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*Consumers tell us that purchasing behavior will change significantly as a result of the HST*

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**Vancouver, BC, June 26, 2010** – With less than a week to go before the harmonized sales tax (HST) becomes effective in British Columbia, Ipsos Reid's *Pre-HST Study* reveals that the vast majority of adult British Columbians continue<sup>1</sup> to strongly oppose the new tax (78% oppose, with 65% strongly oppose and 13% somewhat oppose), and will dramatically alter their purchasing behavior as a result of the HST.

Currently, residents feel that the HST will have a negative impact on them personally (80% agree), for British Columbians overall (85%), but less of a negative impact on small (62%) and large (40%) retailers in the province. Residents also believe the HST will have a negative impact on the overall BC economy (55% agree), and put some small business owners out of business (59% agree).

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<sup>1</sup> Opposition levels are no different than when we first polled on the HST back in December of last year (82% opposed; 61% strongly, and 21% somewhat).

Residents of British Columbia have a poor understanding of the HST, and blame government and the media for poorly communicating the effect of the tax to the consumer. Of a list of 10 exempt items, very few residents (6-35%) were able to correctly identify them. For example, only one-third correctly identified the exemption for basic groceries (35%), about the same number are aware that residential rent (32%), children's items such as clothing, footwear and diapers (31%) and prescription drugs (25%) will be exempt from HST. At the bottom end, only 17% are aware of child care service exemptions, 8% for legal aid as well as books, and only 6% for music lessons. Residents are divided on whether they have a good understanding of the benefits of the HST (62% agree, 35% disagree), but feel they have a good understanding of the drawbacks (75%). Only 6% agree they feel the government has done a good job communicating about the HST (6%), and 54% feel the media has not done a good job either.

A significant majority of British Columbians claim they will be spending less on the goods and services that will be subject to the HST but have previously been taxed at a lower rate. In fact, in 18 of 23 categories covered, the percentage of consumers who say they will spend less exceeds the number who will not change their spending level. Seven-in-ten British Columbians who dine out (70%) say they will reduce their spending on restaurant meals when the HST becomes effective. Six-in-ten consumers of snack foods will also be reducing their spending (63%). Coincidentally, six in ten residents who buy tickets to professional sporting events, live theatre and music concerts will also reduce their spending in these areas (61%). The only areas consumers will not cut back in are vitamins, over-the-counter medications, utility bills, and haircuts.

Other cost-saving measures are ready to be implemented by consumers as a backlash to the HST. The majority of British Columbians (85%) are likely to more often or more actively look for sales as a result of the HST (55% very likely, 30% somewhat likely). Most are also likely to buy less overall or reuse what they already have (83%, with 43% very likely and 40% somewhat likely), and use more coupons (73%), and buy more generic brands (68%).

Also starting July 1, 2010, Washington State will apply its non-resident sales tax exemption to British Columbians. Under this policy, BC residents will not have to pay sales tax in Washington State for goods used outside the state. Approximately half of British Columbians (54%) are likely to shop in Washington State as a result of this exemption (31% a lot more likely and 23% a little more likely).

This study is part of Ipsos Reid's 2010 *Retail Trends in British Columbia Study* which features regular special feature reports on current events in the retail industry. The 2010 *Retail Trends* reports are available at a reduced price to all members of Shelfspace – the association for retail entrepreneurs in British Columbia.

*These are the findings of an Ipsos Reid study fielded from June 16 to 21, 2010. This online survey of 736 adult British Columbians was conducted using Ipsos Reid's proprietary "Voice of the West Interactive Forum" – an online panel of more than 5,000 British Columbians who have been randomly recruited to match the overall characteristics of the adult residents of the province. With a sample of this size, the results are considered accurate to within  $\pm 3.6$  percentage points, 19 times out of 20, of what they would have been had the entire adult population of BC been polled. The margin of error will be larger within regions and for other sub-groupings of the survey population. These data were*



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*statistically weighted to ensure the sample's regional and age/sex composition reflects that of the actual BC population according to 2006 Census data.*

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**For more information on this news release, please contact:**

*Steve Mossop  
President Market Research  
Canada West  
Ipsos Reid  
(778) 373-5001  
[steve.mossop@ipsos.com](mailto:steve.mossop@ipsos.com)*

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