



Honourable Carole James
Minister of Finance
Province of British Columbia
Room 153 Parliament Buildings
Victoria, B.C. V8V 1X4

July 31, 2018

Re: Impending changes to Provincial Sales Tax Act and use of MRDT funds

Dear Minister James,

The Tourism Industry Association of British Columbia (TIABC) is both surprised and disappointed that government is moving forward with a fundamental regulation change that has the potential to seriously impact BC's visitor economy.

As you know, MRDT has been a long-standing, highly effective destination marketing funding source that has helped build tourism into one of BC's top business sectors, outpacing growth, GDP and export revenue of most other natural resource sectors.

Permitting the use of MRDT for beyond its intended purpose not only creates uncertainty over multi-year marketing budgets and investments by destination marketing organizations (DMOs), it has the very real likelihood of pitting local governments against eligible entities and accommodation providers in a dispute over use of these visitor generated proceeds. In a worst-case scenario, failure of a three-party agreement would put a halt to MRDT collection resulting in the rapid decline of the local tourism industry until or unless the municipality stepped in to fund destination marketing through other means.

There are numerous examples around the world that highlight the serious consequences realized when governments reduce or eliminate tourism-marketing resources. We fear a similar scenario will unfold in British Columbia as a consequence of the MRDT regulation change.

The timing of the new regulation is also concerning. With an incoming crop of new mayors and councillors this fall, many new local politicians will have little familiarity with the program and view MRDT as another source for funding election promises.

TIABC concurs with government that housing is critical for tourism industry workers as it is for all business sectors. But using tourism marketing resources is not the means by which to subsidize housing initiatives and could, ironically, exacerbate the problem. Local governments will be less inclined to address the loss of permanent rental housing stock if MRDT revenues from converted short-term vacation rentals can go directly to the municipality for housing.

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Minister James

Aside from the hundreds of letters and emails you received, we're hearing daily from industry stakeholders that remain very concerned about the path government has chosen vis-à-vis MRDT. While acknowledging that some concessions were made (e.g. eliminating exemption for under four rooms), many operators believe changes were introduced without meaningful consultation or consideration of unintended consequences.

Tourism is a volatile and cyclical industry with many peaks and valleys caused by world events, consumer confidence and countless other factors. It is vital that we retain the resources necessary to address inevitable downturns, and to reduce the ramifications on the provincial economy when such declines occur.

On behalf of BC's tourism industry, we urge you to reconsider the MRDT regulation change and keep this critical funding source for its original intended purpose...tourism marketing, projects and programs. We simply cannot risk any impact to BC's visitor economy during a time when tourism is growing and generating significant tax revenues for the province.

Minister James, TIABC would welcome the opportunity to meet with you to work toward a solution that meets government and industry objectives. Thank you for your consideration. We look forward to hearing from you soon.

Best Regards,



Jim Humphrey

Chair, TIABC

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cc: Premier John Horgan
Hon. Lisa Beare, Minister of Tourism, Arts & Culture
Blain Sepos, Chair, B.C. Destination Marketing Organization Association
James Chase, CEO, British Columbia Hotel Association
Val Litwin, CEO, B.C. Chamber of Commerce