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January 14, 2010

The Honourable Kevin Krueger
Minister of Tourism, Culture & the Arts
PO Box 9071
STN PROV GOVT
Victoria, BC, V8W 9E9

RE: Local Governments & Additional Hotel Room Tax Revenue

Dear Minister Krueger,

For the past few months, UBCM has been working with the Ministry of Tourism, Culture & the Arts and the Ministry of Finance to ensure that the Additional Hotel Room Tax (AHRT) is retained in a manner that recognizes the important role that local governments play in local tourism marketing.

We have reviewed the *Green Paper on BC's Destination Marketing Network: Funding & Structure*, as well as the notes from both consultation sessions, and, on January 12, 2010, we met directly with Ministry staff to discuss the proposed enhancements.

Although our initial reaction to the Green Paper indicated support for the intent to retain the AHRT as a tax collected by eligible accommodations and remitted to local governments, we have identified a number of concerns with the Ministry's proposal, including:

- The intent to amend the application, reporting and renewal processes and to implement guidelines, policies and/or protocols that would have the potential to erode local government autonomy;
- The inclusion of draft guidelines, policies and/or protocols that do not provide adequate information to be assessed by UBCM and a lack of information on the process that will be undertaken for creating new guidelines, and;
- Lack of consultation with local governments regarding the amendment of legislation that currently enables local governments to play an active role in local tourism marketing.

Based on these concerns, UBCM is unable to support the current direction of the Ministry of Tourism, Culture & the Arts. In particular, it is our position that a number of proposed changes have the potential to adversely effect local governments and therefore require additional consultation and consideration before legislative changes should be proposed.

Tourism marketing from AHRT revenues is a local government service

Under the current regulations, AHRT revenues can be used by the local government for tourism marketing, programs and projects. The local government provides a tourism marketing service with this revenue and is enabled to decide whether to provide this service in-house, through a contracted arrangement or to designate an eligible entity.

We are highly concerned that the Ministry is proposing to introduce guidelines, policies and/or protocols and an application review framework that will favour applications that designate an eligible entity and thus seek to flow funds directly to DMOs without local government involvement.

Local governments add value and accountability

The current AHRT system supports a synergy between tourism initiatives and broader community planning. This synergy links local government planning efforts - which help facilitate amenity migration and community sustainability - with tourism marketing initiatives that support local accommodation and tourism operators.

In addition, local governments, through provincial legislation, are required to undertake sound financial management and reporting, including administration of AHRT revenues. This, combined with elected representation, ensures a high degree of accountability and transparency.

We are concerned that the value of local government involvement in the AHRT is not being fully recognized. There appears to be an intent to encourage the designation of eligible entities to replace local governments in local tourism marketing delivery as well as to create foundational guidelines that place a higher value on provincial and regional marketing objectives than local objectives.

AHRT is a distinct revenue stream that needs individual consideration

The AHRT is a specific revenue stream that supports communities to undertake tourism marketing. In some communities, the AHRT is a portion of overall tourism funding, which may also include funds from the provincial DMO, revenues collected through resort municipality status or other leveraged funds.

We fully recognize that the AHRT is an important component within the overall structure and funding of DMOs in the province, but have concerns that proposed guidelines, policies or protocols intended to increase accountability and efficiency for the DMO network as a whole do not necessarily apply to the specific mechanics of the AHRT system.

We look forward to continuing to work with your Ministry to ensure that local governments continue to have a central voice in the economic development and community sustainability opportunities that the AHRT supports.

Sincerely,



Harry Nyce, President

cc: *The Honourable Colin Hansen, Minister of Finance*
The Honourable Bill Bennett, Minister of Community & Rural Development