

# Tourism Funding Models

Why Dedicated Government Funding is Necessary to Build  
Visitation and Generate Economic Impact

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# Stating the Obvious



# TIABC Vision

*“For tourism to be recognized as one of British Columbia’s leading and sustainable industries”*

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# The Big Picture (2016)

- 20 million visitors to Canada  
↑11%
- \$91.6 billion in economic impact
- Canada ranked 17<sup>th</sup> globally in overall visitation; only country to drop out of top 10
- 721,600 jobs nationally
- 127,000 jobs in both Alberta & B.C;  
64,700 jobs in Saskatchewan;  
3,000 jobs in Yukon





# The Challenges

- Canadian \$\$\$\$
- Fees, taxes, access, security, rents
- Labour



# Key Measures

- # of overnight visitors
- International visitation (U.S.A., overseas)
- Economic impact/direct visitor spending
- \*\*\*Hotel occupancy
- \*\*\*Average daily room rate



\*\*\* City/provincial measures

# Destination Canada

- 2012 budget = \$58 million  
↓ from \$72 million in 2011
- Funding boost = \$30 million (over 3 years) in 2015 for 'Connecting America' campaign
- Funding increased from \$67 million to \$95 million in last budget



# Canada #'s 2016 vs. 2015

- # of U.S.A. overnight visitors = 13.9 million  
↑10%
- Overseas visitors = 6.1 million ↑16%
- Tourism industry revenues = \$91.6 billion ↑4.2%





# Travel Alberta

- Tourism Levy Act– 4% on temporary accommodation (hotels, motels) remitted to government;
- From 2009-2014 Travel Alberta was allocated 80% of levy revenues;
- Government allocation to tourism has dropped; stands at approximately 70%



# Alberta KPIs

	2012	2013	2014	2015	2016
Base Budget		\$50.5m	\$57.2m	\$54.4m	49.4m
Ind. Revenue	\$7.4b	\$7.9b	\$8.3b	\$8.1b	N/A
Int. Visitors	1.5m	1.5m	1.7m	N/A	N/A
Hotel Occ.	65.6%	68.2%	67.8%	58.7%	52.3%
Daily Rate	\$132	\$138	\$143	\$140	\$131

# Alberta KPIs 2015 vs. 2014

- Hotel occupancy = 58.7% ↓9.1%
- Average room rate = \$140.03 ↓2.4%
- International arrivals = 1.7 million (14 vs. 13) ↑13.3%
- Tourism industry revenue = \$8.1 billion ↓2.4%



# Tourism Saskatchewan

- 2016 budget = \$17 million with appropriation of \$14.2  
↓ 1.39%
- \$300,000 projected budgeted deficit drawing down on accumulated surplus



# Saskatchewan KPIs

	2012	2013	2014	2015	2016
Base Budget		\$15.2m	\$16.2m	\$14.4m	\$14.2m
Ind. Revenue	\$2.1b	\$2.1b	\$2.1b	\$2.1b	N/A
Int. Visitors	270k	260k	260k	276k	N/A
Hotel Occ	68%	67%	64%	59%	58%
Daily Rate	\$127	\$131	\$133	\$132	\$128



# Sask. KPIs 2016 vs. 2015

- Hotel occupancy = 58% ↓  
1.69%
- Average room rate =  
\$128.00 ↓2.87%
- Overnight visitors = 4.6  
million ↓6.12% (15 vs. 14)
- International arrivals =  
276,000 ↑6.15%
- Tourism industry revenue =  
\$2.15 billion (15 vs. 14)



# Tourism Yukon

- Funded through appropriation by Department of Tourism & Culture
- 2015/16 = \$11.9 million ↑1.7%



# Yukon KPIs

	2012	2013	2014	2015	2016
Base Budget	\$9.8m	\$10.1m	\$9.6m	\$11.7m	\$11.9
Ind. Revenue	\$131m	\$114m	\$121m	\$287m	\$303m
Int. Visitors	328k	357k	336k	337k	346k
Hotel Occ.	73%	67%	68%	66%	65%
Daily Rate	N/A	N/A	N/A	\$118	\$122

# Yukon KPIs 2016 vs. 2015

- Overnight visitors  
=↑5.2% (161,161)
- International border crossings=↑2.52%  
(345,700)
- Hotel occupancy =  
↓1.95% (65.2)
- Average daily rate =  
↑3.77% (\$122.48)
- Tourism industry  
revenue = \$3.03 billion  
↑6.7%



# The B.C. Picture (2015)

- 19,000 businesses
- \$4.5 billion in wages & salaries
- Tax revenue = \$1.1 billion  
↑8.9%
- Tourism GDP higher than other primary resource industries including mining, fishing and agriculture





# B.C. KPIs

	2012	2013	2014	2015	2016
Base Budget	\$48.9m	\$48.9m	\$48.9m	\$51.m	\$52m
Ind. Revenue	\$13.5b	\$13.9b	\$14.6b	\$15.7b	N/A
Int. Visitors	4.2m	4.4m	4.6m	4.9m	5.5m
Hotel Occ.	59.6%	61.1%	64%	66.1%	68.3%
Daily Rate	\$131	\$134	\$141	\$153	\$163

# B.C. #s 2016 vs. 2015

- International overnight = ↑12.3%
- U.S.A. overnight = ↑10.9%
- Tourism industry revenue = \$16+ billion ↑5%
- Average room rate = \$163 ↑6.5%
- Hotel occupancy = 68.3% ↑3.3%



# Destination B.C.

- DBC funded by annual government appropriation = \$52 million;
- Previous funding model - 3% of the 8% hotel tax on all accommodation throughout province;
- \$20m → \$52m 1996-2009



# Formula Funding for DBC

- The funding model will protect DBC's annual base funding of \$52 million
- Tied to both the broader tourism sector's success and DBC's performance – allowing for increases of up to 2% per year
- Funding increases will be cumulative, meaning that DBC's budget can build year-over-year
- An opportunity over the next six years for DBC's annual base budget to increase by \$5 million over what it is today.



# British Columbia

- Municipal & Regional District Tax (MRDT) available to destination marketing organizations (DMOs) = 2 or 3% on accommodation sales (hotels, motels);
- Regional DMOs and Aboriginal Tourism B.C. largely funded by Destination B.C.
- Total marketing budget between CDMOs, province = \$120 million



TOURISM  
VICTORIA

The logo for Tourism Victoria features the words "TOURISM" and "VICTORIA" in a blue, sans-serif font. A stylized blue flower with a yellow center is positioned between the two words, partially overlapping the letter "I" in "VICTORIA".

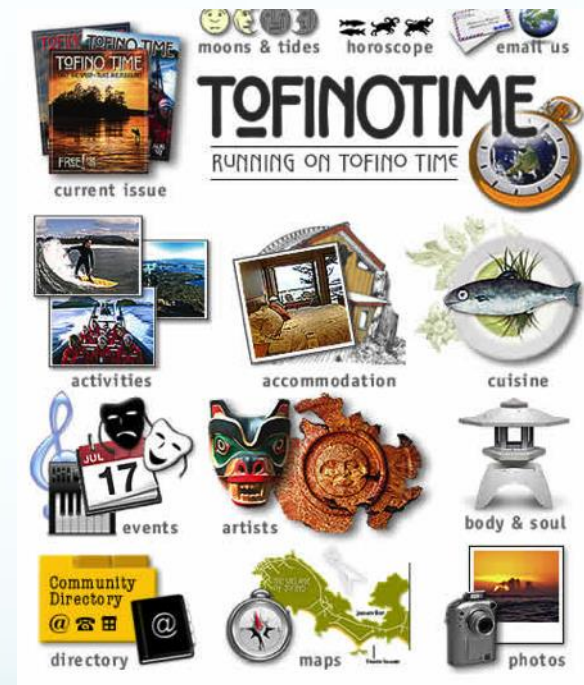
ABORIGINAL  
TOURISM BC  
our story. your experience.

The logo for Aboriginal Tourism BC consists of two stylized orange hands with fingers spread, positioned to the left of the text "ABORIGINAL TOURISM BC". Below the text is the tagline "our story. your experience." in a smaller, lowercase font.



# British Columbia's Municipal & Regional District Tax (MRDT)

- MRDT is a 2-3% tax applied to sales of short-term accommodation on behalf of municipalities, regional districts and eligible entities;
- Principles include:
  - Effective tourism marketing, programs, projects
  - Effective stakeholder support
  - Marketing that is complementary to provincial efforts
  - Fiscal prudence
- Typically municipality is designated recipient and contracts a service provider



# Victoria KPIs

	2012	2013	2014	2015	2016
Base Budget	\$4.3m	\$4.5m	\$4.9m	\$5.1m	\$5.9m
Ind. Revenue	N/A	N/A	N/A	N/A	\$2b
Int. Visitors	N/A	N/A	N/A	N/A	N/A
Hotel Occ.	62%	64%	67%	70%	74%
Daily Rate	\$121	\$128	\$135	\$148	\$160

# Victoria KPIs 2016 vs. 2015

- Base funding = \$5.9m  
↑14%
- Hotel occupancy = 74.2%  
↑5.7%
- Average room rate =  
\$159.55 ↑8%
- Overnight visitors = n/a
- International arrivals = n/a
- Tourism industry revenue =  
\$2b ↑9%



# Vancouver KPIs

	2012	2013	2014	2015	2016
Base Budget	\$12.5m	\$12.6m	\$12.9m	\$12.4m	\$15.1
Ind. Revenue	\$3.3b	\$4.1b	\$4.1b	\$4.2b	N/A
Int. Visitors	3.1m	3.2m	3.4m	3.7m	4.1m
Hotel Occ.	69%	69%	72%	76%	79%
Daily Rate	\$138	\$138	\$146	\$163	\$175

# Van. KPIs 2016 vs. 2015

- Base funding = \$15.1 million ↑ 21.8%
- Hotel occupancy = 78.8% ↑ 3.8%
- Average room rate = \$175.47 ↑ 7.4%
- Overnight visitors = 10.1 million ↑ 7.2%
- International arrivals = 4.1 million ↑ 12%
- Tourism industry revenue = \$4.4 billion (15 vs. 14) ↑ 7.8%





# TIABC Policy Position

- Having **fixed appropriations** which are eroded over time by inflation or other budgetary pressures **is not ideal** for industry, especially when the tourism industry is contributing ever more to provincial and federal revenue streams.
- Community DMOs, Destination British Columbia, its regional marketing organizations, and Destination Canada all need to be resourced through **success based formula funding models** or models that take into account inflationary realities and the need to remain competitive.



# TIABC Policy Position

- If the tourism industry is contributing to the tax base or to the tourism marketing effort directly through fees, levies or taxation on their customers, then **resources intended for destination marketing should not be used for other purposes** such as broader economic development or infrastructure purposes.



# TIABC Policy Position

- TIABC strongly supports the MRDT program. At its core, it provides a structural competitive advantage to British Columbia communities;
- TIABC maintains **that the community DMO system, supported by MRDT, is effective, transparent, partnership-driven, and governed by community and tourism stakeholders who understand the marketplace and work cooperatively with governments and the accommodation sector.**



# #BCTourismMatters

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