

Protecting Funding for Tourism Marketing Programs and Projects.

Introduction

In its presentation of Budget 2018, the Provincial Government announced its intention to amend the Provincial Sales Tax Act so that municipalities, regional districts and eligible entities, such as tourism-focused non-profits that receive revenues from the Municipal and Regional District Tax (MRDT) will also be allowed to use revenues to fund affordable housing initiatives. This change has the potential to greatly impact the continued success and future growth of the tourism sector.

Background

The Municipal and Regional District Tax (MRDT)¹ was introduced in 1987 to provide funding for local tourism marketing, programs and projects. The tax is intended to help grow BC revenues, visitation and jobs, and amplify BC's tourism marketing efforts in an increasingly competitive marketplace.

The MRDT is an up to three percent tax applied to sales of short-term accommodation provided in participating areas of British Columbia on behalf of municipalities, regional districts and eligible entities. It is jointly administered by the Minister of Finance, the Ministry of ~~Tourism, Arts & Culture Jobs, Tourism and Skills Training~~ and Destination British Columbia. To promote a coordinated and efficient use of funds, the following enhanced MRDT program principles have been adopted:

- Effective tourism marketing, programs and projects
- Effective local-level stakeholder support and inter-community collaboration
- Marketing efforts that are coordinated and complementary to provincial marketing strategies and tactics
- Fiscal prudence and accountability.

British Columbia's vibrant tourism industry has proven its potential to secure a growing share of the global tourism market. However, in order to make good on the promise of the industry, Destination BC and its network of regional and community-based organizations must continue to generate demand through competitive marketing. They can best achieve industry growth by operating in an environment of predictable and performance-based funding.

The tourism industry is a critically significant player in the provincial economy, with a proven capacity to grow. According to the Tourism Industry Association of BC (TIABC)² BC's visitor economy generates close to \$17 billion in revenues, GDP value of \$7.9 billion and is made up of some 19,000 businesses that employ 290,000 people (of which 133,000+ service visitors).

Tourism is an industry that weathers external shocks and capitalizes on positive stimulus, adding value, revenue, and jobs to the province. Key industry measures for 2016 show increases in virtually all major categories:

- International overnight visitors to BC = 5,532,065 (+12.3%)
- BC Ferries passenger volume = 20.6 million (+3.0%)
- YVR passenger volume = 22.3 million (+9.7%)
- Hotel room occupancy = +2.2%
- Average daily room rate = +6.6%

1. <https://www2.gov.bc.ca/assets/gov/taxes/sales-taxes/publications/pst-120-accommodation.pdf>

2. [https://www.destinationbc.ca/getattachment/Research/Industry-Performance/Value-of-Tourism/Value-of-Tourism-in-British-Columbia-A-Snapsho-\(2\)/Value-of-Tourism-2016-Snapshot_FINAL.pdf.aspx](https://www.destinationbc.ca/getattachment/Research/Industry-Performance/Value-of-Tourism/Value-of-Tourism-in-British-Columbia-A-Snapsho-(2)/Value-of-Tourism-2016-Snapshot_FINAL.pdf.aspx)

In the BC Chamber of Commerce *2016-2017 Collective Perspective Survey Report*, 88% of businesses surveyed identified Tourism as the leading sector to become more important to the BC economy in the next 5 - 10 years.

Included in Budget 2018 is a provision to amend the Provincial Sales Tax Act and regulations to enable online accommodation platforms to register as collectors, and to collect and remit provincial sales tax and the MRDT on accommodation. Online accommodation platforms are online marketplaces that enable or facilitate transactions between buyers and those who provide short-term accommodation in BC.

It is important to note that MRDT is a legislated taxation instrument and is collected from customers of the commercial accommodation sector. This is agreed to through the mandated five-year plan that is voted on by the respective community's accommodation sector and approved by city council. Where programs can often run into trouble is the competition for resources between industry interests (typically focused on driving demand through promotion) and local government interests that may, from time to time, want access to some or all of the revenue for other "tourist programs". These "tourist programs" often amount to infrastructure/capital projects that may directly or indirectly benefit the tourism sector. Although important, infrastructure projects should be funded outside of MRDT. MRDT represents the tourism sector's reinvestment in itself.

The proposed changes in Budget 2018 to the use of the MRDT to fund affordable housing initiatives has the potential to divert funding, which has demonstrated the ability to build and support this important economic sector, to uses for which it was not intended or planned.

While the Chamber recognizes the Province's mandate to address the issue of affordable housing we feel that funding mechanisms more specific to housing needs must be identified and that re-direction of the MRDT for this purpose will erode its effectiveness. To do so would, in effect, create a new indirect taxation. The need for affordable housing is a much broader community issue and the onus for funding should not fall on one economic sector alone.

THE CHAMBER RECOMMENDS:

That the Provincial Government:

1. Consult with Tourism sector stakeholders and the business community before implementation of amendments to the Provincial Sales Tax Act to allow ~~other~~ uses of the MRDT other than tourism marketing, programs and projects.
2. Work with sector stakeholders to identify a process for a separate specific-housing funding mechanisms that would not displace existing tourism funding in jurisdictions where there is an identified need, a detailed plan and broad support from local industry partners.

Submitted by the Abbotsford Chamber of Commerce and Mission Regional Chamber of Commerce and supported by the Campbell River & District, Duncan-Cowichan, Greater Victoria, Parksville & District and Smithers District Chambers of Commerce.