



Council of Tourism Associations (COTA) Submission to BC Ministry of Finance re: Budget 2009 Priorities

Wednesday, October 08, 2008

About COTA

Founded in 1993, COTA was formed to help bring together the diverse sectors that constitute the tourism system in British Columbia. Our mission is to understand the impediments to tourism development and to be an increasingly effective vehicle for assisting tourism stakeholders make positive contributions to the economic, social and environmental well-being of our communities, our province, and our country. We represent the interests of roughly 19,000 tourism businesses and 130,000 employees, with annual revenues now in excess of \$10 billion.

Opening Comments

COTA is pleased to provide input to the Government of British Columbia for consideration in its development of spending priorities for the provincial budget for FY 2009/10.

The B.C. tourism industry has the potential to become the most significant economic generator and employer in British Columbia within the next 3-5 years. Premier Campbell challenged the industry to reach \$18 billion in annual revenues by 2015 – a target that the industry is working diligently to meet. However, like many other industry sectors, the tourism industry in B.C. and Canada is also facing severe obstacles to growth, including high energy prices, faltering demand in some of our biggest markets (the U.S., Japan), workforce recruitment issues, and the difficulties associated with confronting issues such as climate change and sustainability – among others.

To help address these challenges and achieve the goals set by the Premier, the tourism industry has developed a number of considerations for the provincial government.

Tourism Industry Priorities for Provincial Budget 2009

In May 2008 approximately 50 representatives from the COTA Council met with Ministers from nine (9) governmental departments as well as dozens of senior public officials to discuss the challenges and opportunities facing our industry. The issue areas discussed included:

- **Maintaining effective, efficient and safe transportation infrastructure** (highways, secondary roads, ferries, air transportation);
- **Supporting access to high quality land and water resources** (land use planning for tourism, tourism and forestry interaction, access management, protection of tourism land tenures, responsible environmental management, and others);

- **Ensuring a fair and effective taxation and regulation framework** (general regulation streamlining, reducing the property tax burden on accommodations, addressing concerns with the Travel Industry Regulation);
- **Addressing issues of crime and public disorder** (maintaining our reputation as a safe and desirable destination by addressing issues of property crime, open drug use and drug addiction, homelessness, and mental health issues); and
- **Promoting the long-term sustainability of the tourism industry** (ensuring that industry and government have the resources to responsibly develop the industry in a manner that supports its economic, social and environmental needs)

In consultation with its members and stakeholders, COTA has prioritized five areas of critical importance to the long-term vitality of the tourism industry. We recommend that the Ministry of Finance work with the tourism industry and government agencies to assess the feasibility of taking action in these areas.

Land and Resources

Rural communities in British Columbia are increasingly benefiting from the economic diversification opportunities associated with tourism that urban regions have long recognized. From Fernie and Cranbrook, Ucluelet to Comox, and Smithers to Wells in the North, tourism is bolstering economic development, job creation, and community revitalization.

While the tourism economy in these regions benefits from growth in a variety of product sectors (conventions, resorts/attractions, restaurants / accommodations, etc.), one of the leading sources of growth is associated with activities that take place directly in our “Super Natural” setting. These activities include traditional “adventure tourism” sectors such as heli-skiing, whitewater rafting, and back-country touring, as well as guide outfitting, rural health spas, ski resorts, and others. The adventure tourism sector itself has grown from roughly \$300 million in revenues in the early-mid 1990s to nearly \$1.5 billion in 2007. This high growth, high yield sector requires assurances that their businesses will have continued and predictable access to a high quality natural environment. However, there are growing pressures on our land base among multiple user groups, including business sectors, First Nations, and the public.

We therefore recommend that the provincial government:

- Commit adequate resources to tourism-related land use planning initiatives and other cross-stakeholder engagement activities to ensure that the land-based needs of tourism are identified and strategies are developed to support the sector.
- Ensure that where tourism tenure holders (adventure tourism tenures, lodge owners, resorts, etc.) have their tenures overtaken by government for any reason, that adequate notification and compensation regimes are in place.

Travel Industry Regulation

In the past three years, a number of sectors of the tourism industry have become captured under the definition of “travel agent,” as defined within the Travel Industry Regulation. These entities, such as group tour providers, destination marketing organizations (DMOs), resort vacation rental agencies, and others, bear little resemblance to traditional travel agencies, yet they are subject to the same licensing, bonding, and regulation requirements as traditional travel agents.

We therefore recommend that the provincial government:

- Ensure that the bonding/security requirements for various tourism-related entities are commensurate with their levels of consumer risk
- Set a ceiling for bonds/securities held by government that is commensurate with the amount paid-out by industry (i.e., limit revenues derived from industry to roughly the amount paid-out in consumer compensation settlements)

Property Taxes for Lodges

Industry analysis indicates that property values and taxes for commercial lodges (e.g., fishing resorts, alpine lodges, wilderness resorts and others) increased by roughly 170% between 2001 and 2005. It is anticipated that this rate has increased by perhaps an additional 40-50% since that time. Combined with high fuel prices and declining markets in the United States, the burden on these properties has become such that we have witnessed over the past five years a net decrease in the number of these properties in many regions, with year-over-year net losses in the number of fishing resorts being perhaps the most serious example.

We therefore recommend that the provincial government:

- Decrease the property tax burden on recreational lodges by shifting the unimproved parcels of these properties from Class 6 (Business and Other) to Class 8 (Recreational).
- Enhance the Tourism Accommodation Assessment Relief Act to reflect significant inflationary pressures on accommodation properties (specific amounts to be determined).
- Continue the Tourism Accommodation Assessment Relief Act (TAARA) eligibility for lodging properties moved to Class 8.

Ferry Services

The tourism industry acknowledges the legitimate cost pressures on ferry services and prices resulting from a historical backlog in the rebuild program and escalating fuel prices. The industry also recognizes the value of having a Ferry Services Corporation that is cost-effective, efficient, and that supports growing tourism demand throughout coastal communities.

During this challenging period of high energy prices and faltering markets, we must ensure that government supports service levels and costs that promote enhanced travel, rather than allow costs and service levels to erode consumer options. We therefore recommend that the provincial government:

- Work with coastal communities and the tourism industry to ensure that our coastal ferry system supports the tourism industry's continued growth.
- Consider providing a one-time transfer to BC Ferry Services Corporation to help mitigate ticket price increases. This transfer should consider / evaluate the incremental economic benefits to communities and governments that reduced fares and enhanced services would stimulate.

Crime and Public Disorder

One of the biggest threats to B.C.'s reputation as a world-class tourism destination is the increase in levels of property crime, homelessness, drug addiction, and general public disorder. The most pressing issues from a tourism perspective are the unprecedented levels of property crime, the highly visible street disorder and drug trade, homelessness, and aggressive harassment of tourists.

COTA commends the provincial government for developing and implementing bold and novel solutions to address these complex and inter-woven issues, such as the promotion of community courts, financing additional low income housing, and working with communities to ensure adequate policing levels. However, additional work needs to be done. We therefore recommend that the provincial government:

- Continue working with the federal and local governments in the provision of enhanced community-based policing and judicial remedies, increased mental health services, as well as drug treatment & prevention services;

Sustainability

For the B.C. tourism industry, the term "sustainability" implies stable economic development that provides benefits directly to local communities, businesses and workers, while ensuring that environmental health is maintained or improved.

Tourism representatives in B.C. have been collaborating to develop a framework for sustainability in our province for several years. COTA initiated a thorough, multi-year process of strategic sustainability planning in late 2005, via the Foresight Project. Government, academia, and various tourism industry representatives have continued moving this strategy forward, have developed a joint framework for action, and have committed our limited resources to taking this bold and promising initiative forward.

However, to ensure that businesses are supported in implementing sustainable practices on the ground, a significant investment from government is required. We therefore recommend that the provincial government:

- Commit resources to support the development of a comprehensive, integrated, pan-industry approach to promoting on-the-ground sustainable practices by tourism businesses.

Concluding Remarks

B.C. tourism industry representatives recognize that identifying priorities for government expenditures is a difficult process with so many competing options. Being a business-based organization, COTA also recognizes the need for fiscal prudence and assurance that the overall taxation burden on individual businesses is fair and effective. We therefore commend you in consulting directly with industry, and wish you success in identifying priorities that will lead our province toward a prosperous and sustainable future.