



The Ontario Restaurant Hotel and Motel Association Ontario's Tourism Climate-Highlights of 2009

Tourism has a vital role in the economic success of the hospitality industry and the overall economy and development of Ontario. Tourism is facing serious challenges. It is recognized that for tourism to develop in a sustainable manner an appropriate regulatory, fiscal, social and capital framework is required. The year 2009 brought on significant initiatives that will change the fundamental management structure of Ontario's tourism.

The ORHMA's position on a number of the developments continuing to take place is outlined below. It is imperative that industry and government work efficiently together to attain the \$44 billion goal in tourism revenues set by the year 2020. The ORHMA will support the accommodations sector with its many members in working with the local Destination Marketing Organizations (DMO's) and government to set up a successful Regional Destination Organizations (RTO's) in the outlined regions of Ontario.

ORHMA is a self funded, non profit organization with a purpose to foster a healthier and prosperous hospitality industry and is not receiving any government funding from the recently announced tourism transition fund.

Competitiveness Study- Released Feb 2009

- The study prepared for the Ministry of Tourism is composed of recommendations to stimulate Ontario's Tourism.
- Authored by former Finance Minister Greg Sorbara, it has been released as a blue print paper titled "Discovering Ontario.... A Report on the Future of Tourism."
- The recommendations are an important opportunity for Tourism growth.
- Greg Sorbara not the industry recommended the Destination Management Marketing Organization (DMMO) now known as Regional Destination Organization (RTO) structure an idea stemming from the British Columbia model and operating in many global regions.
- The study recommended the legislated Destination Marketing Fund (DMF) program- this was a strategy designed without the HST implementation.
- Included within the study is the goal of doubling tourism revenue by the year 2020 and reaching \$44 billion as a target.

ORHMA's Position

- The ORHMA is pleased that the Government of Ontario has recognized the importance of tourism and initiated the Competitiveness Study which we view as a start point to stimulate Ontario's tourism. Most of the ORHMA's proposals such as Active Investment, Transportation Infrastructure and Border Issues have been included in this report.
- The ORHMA has called for government to quickly deal with the funding and RTO issues and concentrate on drawing an action plan derived from the "Discovering Ontario" blue print recommendations. To the ORHMA this paper is seen as the essential catalyst to stimulate visitor growth in Ontario.
- Government and industry need to overcome and move ahead of issues in order to focus on the rest of the recommendations represented in the competitiveness study.
- Past studies with many recommendations relevant today have not been put into practice. The ORHMA has been reminding government of the importance of keeping the report's recommendations alive and delivering on industry's expectations.

Update on Developments

- Government has stated it began to move forward with a discovery phase of a number of recommendations included in the study

Provincial Budget- Released March 2009

- Government announced the implementation of the Harmonization Sales Tax (HST) and the RTO model along with \$40 million of funding to set up the new regions and support tourism marketing activities.
- The HST will be implemented in July 2010.
- The RTO's boundaries and structure will be developed by July 2010.

- Issues arise as the HST will increase total guest room taxes from 10% up to 13%
- Concerns arise due to potential rate competitiveness among markets
- Issues with the \$40 million not being sufficient to set up RTO's and related marketing activities.
- Concerns arise from jurisdictions with existing DMF programs.

Establishing RTO's

- The competitiveness report makes a strong case for the creation of well-defined and well-managed tourism regions across the province.
- A model for the industry to engage the provincial government on the financial, regulatory, product development and marketing issues critical to the growth of the industry.

ORHMA's Position

- The final drawings of Ontario's destinations take into account the visitor's travel patterns and most of all a travelers intertwined experiences.
- Support infrastructure and building upon existing product that has potential
- In destinations where product is lacking and capacity is low the funding must initially build the product prior to marketing spend.
- Bring leadership and management in underperforming areas.
- The building of potential destinations needs to be build within a plan that does not curtail existing success in established regions.
- Local participation along with government on the exact line drawing is essential.
- Industry led and region wide representation on the board.
- Keep administrative overhead to a minimum.
- Align activities with Ministry and OTMPC.
- Eliminate duplication and inefficiencies.

Update on Developments

- In December 2009 the boundaries have been announced forming thirteen DMMO's.
- Ministry staff will be issuing a Request for Expressions of Interest (RFEI) to help identify one Regional Tourism Organization in each region.
- Acceptance of proposals for RTO's leadership will be accepted and reviewed by the Ministry and is open to any existing DMO or newly formed organization.
- Location of headquartering a RTO is yet to be determined.

Government Funding of RTO's

- The 2009 Provincial Budget announced \$40M to support the set up of RTO's and tourism's marketing activities.
- The competitiveness study and the industry called for a potential closer to \$120 million that could be generated from a legislated DMF.

- In November of 2009 the government has announced an additional \$25 million annually for the next two years to support the set up of RTO's. This was welcoming news.
- The funding returns to \$40 million following the first two year period which the industry agrees it is inadequate.
- The Minister of Finance has agreed to grow the \$40 million as the tourism industry grows. The metrics to measure growth to be established in consultation with the industry.

ORHMA's Position

- The ORHMA has called for additional funding immediately after the 2009 Provincial Budget release and met with the Premier's Office, Ministry of Tourism and Ministry of Finance voicing concerns on the limitations set by the \$40 million.
- The ORHMA has been in support of "Transition Funding" to all existing DMF's advocating that these DMO's operate within a Business Plan that includes deployment and marketing activities beyond July 2010 without a fall back option.
- The ORHMA will continue to call for "On Going Funding" increase to the regions from the current \$40 million.
- The regional organizations will need a transition period to become fully operational and \$65M issued all at once poses business risks.
- Existing municipal funding must be kept to fund DMO's.

Update on Developments

- Transition funding is expected to be confirmed for all validated DMO's with an existing DMF program that has been in place on or prior to March 26th 2009.
- Question still posed on funding distribution method.
- On Going funding has not been approved and it is the Big Issue.

Industry Funding of RTO's through a Legislated Levy

- Legislation will be introduced to allow regions to vote for a Regional Tourism Levy beginning in 2012.
- The legislated levy within a RTO is designed to replace the DMF funding and enable a region to generate additional funding to support its marketing activities
- If passed, all accommodations of four rooms or more in a RTO's region will be required to add the Levy to guest room charges.
- The Levy can vary from 1 to 3%.
- Voting is based on the choice made by the majority of accommodation properties (four rooms or more) within a RTO.
- Many see issues arise due to competitiveness as the HST alone will take guest room taxes to up to 13%.
- Many others are endorsing and welcoming the legislation as it is an option to support a DMO's funding in the absence of DMF.

ORHMA's Position

- The legislation offers an option available to the industry to support a RTO's marketing activities.
- Educating the accommodation sector in dealing with the 2012 levy vote.

Update with Developments

- Distribution of funding within a RTO is yet to be defined
- Questions arise if a Volunteer DMF will be allowed in a DMO if a levy is voted down within the RTO. Mechanics on this item are yet to be defined.

The Ontario Tourism Marketing Partnership Corporation (OTMPC)

- The Competiveness Study called for a review of rebranding OTMPC and creating a new mandate.

ORHMA's Position

- The OTMPC needs to continue to be responsible for the promotion of the Ontario brand with focus on targeting activities in the domestic and in international markets and act as a resource for the industry.
- The ORHMA strongly recommends that its budget remains intact rather than funded from the 3% of HST.
- There is a need for better coordination of marketing efforts among government and industry marketing organizations.
- Co-ordination now needs to include the RTO's.
- A powerful 'Ontario' theme is required.

Developments

- PricewaterhouseCoopers is currently conducting a study on OTMPC with a release on its recommendations' expected in the spring of 2010.