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ADDITIONAL MAJOR EVENTS MUNICIPAL & REGIONAL DISTRICT TAX (MEMRDT) CONSULTATION SUBMISSION

Submitted by:

**Tourism Industry Association of BC (TIABC),
BC Destination Marketing Organization Association (BCDMOA),
& BC Hotel Association (BCHA)**

**TOURISM INDUSTRY
ASSOCIATION OF**



BCDMOA
British Columbia Destination Marketing Organization Association



**BRITISH COLUMBIA
HOTEL ASSOCIATION**

BACKGROUND AND CONTEXT

MAJOR EVENTS IN BC

British Columbia has a long and successful track record of hosting large events that attract a combination of participants, local residents, fans, visitors, and family and friends. These have included national and world sporting championships, as well as international multi-sport events such as the 2010 Winter Olympic and Paralympic Games. BC has also been home to prominent festivals and expositions, including Expo 86, which remains one of the most transformative events in the history of the BC tourism industry. The province and several individual communities have realized significant benefits through event hosting including a legacy of world-class facilities that are well-utilized.

The Tourism Industry Association of British Columbia (TIABC), the BC Destination Marketing Association Organization (BCDMOA) and the BC Hotel Association (BCHA) believe that attracting and hosting large sporting, educational or cultural events, festivals, and expositions (described as major events) constitutes an important component of the future prosperity of the BC tourism sector, as well as deliver socio-economic benefits that extend well beyond the visitor economy.

At the same time, we recognize the financial challenges associated with hosting major events, specifically in securing dedicated government support, as well as sufficient corporate sponsorship. And while the new temporary, Major Events Municipal & Regional District Tax (MEMRDT) of up to 2.5% on short-term accommodation sales is being considered by government as an option to help fund and host major events in future, the tourism industry is decidedly circumspect about its implementation, in part due to increasingly higher costs for travel to and within BC, particularly in the context of a highly competitive marketplace.



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DEFINITION OF MAJOR EVENTS

A) Local, regional, or provincial in scope and attract significant international participants, visitors, or broad media attention. NOTE - we agree with the definition of a major sporting event as outlined in Canada's federal policy for hosting international sport events.

B) Does not represent conferences, conventions or concerts.

BENEFITS OF HOSTING MAJOR EVENTS

Major events have proven to generate near-and-long-term benefits to hosting communities in the form of:

A) Economic Development, including the creation of jobs and government tax revenues, the development of tourism assets, and the showcasing of local business capabilities.

B) Social and Community Benefits, including increased participation in arts, culture and sports activities, promotion of civic, regional, and national pride, and the advancement of community social diversity, inclusion, equity, and Indigenous reconciliation objectives.

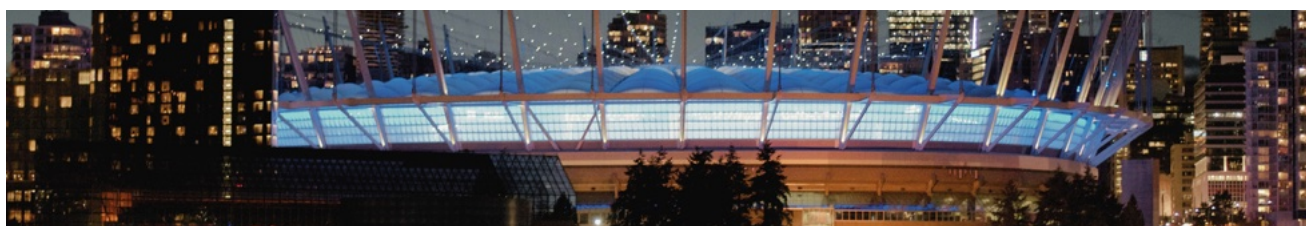
C) Destination Promotion Benefits, including the attraction of out-of-province visitors (particularly during the shoulder season), new partnerships, destination brand building and word-of-mouth promotion, and increased media exposure through both traditional and social media.

D) Environmental Benefits, including raised awareness of sustainability objectives and the implementation of new environmental innovations.

E) Infrastructure Development, including the construction or refurbishment of world-class sports facilities, arts venues, housing, and transportation links.

While British Columbia has secured numerous major events over the years, TIABC, BCDMOA and BCHA believe there exist further opportunities to secure additional major events in communities provided financial and other challenges can be addressed.

At the same time, it should be recognized that some major events may be deemed cost-prohibitive (i.e. operating costs exceed revenues, economic and other benefits), or incongruent with community or provincial objectives and therefore may not be appropriate for government financial support, nor for the industry generated Major Events MRDT.



BACKGROUND AND CONTEXT

MUNICIPAL & REGIONAL DISTRICT TAX (MRDT)

As an effective, legislated taxation instrument on customers of the commercial accommodation sector, MRDT is intended to amplify destination promotion efforts in an ever-increasing competitive marketplace that results in the responsible growth of the BC visitor economy while delivering a triple bottom line return of tax revenue, jobs/wages, and positive economic impact to communities. To advance a coordinated and efficient use of funds, the following 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 promotional strategies and tactics; and
- Fiscal prudence and accountability.

MRDT revenue is primarily used by community destination marketing/management organizations for the aforementioned purposes and has produced significant results from an economic impact perspective (among other positive outcomes).

It should be noted that TIABC, BCDMOA and BCHA have consistently opposed further expanding the usage of MRDT for purposes other than tourism marketing, projects and programs although the additional affordable housing provision introduced in 2018 is now generally accepted as an option for housing tourism workers.

As such, the additional, time-limited Major Events MRDT funding tool of up to 2.5%, originally created to help fund FIFA World Cup 2026, is not generally accepted as a resource preference given the lack of a provincial major events strategy, as well as accountability and support based on a tri-party agreement between local/regional government (designated recipient), the hotel sector, and the eligible entity (DMO). Furthermore, although rising hotel taxes/fees have not yet dissuaded visitors from staying in the City of Vancouver for example, there is concern of a tipping point whereby tourists will choose destinations outside of British Columbia due to higher levies.



EVALUATION OF PROPOSED MAJOR EVENTS MRDT POLICY (MEMRDT)

While TIABC, BCDMOA and BCHA see no major issues regarding the program requirements for the additional Major Events MRDT, we respectfully submit a few observations on the current criteria as follows:

1. Only a handful of BC communities will have the capacity to host a major event with dedicated Major Events MRDT support given the budget threshold of \$25 million.
2. The opportunity for other communities to implement a similar funding mechanism to plan, stage and host ancillary events with direct connection (to the major event) is essential to leverage benefits from hosting a major event in another jurisdiction.
3. We agree with the criteria on usage of Major Events MRDT revenue for incremental costs as identified in the original list. However, in the case of the Vancouver-based MEMRDT, defined uses of the additional funds are limited to operational and capital costs but do not include marketing, whereas the broader MEMRDT proposed by the province suggests marketing would be permitted as a defined use. The defined uses should be consistent for all communities.
4. The proposed criteria for the MEMRDT fails to recognize the gold standard set by the current MRDT system which is predicated on a tri-party agreement between local government (designated recipient), the hotel community, and the destination marketing/management organization (eligible entity) that ensures collaboration and alignment of all key stakeholders.



ADDITIONAL POLICY RECOMMENDATIONS

TIABC, BCDMOA and BCHA support an increased focus on the attraction and hosting of major events as part of the growth of the BC tourism industry, and to further advance the capabilities and social, cultural, economic, and sustainability benefits these events bring to residents, communities, businesses, visitors, and Indigenous Nations across the province. However, we strongly believe that consideration of MEMRDT should only be advanced if or once the following task is completed:

1. The Province of British Columbia, in consultation with communities, the tourism industry, and other key stakeholders, must develop a comprehensive and coordinated major events strategy that identifies clear objectives, roles and responsibilities, structure, resources, capacity, processes, and other criteria for attracting, bidding for and/or hosting major events.

Should the province advance policy that mandates MEMRDT within a community or region to support a major event, TIABC, BCDMOA and BCHA offer the following additional recommendations to bolster the current draft criteria:

2. Implementation of an additional Major Events MRDT of up to 2.5% applied to overnight accommodation in a community or region must include unanimous support by three parties – local municipality/regional district (designated recipient), local destination marketing/management organization (eligible entity), and local hotel community, akin to the current and original MRDT model in British Columbia.
3. Before MEMRDT support is considered, the event must procure, fund and produce an independent business case study on the benefits, as well as a general plan to bolster tourism, employment, social and economic benefits for the host community and province using common measurement tools or key performance indicators as agreed to by all stakeholders (e.g. local, regional and provincial government, DMO, hotel community).
4. Prior to consideration of a MEMRDT supported major event, government, community, business, and tourism stakeholders must collaborate to determine a process of evaluation to ascertain whether the event meets industry and public objectives vis-a-vis economic impact, job creation, community benefits, and other identified goals.

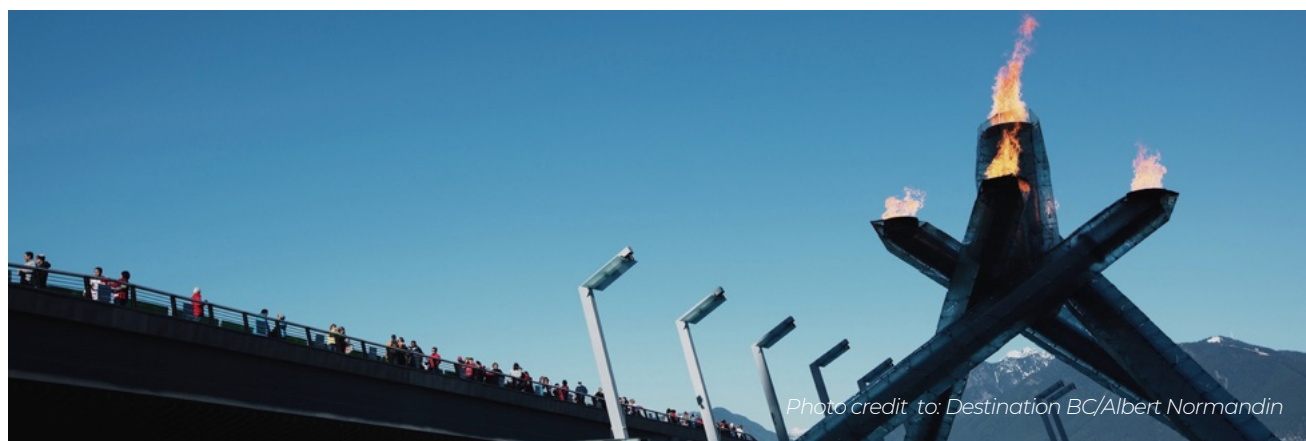


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ADDITIONAL POLICY RECOMMENDATIONS

5. MEMRDT should be considered for events with a minimum budget of \$100 million to ensure limited use of this funding mechanism and avoid further segmentation of the core MRDT structure.
6. MEMRDT should only be considered for major events that historically attract significant international visitation and media attention as opposed to merely the ‘potential’ to attract international visitors and media.
7. If an additional Major Events MRDT is deployed to help fund a major event, an appropriate implementation window, as well as a maximum timeframe (i.e. sunset clause) and contribution cap must be applied to prevent event scope creep and a consequential negative impact on hotels, the broader tourism industry, and potentially the local community.
8. Major events that are partially funded through MEMRDT should demonstrate a commitment to engage BC suppliers of goods and services at every opportunity. This will ensure the utilization of BC products and services and advance the interests of BC businesses.





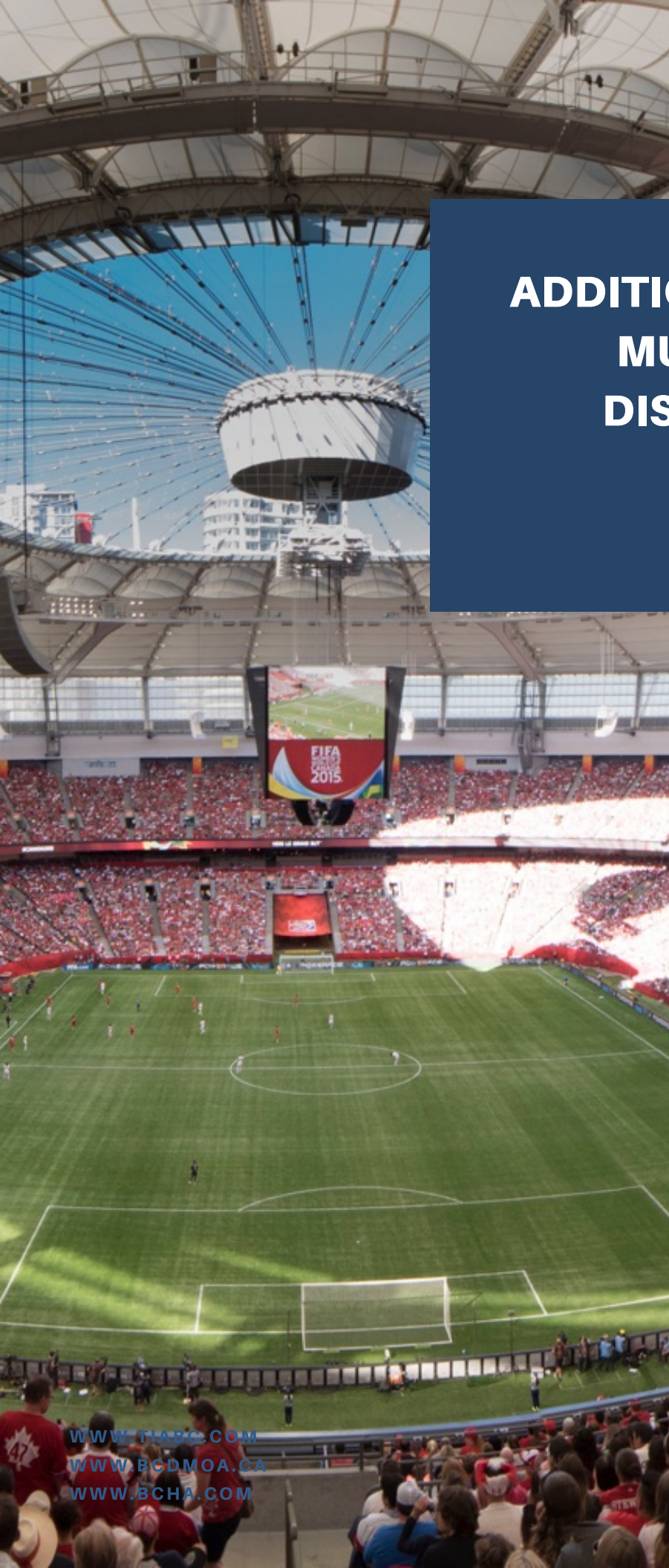
CONCLUSION

TIABC, BCDMOA and BCHA would welcome a further review of MEMRDT as a possible funding option for major events (beyond FIFA World Cup) provided the province commits to completing a comprehensive major events strategy which would identify government goals, objectives, criteria, and obligations, and importantly, provide a front door for event proponents, organizing committees, and events rights holders to consider BC as a host destination.

Another critical step in determining whether a community receives MEMRDT for a major event is the development of an independent cost-benefit analysis (i.e. business case) that determines what infrastructure currently exists and/or is needed, the return on investment for partner (e.g. government) contributions, time of the year for the event and whether it fills a need period, drives compression, generates incremental visitation, and other key performance measures.

A final consideration to secure future support for the MEMRDT is predicated on a three-way agreement between the local municipality/regional district (designated recipient), local destination marketing/management organization (eligible entity), and local hotel community, akin to the current and original MRDT model in British Columbia.

On behalf of TIABC, BCDMOA and BCHA, thank you for the opportunity to provide feedback and recommendations on the proposed Major Events Municipal & Regional District Tax program.



ADDITIONAL MAJOR EVENTS MUNICIPAL & REGIONAL DISTRICT TAX (MEMRDT) CONSULTATION

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