter B. Gustavson School of Business has a project with Hunan University since 2010. This relationship was further developed and solidified by an important visit by the 2012 delegation in the City of Changsha with several partners, including the Mayor of Changsha and the President of Hunan University. UVic’s partnership in Hunan is worth $50,000 per year in revenues, but will increase to $250,000 in the coming years.
• Sooke School District #62 launched a relationship with Mingde School in Changsha that will see 50 students attending various schools in the district next year, and will grow year after year. The 2012 Delegation launched this program and promoted investment into the Victoria marketplace by parents of these students. These 50 students will have impact of $1.8 million per year and $9.7 million over five years with the expected increase to 70 students. Other spin-offs are noted in the investment section.
• Royal Roads University launched their Master’s Program in Environmental Management and Leadership in Tianjin – the third industrial zone of China. 44 Students are already enrolled, which will increase to over 70 next year. The value of Royal Roads University’s projects in China were not available at the time of this report.
• On behalf of Camosun College, City Manager Gail Stephens signed a Memorandum of Understanding (MOU) with the City of Baotou (in Inner Mongolia province). This educational partnership is worth an initial contract of $500,000, and could be worth much more over the next few years. The agreement with Baotou also signifies the start of a long-term relationship that could garner other opportunities beyond education.

Investment
• Several opportunities exist for follow-up.
  − An investor in Shanghai is looking at a potential $3 million project in the Greater Victoria region. Another Shanghai investor is looking at a winery in the region at a list price of $2.7 million. A third group of investors are looking at hotels in the region with potential values in the tens of millions of dollars.
  − Over 30 expressions of interest resulted from the Victoria presentation to parents and students at Mingde High School. Each immigrant family is worth an initial financial injection of $250,000 to the local economy, plus annual consumer spending of $56,000 (Statistics Canada 2010 Report on Household Spending). If five of these materialize, an impact of $1.25 million in the first year, plus spin-off of $1.4 million over five years will result. As a part of the follow-up work, 50 of these parents are coming to Victoria in 2013 on an exploration mission – which will generate $20,000 of local tourism spending.
  − Changsha city expressed interest in the establishment of a local micro-brewery using a Victoria-based investor/entrepreneur. Because of the rapid economic growth in Changsha, new opportunities for restaurants, night clubs, and other attractions are emerging. This business could generate significant returns for a local investor. A modest estimate of $1 million in revenues over five years to a local business.
  − The City of Victoria along with the Greater Victoria Development Agency are taking a proposal to the Government of British Columbia to market Victoria’s real estate and commercial development opportunities through BC’s International Trade and Investment Offices.

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2012 Outcomes & Opportunities Overview: continued

Immigration

- Immigration consultants were present during all aspects of this mission. Contacts that they gain are interested in Canada as a destination, but since Victoria closer aligns to the Chinese climate, it remains a popular destination for immigrants with enough net worth to invest.
  - Immigrant investor: The impact of an immigrant is unknown because it varies from person to person, but the minimum investment required to immigrate under the PNP Program is $200,000 plus full-time job creation for a local citizen (another $20,000 impact using minimum wage). If the 2012 mission results in five new immigrants to Victoria, a minimum of $1.1 million would be injected into the local economy.
  - Immigrant skilled-worker: Interestingly, provincial nominee principal applicant’s earnings are equal to or greater than the Canadian average salary after one year of landing. From three to five years after landing the average income varies up to 16% higher than the Canadian average wage. This implies that the skilled immigrants not only fill an immediate skill-gap (which enables a business to get financial returns), but they make significant contributions to Canada’s productivity, taxation, and economy overall.

Cultural Exchange

- The delegation met with Soochoo University in Suzhou, after which Mayor Fortin had the opportunity to present to over 70 students, staff, and faculty on sustainable development.
- Changsha’s Department of International Exchange desires to bring 50 students from Victoria to Changsha for a 3-4 week summer cultural exchange program. These students would be minimum 2nd generation Chinese-Canadians and would get the chance to experience their heritage. The value for this opportunity is immeasurable, but the initial investment from Changsha would be $100,000 for travel, accommodation, and other expenses.
- Mayor Fortin also presented to 200 students of Hunan University on sustainable communities. A practice that is only beginning to make its way into China.

Economic Value

- 2012 China Mission: $9,500,000 in initial value (estimated value of current projects over five years: $12,500,000).