

2021 BUDGET SUBMISSION TO THE SELECT STANDING COMMITTEE ON FINANCE AND GOVERNMENT SERVICES

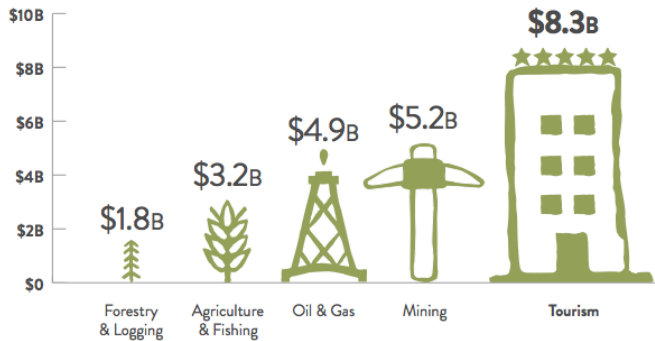
Submitted by the Tourism Industry Association of British Columbia  
June 26, 2020

2018 Value of Tourism  
A Snapshot of Tourism in BC

TOURISM GROSS DOMESTIC PRODUCT

GDP for the provincial economy as a whole grew 2.7% over 2017. The tourism industry contributed \$8.3 billion of value added to the BC economy, as measured through GDP (in 2012 constant dollars). This represents 3.0% growth over 2017, and 42.1% growth since 2008. In 2018, tourism contributed more to GDP than any other primary resource industry.

2018 BC GDP



TOURISM BUSINESSES



TOURISM EMPLOYMENT



TOURISM WAGES AND SALARIES



Source: Destination British Columbia

## Introduction

The Tourism Industry Association of BC (TIABC) advocates for the interests of British Columbia's \$20.5+ billion visitor economy. As a not-for-profit tourism industry association, TIABC works collaboratively with its members – private sector tourism businesses, industry associations and destination marketing organizations – to ensure the best working environment for a competitive tourism industry.

TIABC's vision is for the tourism industry to be recognized as one of British Columbia's leading and sustainable industries. As the primary advocate for BC's visitor economy, TIABC unites operators, sectors, DMOs, government and residents to support and be passionate about making this province a great place for tourism.

On behalf of its members and stakeholders, TIABC is pleased to submit this brief with recommendations on provincial investment in ***COVID-19 Recovery Measures***, as well as ***Destination Development***, and expanding the ***Resort Municipality Initiative***.

On behalf of TIABC, thank you to the Select Standing Committee on Finance and Government Services for considering our request.

## The Importance of British Columbia's Visitor Economy

Tourism is a critical sector within BC's economy. In 2018 (the latest statistics available), the tourism industry generated \$20.5 billion in revenue, an increase of 4.9% over 2017. In addition, tourism contributed some \$8.3 billion to provincial GDP and employed upwards of 161,500 people in some 19,329 businesses.

Aside from economic benefits, BC's visitor economy also generates social and cultural benefits for all British Columbians by supporting the viability of community amenities and increasing international exposure to our heritage, education system, trade opportunities and immigration prospects.

In 2020, BC's visitor economy was poised to continue its record-setting growth pattern until travel was virtually halted overnight by the sudden onset of the COVID-19 crisis. Although domestic travel is expected to resume, non-essential international travel to British Columbia may not be possible for several more months, if at all this year. Consequently, the estimated drop in revenue is expected to be upwards of \$14 billion in 2020 alone. What's more, the industry does not anticipate full recovery for another 12-18 months at best. Some estimates suggest recovery (i.e. equivalent of 2019 revenues and normal growth patterns) could take as long as three to five years.

**A) INVESTMENT IN INDUSTRY RECOVERY**

At the time of the onset of the COVID-19 Pandemic, Tourism was one of BC's largest industries. As stated in Destination BC's 2020 publication *The Power of Tourism*, 'tourism is already one of the most significant drivers of economic success in BC, growing faster than the provincial economy as a whole as it generates a continuous stream of revenue, employment, social, cultural and environmental benefits.'

British Columbia's \$20.5 billion dollar visitor economy was the first and hardest hit of the major business sectors by the COVID-19 crisis. Unfortunately, it will likely be one of the last to recover.

Given the current travel restrictions, including closed international borders, tourism revenues are anticipated to be only one third of what they were in 2019. Thousands of businesses across multiple tourism sectors remain closed or are only partially open, and many are unlikely to re-open this year or even at all, especially if the current situation continues or resurfaces over the course of the next several months.

Although travel within BC is expected to start again this summer, spending by BC tourists is much less than spending by out-of-province visitors (e.g., less than half of that of a US visitor) and has traditionally accounted for less than 25 percent of total tourism spending. Even under favourable circumstances (e.g., the development and implementation of an effective vaccine against COVID-19), BC tourism businesses are projected to be severely affected for at least the next 18 months.

No business can sustain months of virtually zero revenue. The primary issue that businesses face is cash flow. Without visitors and revenues, compounded by monthly fixed cost expenses, tourism operators simply cannot make ends meet.

The situation is dire now but will get even worse if or when some of the federal aid measures end. While programs introduced to date have been somewhat helpful, they don't go so far as addressing the ongoing liquidity issues that many businesses face.

With recovery is anticipated to be well into 2021 or even beyond, government could assist by providing businesses with a working capital grant or consider backstopping loans at below market rates with an extended payback period. Not only is it necessary this year, but it will be important next year as well given that many businesses will not open at all in 2020.

With businesses forced to significantly reduce operations or close permanently, the supply side of the sector may be a challenge over the next few years. The priority must now shift to:

- Government incentives and investment in tourism infrastructure and amenities, as well as new product development to fill supply side gaps and help generate demand for BC's tourism experiences.

- Ensuring transportation access is also critical. Small community or regional airports, bus services, ferries and highways are all an integral part of how visitors move around the province and need to be prioritized as part of rebuilding the sector.
- As the Province embarks on trade missions or builds its economic strategy, championing tourism as an investment opportunity is vital to help build the industry back up to pre-COVID 19 revenue and output levels.
- Clearly, innovative marketing to generate demand and help the industry recover is paramount. British Columbia will need to shift its marketing and target markets in the post-COVID world by understanding what our new product or experience is and how it is being adapted to the times and traveller expectations.

BC tourism businesses are resilient and innovative, but they need financial support from the Province to survive and to contribute to BC's economic recovery from the COVID-19 Pandemic.

### Support Requested

The request for financial support consists of the following components:

1. **Emergency Aid:** These are funds are needed to help maintain tourism businesses that have prospects to return to profitability in the medium term (i.e. 18 months).
2. **Modernization and Innovation:** These are funds are needed to allow tourism businesses to adapt their operations and to develop new and innovative ways of delivering tourism experiences in the post-pandemic world. The purpose of these funds is to help the visitor economy emerge from the COVID-19 pandemic and to help it become a leading contributor to BC's economy once again
3. **Support for the Development of Resilient, BC-focused, Supply Chains:** The pandemic has demonstrated the need for resilient supply chains. The purpose of these funds is to allow tourism businesses to re-orient their supply chains to source a higher proportion of goods and services from BC suppliers.
4. **Sustaining & Promoting Super Natural British Columbia:** Although full or partial recovery appears months, if not years away, experience shows that tourism is resilient and poised to rebuild after the crisis ends. While recovery activities have begun, a commitment to long-term initiatives, including marketing, is necessary to ensure steady growth and sustainability of the province's visitor economy.

The financial support required from the Province is intended to support tourism businesses in ways that provide economic benefits to the province and enable operators to retain employees and jobs and contribute to BC's economic recovery from the COVID-19 pandemic.

TIABC will work with the Province as a conduit to provide more information, research and modelling to determine the costs of program supports and their economic benefits.

#### Economic Benefits from Emergency Aid

Emergency aid is needed to help maintain tourism businesses that have prospects to return to profitability in the medium term (i.e. 18 months). The proposed maximum could be similar to amounts set recently by the Government of Quebec for its tourism industry, and by the Government of Canada for Indigenous tourism businesses. For example, BC-based Indigenous tourism businesses are eligible for recent direct grants of up to \$45,000. The needs of businesses are different by tourism sector and size.

We anticipate that roughly 70 percent of BC tourism businesses will be eligible for and will access such a funds. This aid will result in the support and maintenance of an estimated 120,000 jobs with front-line tourism businesses. This temporary program will provide support for jobs at a cost that compares favourably with the costs of existing government support programs for other important BC industries. For example, in 2018, BC Government tax credits to film and television productions totalled \$703 million, which helped support an estimated 35,000 to 40,000 direct jobs at a cost of roughly \$17,600 per job.

#### Economic Benefits from Modernization and Innovation

The COVID-19 pandemic has caused fundamental changes in many industries, the largest of which is the global visitor economy where every jurisdiction is faced with having to reevaluate its tourism infrastructure and visitor offerings. The purpose of these funds is to enable BC tourism businesses to modernize their operations to confront the challenges of functioning successfully in the post-pandemic environment, and to develop innovative service offerings that will allow the BC's visitor economy to recover and grow as quickly as possible.

We anticipate that roughly 50 percent of BC tourism businesses will be eligible for and access the funds. While these funds will help to maintain existing jobs, their main purpose is to enable the industry to create new employment and/or recover additional employment faster than if it were to rely on only pre-pandemic practices.

The goal for these funds is to increase employment over-and-above what would otherwise be experienced by at least 25,000 jobs (or about 15 percent of pre-pandemic employment levels).

#### Economic Benefits from the Development of Resilient, BC-focused, Supply Chains

Over the past 40 years, businesses have become successful at creating cost-effective global supply chains. What the COVID-19 pandemic has demonstrated is that, while such supply chains provide products at a low price, they are exceedingly fragile and can easily be disrupted or broken. Although the most dramatic examples have involved supply chains for medical equipment, they apply to every supply chain for every industry, including tourism businesses. Before the onset of the COVID-19 pandemic, BC tourism businesses created an estimated 19 jobs with BC suppliers for every 100 jobs created at front-line tourism businesses, as many other jobs were being exported to suppliers outside of the province.

The purpose of these funds is to enable BC tourism businesses to refocus their supply chains and forge new relationships with local suppliers, to create more resilient, albeit somewhat more expensive supply chains at the outset. We propose structuring these funds into two parts: one for the development of sub-sector wide initiatives; and, the other for the development of business-specific initiatives. We propose that funds be allocated to each of five major industry sub-sectors (e.g., accommodation, attractions, transportation, recreation, and retail) for the development of sub-sector-wide initiatives, and that individual businesses be able to access a reasonable amount to adapt their operations

The goals for these funds are to increase employment created at BC suppliers by at least 12,000 jobs – a 50 percent increase over pre-pandemic levels, and to help local suppliers grow their expertise to become competitive suppliers to tourism businesses both in BC and in other markets.

#### Sustaining & Promoting *Super Natural* British Columbia

The notion of social license that essentially extends local permission for tourism to function in communities has become increasingly important as the sector looks to rebuild after the crisis. In other words, residents do not want to be overwhelmed by visitors for various reasons (e.g. health & safety, stress on local amenities), but at the same time recognize the importance of the visitor economy to their respective communities.

The priority must now shift to:

- Promoting responsible travel and compelling the likes of tour operators, transportation providers, businesses and other stakeholders to respect local residents, the natural environment, regulations, etc. to ensure that tourism retains its social license (i.e. public support) in order to thrive in British Columbia.
- Providing one-time incremental, multi-year funding for Destination British Columbia to boost marketing in key source markets, support air service marketing initiatives in Canada and internationally, as well as promote a domestic campaign to encourage residents to travel within their own home province when the time is right.

#### **B) INVESTMENT IN DESTINATION DEVELOPMENT**

For the last four years, Destination British Columbia, in partnership with the Ministry of Tourism Arts and Culture, Indigenous Tourism BC, and regional destination marketing organizations, has led an extensive destination development planning process to support the ongoing viability of BC's tourism sector. The organization has extensively consulted with local, regional and provincial agencies, Indigenous communities, destination marketing organizations (DMOs), tourism operators and other community interests to build a roadmap and guide the long-term growth of tourism experiences and revenues within the province.

One of the key drivers behind this comprehensive destination development exercise is to provide strategic direction to the tourism industry to enhance the quality of the visitor experience by ensuring tourism services, amenities, and practices are exceptional.

### **Destination Development Overview**

Destination development is the strategic planning and development of defined areas to support the evolution of desirable destinations for travelers. Destination development strategies help planning, policy and capacity building efforts to ensure areas around the province are well positioned to make future strategic decisions, address impediments to tourism growth, and capitalize on future tourism opportunities.

Destination development focuses solely on the supply side of tourism by providing compelling experiences, quality infrastructure and remarkable service to entice repeat visitation. Components include: planning and management; product development; festivals and events; tourism investment and funding; policy; and access, transportation, signage, and way-finding.

From the 20 planning areas consulted across the province, multiple 10-year destination development strategies have been created which will inform six regionally specific strategies that represent a logical destination for visitors in and around the province.

In turn, these strategies will then inform the creation of a single provincial destination development strategy. By working together with local, regional and provincial agencies, Indigenous communities, destination marketing organizations (DMOs), industry organizations, and tourism operators, the strategies will guide the long-term growth of tourism experiences and revenues within the province, and further solidify BC's standing as a world-class tourism destination offering remarkable products and experiences that are authentic, driven by visitor demand, and exceed expectations.

### **Program Goals**

- Make British Columbia the most highly recommended destination in North America
- Create strategic plans for tourism development and improve return-on-investment for government and private sector investments in tourism assets
- Elevate British Columbia's ability to compete as a premium destination while making the province more attractive for investment

### **Program Outcomes**

By taking a coordinated approach to destination development planning, there will be better alignment of long-term planning and development efforts that would support:

- Strategically targeted, well-informed and leveraged investments of public and private sector funds; and,

- Increased tourism revenue and higher levels of repeat visits and recommendations to communities around the province.

### **Program Overview**

As a result of the destination development planning process, the following outputs were created in each planning area:

1. Situation Analysis that will provide an in-depth overview of the current market trends and existing destination development activities or issues that are directly affecting tourism in your area
2. Asset Inventory that will provide an updated list of tourism assets to assist in strategy development, implementation and further tourism planning.
3. 10-Year Destination Development Strategy to guide long term planning and development that will include:
  1. Identification of the area’s unique products, amenities and experiences;
  2. Identification of strategic priorities;
  3. Identification of policy areas that may impede future development activities;
  4. Identification of partners and resources needed to support goals, and
  5. Guidance on action and implementation planning

As of June 2020, all plans have been developed with most posted on Destination British Columbia’s corporate website.

Although countless hours and significant efforts have been undertaken by Destination BC staff, together with hundreds of session participants to complete the consultation process and subsequent strategies, much more work will need to be done over the next 10 years and beyond to realize tourism opportunities in every region of British Columbia.

### **Government investment opportunities in British Columbia’s visitor economy through destination development will help to:**

- **Create jobs for Indigenous and rural communities**
- **Generate visitor demand and increase spending**
- **Enhance the province’s reputation as a must visit destination**
- **Encourage private sector investment**
- **Focus on all pillars of sustainability (economic, social, environmental)**
- **Address seasonality by creating more year-round experiences and access**



- **Alleviate pressure on mature tourism destinations by dispersing visitors throughout the province**
- **Pursue reconciliation through tourism**
- **Make tourism more inclusive and accessible**

*Sample destination development projects in each region:*

## **KOOTENAY ROCKIES**

### **Columbia Valley**

- Educate tourism operators on protocols for engaging with Indigenous communities and operating on traditional territories.

### **Highway 1 Corridor**

- Work collaboratively with the Ministry of Transportation and Infrastructure to review the standards of road maintenance and avalanche control included in operator contracts, and to ensure standards are adhered to throughout the year.

### **Highway 3 Corridor**

- Develop a plan to enhance the Highway 3 corridor journey through storytelling that supports the Stories + Legends pathways along the corridor in a compelling way that resonates with visitors: First Nation cultural/ ancestral trade trails, settlers, stories of reinvention, and Japanese internment camps and resettlement.

### **West Kootenay/Revelstoke**

- Present information on increasing cycle and motorcycle usage and the associated tourism potential to the Ministry of Transportation and Infrastructure with the objective of influencing road maintenance contract standards to secure early and more frequent road sweeping.

## **CARIBOO CHILCOTIN COAST**

### **Gold Rush Trail - Catalyst Projects**

- Within the context of establishing a prioritized inventory of available amenities, enhance existing and develop new rest stops with washrooms and e-charging stations along highways 1 and 97. Build public washroom facilities in Lillooet to service buses during peak season.

#### **Chilcotin Central Coast**

- Encourage BC Parks to increase the number of public bear watching opportunities and align their operating season with the new Sea Wolf ferry schedule.

#### **Interlakes**

- Improve access and infrastructure to key visitor attractions in Wells Gray Provincial Park. Identify and prioritize needed upgrades to road access, signage, parking and visitor amenities, and establish a long-term maintenance plan for key visitor attractions on the west side of the Park

### **NORTHERN BC**

#### **Northeastern BC**

- Continue working with local and regional governments, the Ministry of Forests, Lands, Natural Resource Operations and Rural Development, BC Parks, Parks Canada, and National Historic Sites and Monuments Board to encourage investment in, and coordination of, priority trail networks, including the identification of the stories behind many historic trails. Trails are a key element of heritage in Northeastern BC. Identifying the stories that exist behind trails and building authentic heritage tourism experiences around these stories for visitors, presents an important development opportunity.

#### **Northwestern BC**

- Support First Nation governments' and Indigenous communities' efforts to identify and work with the appropriate authorities to improve signage related to Indigenous communities, tourism features and welcome signs referencing traditional territory in key locations.

### **VANCOUVER, COAST & MOUNTAINS**

#### **Metro Vancouver**

- Immediately work with city, regional district, and First Nations planners to integrate accommodations into time-sensitive planning projects (e.g., Broadway corridor transportation planning, Jericho Lands, etc.).

#### **Sunshine Coast**

- Address transportation options that impact visitor experience such as BC Ferries services, shuttle services, car rentals/car co-ops at ferry terminals, etc.

**Sea to Sky Corridor**

- Extend Cultural Journey Viewpoints and signage that uses Indigenous language to the entire Sea-to-Sky Corridor.

**Fraser Valley**

- Invest in further developing the Experience the Fraser (ETF) initiative (over 550 km of trails, 43% of which are already in place, and blueways connecting communities along the Fraser River from Hope to the Salish Sea). The existing ETF Concept Plan identifies trails and blueways, implementation strategies, and actions that connect communities to each other and to the river, knit together points of interest such as parks, natural features, historic and cultural sites, and festivals with the intention to create one of the world’s great river destinations.

**THOMPSON OKANAGAN**

**North Thompson and Nicola Valleys**

- Develop a more streamlined Crown tenure process that facilitates investment in more tourism products.
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**Okanagan Valley**

- Work with Rec Sites and Trails and local government to develop a framework for building, operating, and maintaining the trail network in the Okanagan Valley.

**Shuswap North Okanagan**

- Strengthen the appeal of the area for road cycling with the objective of having a robust internationally recognized cycle tourism sector in place by 2028.

**VANCOUVER ISLAND**

**Greater Victoria**

- Develop Ogden Point as a year-round, multi-use, tourism, commercial and resident asset.

**South Central Island**

- Develop an Accessible Vancouver Island guide for accessible trails development. The guide would not be for visitor use (i.e., a visitor guide), but one for local government, stewards, and other tourism partners who wish to enhance their overall accessibility.

Core content would include design, construction, and maintenance of accessible trails, trail facilities and park facilities, including assistive technologies.

#### North Island

- Encourage BC Parks to undertake new management plans for select parks in the planning area that incorporate a much higher profile tourism mandate and management direction.

#### **C) INVESTMENT IN A PARALLEL PROGRAM TO THE RESORT MUNICIPALITY INITIATIVE**

The Resort Municipality Initiative (RMI) program is managed by the Ministry of Tourism, Arts and Culture. The program is intended to support small, tourism-based municipalities to build and diversify their tourism infrastructure, deliver exceptional visitor experiences and incorporate sustainable tourism practices and products.

The RMI program funds projects which result in the following key outcomes for resort-based communities:

- Increased resort activities and amenities
- Increased visitation and visitor activity
- Increased private investment
- Increased employment in the community
- Increased tourism contribution to the local economy
- Increased municipal tax revenue
- Diversification of municipal tax base and revenue

In Budget 2019, the Province committed to providing \$39 million over three years for the RMI to fund infrastructure projects that will create jobs and build a strong economy in tourism-oriented communities. RMI funding is now part of the core budget for the Ministry of Tourism, Arts and Culture, providing communities with the certainty they need to plan over the long term.

To be eligible, a municipality must be participating in the Municipal and Regional District Tax (MRDT) program, as well as one of the following:

1. Designated as a Resort Region (*Local Government Act*, Section 583); or
2. Incorporated as a resort municipality (for example, see *Resort Municipality of Whistler Act*); or
3. Incorporated as a mountain resort municipality (see *Local Government Act*, Section 8).

There are 14 resort municipalities that are eligible to participate in RMI. These include: City of Fernie, Town of Golden, Village of Harrison Hot Springs, District of Invermere, City of Kimberley, Town of Osoyoos, Village of Radium Hot Springs, City of Revelstoke, City of Rossland, Sun Peaks Mountain Resort Municipality, District of Tofino, District of Ucluelet, Village of Valemount, and the Resort Municipality of Whistler.

### **How the Program Works**

All RMI communities must complete a multi-year Resort Development Strategy (Strategy) for 2019-2021. The Strategy identifies the long-term vision for the community and outlines the plans and projects the municipality will undertake to achieve the objectives of the program.

A 2016 report prepared for the Resort Municipality Initiative Resort Collaborative showed that despite having only 1% of the total provincial population (approx. 50,000 residents), British Columbia's 14 RMI communities attracted 28% of total visitors, represented some 29% of the taxes contributed to the Province by the tourism sector, generated 30% of the Province's tourism export revenues, and brought in close to \$2 billion in visitor spending. What's more, the report showed the RMI communities returned the province's annual investment in the form of tax revenue within the first two weeks of the year.

Prior to the RMI program, the participating communities were forced to rely on generating revenues through property taxes and grants to ultimately invest in infrastructure improvements and other amenities. However, the funds generated were considered woefully inadequate to address community needs or meet visitor expectations, especially given the mounting pressure on existing public and private infrastructure generated by both residents and visitors alike during peak tourism season.

The Province originally created the RMI program in 2006 in recognition of these unique challenges with the objective of supporting the growth and success of the BC's visitor economy.

**While RMI has been extremely successful and should continue under its present iteration, there is an opportunity to use this initiative as a template for further tourism development in communities throughout the province. The Province should consider a similar or accompanying program that serves other tourism-dependent communities that fall outside of the parameters of the RMI initiative.**

### **RECOMMENDATIONS TO STANDING COMMITTEE ON FINANCE & GOVERNMENT SERVICES**

- 1. That the Province invest in industry recovery through:
 
  - a. Emergency aid**
  - b. Modernization and innovation**
  - c. Support for the development of resilient, BC-focused supply chains**
  - d. Sustaining and promoting Super, Natural British Columbia****



- 2. That the Province assist regions, communities and First Nations by investing in destination development initiatives that support the local visitor economy thereby creating jobs, private sector partnerships, and opportunities to transition to a long-term sustainable business sector with significant growth potential; and***
- 3. That the Province consider a similar investment program to the Resort Municipality Initiative (RMI) that has transformed communities and generated significant return-on-investment both locally and provincially.***

On behalf of the Tourism Industry Association of British Columbia, thank you for the opportunity to present to the committee as part of the hearings in June. If you have any questions regarding this brief, please feel free to contact me at your convenience.

**Respectfully Submitted by the Tourism Industry Association of British Columbia**

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