

Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Provincial Budget

Submitted By:
Tourism Industry Association of Ontario (TIAO)

February 3, 2025

LIST OF RECOMMENDATIONS

ECONOMIC GROWTH

Recommendation 1: Increase Provincial Marketing Investment - Boost Destination Ontario's annual budget by \$15 million to keep up pace with other provinces, enabling competitive domestic and international visitor attraction.

Recommendation 2: Support Competitive Sport and Business Event Bids - Create an annual \$20 million fund to support national and/or international sport and business event bids and hosting to help Ontario destinations driving net-new visitation, spending, and tax revenue.

Recommendation 3: Strengthen Municipal Accommodation Tax (MAT) Regulation - Close loopholes and maximize MAT implementations to expand local tourism and municipal funding.

Recommendation 4: Invest in Indigenous Tourism - In alignment with Indigenous Tourism Ontario, establish equitable, ongoing annual provincial funding for Indigenous tourism businesses, advancing Truth and Reconciliation through Indigenous economic development.

Recommendation 5: Increase Experience Ontario Fund by \$10M, growing the annual budget to \$30M

WORKFORCE DEVELOPMENT

Recommendation 6: Respond to Reduced International Student Levels - Partner with TIAO to advocate federally for:

- ▶ Expanding Post-Graduation Work Permit (PGWP) eligibility to include tourism and hospitality programs and adjusting classification of tourism jobs in National Occupational Classification system to accurately represent occupations with high employment demand in the tourism, culinary, and hospitality fields.
- ▶ Streamlining pathways to permanent residency for Ontario trained tourism talent through programs like the Ontario Immigrant Nominee Program (OINP).

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Recommendation 7: Develop a Domestic Workforce Plan - Collaborate with the tourism sector and employment service agencies to connect underemployed Ontarians with meaningful tourism job opportunities through the Skills Development Fund, and more specifically, through funding the SDF5 project application 'Forward Ready Tourism – A Collaborative Solution for Tourism'.

INFRASTRUCTURE INVESTMENT

Recommendation 8: Restore Air Service Levels - Collaborate with tourism stakeholders and federal partners to reverse declining air service to regional and northern destinations.

Recommendation 9: Enhance Ground Transportation Service - Improve accessibility, connectivity, and sustainability by:

- ▶ Including private motorcoach operators in transit funding eligibility. Private motor coach operators should be eligible for provincial and federal transit investments and GST/HST fuel rebates.
- ▶ Continuing to allocate funding for highway enhancements along the TransCanada Highway (11/17) throughout Northwestern Ontario, including funding for roadside amenities (ex. rest areas, public washrooms).
- ▶ Expanding regional and local public transportation, connecting communities and destinations.
- ▶ Maintaining 2024 funding levels in 2025 (\$63 million) for the EV ChargeOn Program to expand EV charging infrastructure in rural and seasonal destinations, including campgrounds and marinas, to boost capacity and supply. Consider enhancements to the fund to include multi-unit residential buildings in all Ontario markets for demand-side tourism impact.
- ▶ Expanding GO train service with all-day, two-way trips between Niagara Falls and Toronto, including stops in St. Catharines, Grimsby, and Lincoln.

THE IMPORTANCE OF TOURISM IN ONTARIO

Ontario's tourism industry is a key economic driver, employing approximately 1 in 10 Ontarians, with over 770,000 people working in tourism or related industries. In 2023, the sector contributed \$32 billion to Ontario's GDP and generated \$33 billion in spending, with approximately \$6 billion in annual provincial tax revenues. Ontario is the most visited province in the country, accounting for 40.4% of all trips taken by Canadian residents and 40.2% of non-Canadian visitors in 2023. With municipal accommodation tax frameworks now active in over 50 Ontario municipalities, the success of the tourism industry is now more vital than ever to municipal fiscal health.

Present State

In 2023, there were over 130 million visits to Ontario. The tourism economy is showing year-over-year gains in visitation and spending but is still behind 2019 levels in key areas like cross-border and overseas visitation and business travel. For example:

- ▶ As of September 2024, Ontario has seen \$29 billion in spending, though international spending (including the US) is down 2.2%, and overseas spending (excluding the US) is down 13.5%.
- ▶ Border crossings from all key international markets, outside of the United States, in 2023 surpassed 2022 levels but have not reached pre-pandemic levels (2019) by a 33.9% gap.
- ▶ US entries grew 53.1% versus 2022 but are still 22.5% behind 2019 levels.
- ▶ Ontario experienced a higher net loss of entries from the US through border crossings compared to 2019.
- ▶ Hotel occupancy rates in 2023 surpassed 2022 levels by 5.2 percentage points but underperformed 2019 levels by 0.6 percentage points on average for all regions.
- ▶ Short-term rental occupancy rates in 2023 underperformed compared to 2022 levels by an 8.1 percentage point gap and 2019 levels by a 10.8 percentage point gap on average for all regions.

Economic Barriers & Risks

Tourism operators face additional business challenges, including high debt levels and rising costs, which constrain profitability and limit reinvestment. Recent changes to federal immigration policies, without corresponding mitigation strategies, are exacerbating labor shortages across the sector. Employment remains below historic levels, with high vacancy rates in key occupations. Ontario's tourism job vacancy rate for 2024 was expected to be 4.7% and will rise to 5.9% by 2027. This will worsen due to federal reductions in immigration and international student levels. Infrastructure gaps, particularly in transportation, further hinder the industry's ability to grow, connect, and compete effectively.

Political and economic uncertainties, particularly in the Canada-U.S. relationship, also impact tourism. The U.S. market represents 22% of tourism spending in Ontario, and an even larger percentage concentrated in northern and rural areas, making cross-border travel and trade essential to the industry's health. Shifts in immigration policies, tariffs, and trade agreements will have significant ripple effects on travel patterns and consumer behavior. Our responsiveness to these risks and opportunities is critical.

Solutions

To enable the industry to overcome barriers and fully leverage opportunities to prosper—now and in the future—we need strategic investments that best position our industry to move forward. TIAO's pre-budget submission includes focused recommendations to drive economic output, employment, and tax revenues.

ECONOMIC GROWTH

► Increase Provincial Marketing Investment

Destination Ontario leads tourism marketing in the province with a strong record of high performance. Unfortunately, it receives about \$10 million less in annual marketing funding than its B.C., Alberta, and Quebec counterparts. TIAO recommends that Destination Ontario’s annual marketing funding be increased by \$15 million to ensure we can compete with provinces to attract a leading share of domestic, U.S., and overseas visitors, drive spending, mitigate risk, increase tax revenue, and create jobs province-wide.

| Provincial Marketing Organization | 2024-25 Marketing Budget | 2021-22 Marketing Budget | % Increase or Decrease |
|-----------------------------------|--------------------------|--------------------------|------------------------|
| Destination Ontario | \$19.9M | \$21.1M | -6% ▼ |
| Destination B.C. | \$36.1M | \$31.9M | +13% ▲ |
| Travel Alberta | \$33M | \$29.9M | +10% ▲ |
| Quebec Tourism | \$30M | \$31.7M | +5.3% ▲ |

Increasing the budget for Destination Ontario would not only benefit all sectors of tourism but also contribute to increased regional economic development. By attracting more tourists, the province can stimulate growth in various sectors, including hospitality, transportation, and retail, thus enhancing overall economic resilience.

► Support Competitive Event Bids

International and national sport and business events significantly boost Ontario's sports complexes, convention centres, accommodations, food services, attractions, and transportation providers. However, increasing global competition and competitive bid support programs are disadvantaging Ontario destinations.

These events drive off-peak travel, with visitors often extending their trips and spending more than leisure travelers. They also introduce Ontario to future investors and talent, fostering economic development. Ontario attracts one-third of all sport visitors to Canada, generating \$2.5 billion in spending in 2019. Sport hosting assistance is crucial to support events in all communities, not just major cities.

Inflation and rising business costs have increased the expense of marketing and fulfilling competitive event bids, disadvantaging Ontario. Provincial government support during the bidding process and event hosting would improve the likelihood of attracting more business.

We propose a \$20 million annual fund to provide grants, loans or financing to support municipalities and destinations in bidding for and hosting sport and business events. This fund should include mid-size and high-potential markets for new events across the province.

A similar federal program, the International Convention Attraction Fund (ICAF), announced in Budget 2023, supports bids by Canadian cities to host major international conventions. Since its launch in March 2024, ICAF has supported 21 successful bids, with \$7.4 million committed, resulting in \$16.4 million in direct economic impact per \$1 million invested.

A dedicated fund for sport and business events in Ontario will generate economic growth and tax revenue, benefiting hosting communities. Investing in large-scale events will also support youth sports and provide diverse experiences for residents and tourists.

► **Strengthen Municipal Accommodation Tax (MAT) Regulation**

The Municipal Accommodation Tax (Ontario Regulation 435/17: Transient Accommodation Tax) is a tax on short term stays designed to boost Ontario's tourism industry. The funds collected help promote and develop local tourism markets and support local economies through non property tax funding of destination marketing and management organizations and municipalities.

Over 50 municipalities across Ontario have implemented a MAT since the regulation was put in place in late 2017, which has delivered a significant boost to respective local visitor economy growth and municipal revenues. However, the industry has since observed several gaps that can be closed to improve performance. TIAO is recommending the following enhancements to the regulation as a result:

1. **Clarify the Purpose of MAT**
2. **Further Define 'Promotion of Tourism'**
3. **Rate Change Process:** Implement a formal process for rate changes, requiring consultation with tourism entities and accommodation providers.

4. **Consultation on Municipal Funds:** Require local advisory committees, or initiatives consisting of tourism industry stakeholders, be formed to participate in decision making for the use of municipal portions of MAT funds.
5. **Short Term Rental Inclusion:** Ensure all short-term rental operators and platforms collect and remit MAT.
6. **Fair Revenue Sharing:** Ensure tourism entities receive at least 50% of MAT revenues (or the greater sum articulated by Section 4, if destination marketing program was pre-existing), ensuring unique agreements entered into between municipalities and tourism entities are supported.
7. **Reduce Red Tape:** Require municipalities to distribute funds to tourism entities within three months and simplify financial reporting to the provision of an annual report.
8. **Include College and University Accommodations:** Remove the exemption of college and university accommodations to increase funding for tourism.
9. **Maximize Return on Investment:** Ensure MAT funds are used to add to current funding, not replace it.

A detailed list of recommendations can be found in the Appendix, pages 17-23.

► Invest in Indigenous Tourism

Indigenous tourism in Ontario contributed \$622 million to GDP in 2019. With 1 in 3 international visitors and 40% of Canadians interested in Indigenous experiences, this sector offers significant economic and social ROI.

In alignment with Indigenous Tourism Ontario, we recommend extending the Skills Development Fund (SDF) into 2025, with a priority on Indigenous tourism projects to fuel job creation, product development, and economic growth. One third of Indigenous jobs in Canada are location in Ontario.

► Experience Ontario

Many festivals and events—big and small—depend on Experience Ontario funding to deliver premier visitor experiences that drive visitation and spending by highlighting the vibrant culture, food, art, music, heritage, diversity, and attractions that Ontario has to offer.

However, festivals and events have reported challenges with Experience Ontario. These include restrictions around timing and event length necessary for events to be approved; and restrictions in the use of approved funds. Moreover, the short length of the funding cycle makes it difficult for operators to plan for and grow future iterations of their festival or event.

While applicants have reported challenges with the application and notification timelines, which have resulted in events being delayed or cancelled altogether, we acknowledge and appreciate the work of the Ministry of Tourism, Culture and Gaming to improve the timeliness of Experience Ontario. Building on these measures, ensuring approved programming drives inbound tourism and increasing the annual funding by \$10M to a total budget of \$30M annually, we believe Experience Ontario could be better leveraged to support tourism and provide even greater return on provincial investment.

TIAO'S RECOMMENDATIONS: ECONOMIC GROWTH

▶ **Recommendation 1**

Boost Destination Ontario's annual budget by \$15 million to keep up pace with other provinces, enabling competitive domestic and international visitor attraction.

▶ **Recommendation 2**

Create an annual \$20 million fund to support national and/or international sport and business event bids and hosting to help Ontario destinations driving net-new visitation, spending, and tax revenue.

▶ **Recommendation 3**

Close loopholes and maximize MAT implementations to expand local tourism and municipal funding.

▶ **Recommendation 4**

In alignment with Indigenous Tourism Ontario, establish equitable, ongoing annual provincial funding for Indigenous tourism businesses, advancing Truth and Reconciliation through Indigenous economic development.

▶ **Recommendation 5**

Increase Experience Ontario Fund by \$10M, growing the annual budget to \$30M.

WORKFORCE DEVELOPMENT

► International Students

Tourism employs about 1 in 10 Canadians and provides first jobs and foundational skills to approximately 30% of Ontarians.

In late 2024, Immigration, Refugees, and Citizenship Canada (IRCC) announced a list of 966 Canadian academic programs eligible for post-graduation work permits (PGWP) for international students. This list excluded all international students studying at community colleges and those enrolled in public colleges and polytechnics in hospitality, tourism, and culinary programs. This change has significant implications for the tourism and hospitality industries.

While the aim is to tackle labor shortages in specific industries, excluding international students in tourism, hospitality, and culinary programs from the PGWP will likely harm an essential source of skilled workers. This could worsen the difficulties tourism employers face in attracting and retaining talent, further intensifying labor shortages in Canada's visitor economy.

The industry is concerned that these exclusions fail to consider regional economic factors and the specific needs of local employers who depend on skilled international graduates to fill vacant positions. TIAO recommends a system where graduation and work permits are aligned with regional labor market needs, possibly through a quota-based system.

We recommend that tourism programs at public colleges and polytechnics be added to the list of eligible PGWP programs to address these challenges and secure a strong tourism workforce for the future.

Available immigration streams through federal and provincial routes target TEER 0 (management jobs), TEER 1 (professional jobs), and TEER 2 and 3 (technical and skilled trades) in qualifying work experience and job offers. This includes the federal Express Entry pathway and the Ontario Immigrant Nominee Program (OINP).

However, recent tourism and hospitality graduates, even those intending to pursue management careers, often start in entry-level positions in TEER 4 and 5 that do not qualify for permanent residency. TEER 4 includes positions such as hotel front desk clerks, flight attendants, servers, and kitchen helpers—jobs essential to our industry and stepping stones to further career advancement. Consequently, Ontario's tourism

industry loses out annually on a promising pipeline of Ontario-trained international talent, exacerbating longstanding labor challenges.

We recommend amending the Ontario Immigrant Nominee Program (OINP) to include TEER 4 and 5 in qualifying experience and job offers.

Both recommendations will not only support workforce development, but will also help to protect tourism, hospitality, and culinary programs – many of which have experienced significant program cuts across Ontario.

► **Skills Development & Reducing Underemployment**

According to Statistics Canada, in 2024, there were 601,800 unemployed people in Ontario, up from 477,800 in 2023. Job vacancy rates are higher in tourism than in all industries, with 5% in accommodation services and 4.8% in food services. Several occupations have doubled that rate. Market variability must also be considered; for example, rural areas with less opportunity for public transit and housing, or extremely high housing costs, struggle more than markets with more housing and transit availability.

According to the Ontario Tourism Education Corporation, in Ontario, tourism revenues are forecasted to continue to grow to over \$101 billion in 2027. At the same time, employment demand is projected to expand significantly. Projected vacancy rates of 5.9% in 2027 reflect a 26% increase from 2024 projections. Tourism businesses in Ontario report that labor and skills shortages are a key challenge, with problems ranging from difficulty finding qualified staff, local labor shortages, and difficulty retaining reliable employees.

The Skills Development Fund (SDF) continues to be a critical funding source for skills development in Ontario's tourism and hospitality industry. SDF enables the industry to create sector-led training, recruitment, and retention models that address the specific needs of businesses and the workforce. With SDF support, the industry has successfully developed and delivered workforce programming that provides employees with necessary management skillsets, matches prospective employees to available tourism job opportunities, promotes job sustainability, and aims to change the narrative around tourism careers.

However, with evolving challenges affecting employers, SDF could be better leveraged. Multi-year contracts would offer greater continuity and effectiveness in program delivery for workforce development providers, ensuring more time is spent on the actual delivery of key services rather than reapplying for funds.

TIAO recommends collaborating with the tourism sector and employment service agencies to connect underemployed Ontarians with meaningful tourism job opportunities through the SDF and returning SDF funding to multi-year workforce development contracts for strategic, provincial, industry workforce projects that support retention and skills development.

In the SDF5 stream, TIAO put forward an application for an investment of \$1.4M to spearhead a collaborative consortium of tourism industry leaders, including employers, Regional Tourism Organizations, Indigenous Tourism Ontario, Tourism Innovation Lab, Tourism Tech, in addition to workforce development service providers such as HWTC, Tourism HR Canada, and OTEC. The consortium aims to tackle the pressing workforce development and labour market challenges facing Ontario's growing tourism industry. This consortium, comprised of strategic partnerships aims to devise targeted solutions that not only address current labour shortages and skills gaps, but also prepares for future workforce demands in Ontario.

TIAO'S RECOMMENDATIONS: WORKFORCE DEVELOPMENT

▶ **Recommendation 6**

Partner with TIAO to advocate federally for:

- Expanding Post-Graduation Work Permit (PGWP) eligibility to include tourism and hospitality programs and adjusting classification of tourism jobs in National Occupational Classification system to accurately represent occupations with high employment demand in the tourism, culinary, and hospitality fields.
- Streamlining pathways to permanent residency for Ontario trained tourism talent through programs like the Ontario Immigrant Nominee Program (OINP).

▶ **Recommendation 7**

Collaborate with the tourism sector and employment service agencies to connect underemployed Ontarians with meaningful tourism job opportunities through the Skills Development Fund, and more specifically, through funding the SDF5 project application 'Forward Ready Tourism – A Collaborative Solution for Tourism'.

INFRASTRUCTURE INVESTMENT

► Restore Air Service Levels

Tourism continues to face structural challenges that impact the industry's ability to grow and thrive. Ontario needs to invest in and develop the infrastructure necessary to unleash the full potential of our tourism industry. Regional air service is declining due to a combination of federal anti-fatigue and consumer compensation regulations, pilot shortages, and supply chain issues.

As seen in the Airport Management Council of Ontario's pre budget submission, there is currently a lack of permanent funding available for Ontario's airports. The lack of Airport Capital Assistance Program eligibility for airports that do not host regular passenger service coupled with the competition for funding with projects in other sectors – often prioritized over airport infrastructure spending – means that small and regional airports are unable to reliably source other funding opportunities for capital projects. The recommendation is to implement an Ontario Airport Capital Assistance Program for eligible airports to fund approved airport infrastructure projects.

Gaps in regional bus, rail, and air links/infrastructure limit reliable & sustainable transportation options. Pre-pandemic, there were 47 flights per day from Toronto to 5 Northern Ontario airports— decreasing to 15 flights per day currently.

TIAO has been working to stress to government that ample investment and planning must continue to build comprehensive public transit connections within and between communities. These connections, importantly, should facilitate multi model transportation. For example, ensuring that passenger rail and bus stops are accessible by rideshare, or public transit options are available to easily get to airports.

We are also seeing user needs changing – resident and worker groups are increasingly relying on public transit, and visitors to our province are expecting seamless transit to and between destinations. The importance of a collaborative approach to transportation in the province is evident.

► Enhance Ground Transportation Service

Ontario's network of transportation infrastructure and services facilitates travel to, from, and within destinations across the province. However, beyond urban centres and especially in rural and remote regions, mobility between destinations continues to be a challenge, particularly without relying on personal vehicles. As a result, the relative ease and affordability of multi-destination travel in Ontario continues to lag behind our global competitors.

In addition to bus, rail, and our province's network of roads and highways, Ontario's motor coach operators are another essential means in connecting cities, towns, and rural communities across Ontario. Private motor coaches provide critical intercommunity transit and contributed \$333M in tourism spending in 2019. Private motor coach operators provide non-subsidized scheduled bus service into communities, linking both urban and rural Ontario and are called on regularly to provide emergency passenger transportation.

Sustainable travel is a critical component of the future of tourism and we applaud this government's plan to build more electric vehicle (EV) charging stations across Ontario, most recently with the rollout of the EV ChargeON program. With 2 million families traveling by electric vehicle, RV, or boat every year, the current network of EV charging stations is insufficient to meet growing visitor demand—especially in rural Ontario where they are in short supply.

Moreover, with many rural, Northern, and remote regions lying beyond the electrical grid, the current electrical infrastructure will be unable to support the EV charging stations needed in these communities. With the 2035 federal ban on the sale of new gas-powered vehicles approaching, the need is urgent to work with municipalities, Hydro One, and the private sector to extend the electrical grid to rural and Northern regions of the province in order to facilitate the expansion of EV charging infrastructure. We are aware that a key obstacle to expanding rural EV charging infrastructure is the need for more electrical transformers to deliver the electricity that is already available.

Furthermore, while the EV ChargeON program remains an important first step in accelerating the expansion of EV chargers to rural Ontario, future funding rounds are needed to meet demand, with eligibility expanded to include sites geared toward seasonal visitation and which are therefore not accessible to the public year-round (e.g., campgrounds and marinas).

TIAO'S RECOMMENDATIONS: INFRASTRUCTURE INVESTMENT

▶ **Recommendation 8**

Collaborate with tourism stakeholders and federal partners to address declining air service to regional and northern destinations and implement an Ontario Airport Capital Assistance Program.

▶ **Recommendation 9**

Improve accessibility, connectivity, and sustainability by:





- Including private motorcoach operators in transit funding eligibility. Private motor coach operators should be eligible for provincial and federal transit investments and GST/HST fuel rebates.
- Continuing to allocate funding for highway enhancements along the TransCanada Highway (11/17) throughout Northwestern Ontario, including funding for roadside amenities (ex. rest areas, public washrooms).
- Expanding regional and local public transportation.
- Maintaining 2024 funding levels in 2025 (\$63 million) for the EV ChargeOn Program to expand EV charging infrastructure in rural and seasonal destinations, including campgrounds and marinas, to boost capacity and supply. Consider enhancements to the fund to include multi-unit residential buildings in all Ontario markets for demand-side tourism impact.
- Expanding GO train service with all-day, two-way trips between Niagara Falls and Toronto, including stops in St. Catharines, Grimsby, and Lincoln.

About TIAO

The Tourism Industry Association of Ontario (TIAO) is recognized by the government and the industry as the voice of tourism. TIAO works on behalf of its membership, collectively representing tourism businesses and employees across the province, to take on pressing policy issues that impact the Ontario tourism industry. TIAO leads the way in government relations on behalf of the Ontario tourism industry, including tourism businesses and operators, destination marketing organizations, regional tourism organizations, and educators. TIAO is focused on ensuring the political, economic, and regulatory environment allows for the continued exponential growth of the industry.

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Appendix: Overview of Recommended Updates to MAT Regulations

1. **Clarify the Purpose of MAT**
2. **Define “Promotion of Tourism”**
3. **Rate Change Process:** Implement a formal process for rate changes, requiring consultation with tourism entities and accommodation providers.
4. **Consultation On Municipal Funds:** Require local advisory committees, or initiatives consisting of tourism industry stakeholders, be formed to participate in decision making for the use of municipal portions of MAT funds.
5. **Short Term Rental Inclusion:** Ensure all short-term rental operators and platforms collect and remit MAT.
6. **Fair Revenue Sharing:** Ensure tourism entities receive at least 50% of MAT revenues (or the greater sum articulated by Section 4, if destination marketing program was pre-existing), ensuring unique agreements entered into between municipalities and tourism entities are supported.
7. **Reduce Red Tape:** Require municipalities to distribute funds to tourism entities within three months and simplify financial reporting to the provision of an annual report.
8. **Include College and University Accommodations:** Remove the exemption of colleges and university accommodations to increase funding for tourism.
9. **Maximize Return on Investment:** Ensure MAT funds are used to add to current funding, not replace it.

Improving the Municipal Accommodation Tax (MAT) Framework in Ontario

The Municipal Accommodation Tax (MAT) [Ontario Regulation 435/17: Transient Accommodation Tax] is a tax on short-term stays designed to boost Ontario's tourism industry. The funds collected help promote and develop local tourism markets and support local economies through non property tax funding of destination marketing and management organizations and municipalities. By putting visitor dollars back into the local visitor economy, the MAT supports sustainable local tourism development while offering the municipalities a new revenue stream that can be put toward municipal tourism investments.

Approximately 50 municipalities across Ontario have implemented a MAT since the regulation was put in place in late 2017. With 7 years of operations behind us, we have experienced some great learnings and observed several gaps that can be closed to improve performance. Further, given that Ontario's tourism industry is still working hard to surpass 2019 business levels after the pandemic, it is a prudent time to assess the performance of MAT and make relevant regulatory changes to ensure that the MAT can most efficiently and effectively meet its objectives of supporting the growth and development of local visitor economies.

TIAO has been working alongside industry and municipal partners to assess impacts of Ontario Regulation 435/17 since implementation, to identify challenges and opportunities and to advocate for key regulatory enhancements to the MAT to facilitate transparent and collaborative rate change processes, efficient allocation of MAT funds to destination marketing organizations/eligible tourism entities ("tourism entities"), and to eliminate red tape and unfair costs facing accommodators.

The following will outline 9 key recommendations to improve MAT process, efficiency, and results, benefiting municipalities, the tourism industry, and the Province of Ontario:

1

Clarify the Purpose of MAT

- ▶ **Current Issue:** The purpose of MAT isn't clearly defined, which creates confusion among community stakeholders (residents, municipal councils, industry, and visitors) and slows down implementations.
- ▶ **Recommendation:** Amend language to include a detailed 'Program Purpose' statement to clearly outline that MAT funds are for tourism marketing, programs, projects, and product development. The MAT is designed to amplify Ontario's tourism marketing efforts in an increasingly competitive marketplace, while also to provide municipalities with a source of non-property tax revenue.
- ▶ **Benefits:**
 - **Municipalities:** Clear guidelines on fund purpose and usage.
 - **Tourism Industry:** Ensures funds are used effectively to attract and serve more tourists.
 - **Province:** Helps meet objectives of promoting tourism and supporting local

2

Define "Promotion of Tourism"

- ▶ **Current Issue:** The term "promotion of tourism" may be incorrectly interpreted as marketing, promotion, or communications activities only.
- ▶ **Recommendation:** Update language to specify that "development of tourism programs and products" to increase both domestic and international visitors qualifies as an activity under "promotion of tourism" following industry best practices.
- ▶ **Benefits:**
 - **Municipalities:** Better understanding of product development as market development.
 - **Tourism Industry:** More effective use of funds to attract tourists through promotion, product development, marketing, etc.
 - **Province:** Clearer purpose and use of MAT funds, aligned with global industry best practices.

3

Rate Change Process

- ▶ **Current Issue:** Regulation is silent on a process to change MAT rates, which is leading to local rate changes without tourism industry consultation.
- ▶ **Recommendation:** Implement a formal process for rate changes, requiring consultation with tourism entities and accommodation providers by municipal councils to reach mutual agreement.
- ▶ **Benefits:**
 - **Municipalities:** Consistent and fair rate changes, inclusion of market dynamics in decision-making, industry buy-in and alignment.
 - **Tourism Industry:** Consistent and dependable process, opportunity to participate and educate.
 - **Province:** Ensures fairness, consistency, and process dependability.

4

Consultation On Municipal Funds

- ▶ **Current Issue:** Regulation does not provide guidance on how municipal portions of MAT funds are used by municipalities.
- ▶ **Recommendation:** Require local advisory committees, or initiatives consisting of tourism industry stakeholders, be formed to participate in decision making for the use of municipal portions of MAT funds.
- ▶ **Benefits:**
 - **Municipalities:** Clear and accountable use of funds, application of consultation best practices.
 - **Tourism Industry:** Involvement in decision-making processes, improved knowledge of municipal issues.
 - **Province:** Transparent and effective fund management, risk mitigation, ensuring local decision making and alignment.

5

Short-Term Rental Inclusion

- ▶ **Current Issue:** Short-term rentals (STR) may not be collecting and remitting MAT. Regulations for short-term rentals differ widely across municipalities, leading to inconsistencies, enforcement challenges, high local costs, and unintended consequences like reduced local housing stock and unaffordable housing.
- ▶ **Recommendation:** Introduce a measure to ensure consistent provincial STR framework developed for municipalities to ensure all short-term rental operators and platforms collect and remit MAT.
- ▶ **Benefits:**
 - **Municipalities:** Fair competition among accommodation providers.
 - **Tourism Industry:** Equal application of MAT, inclusion of short-term rentals in product development and marketing initiatives.
 - **Province:** Consistent and fair market practices.

6

Fair Revenue Sharing

- ▶ **Current Issue:** The current revenue-sharing formula may not be fair in certain contexts.
- ▶ **Recommendation:** Add an explanatory note to ensure tourism entities receive at least 50% of MAT revenues (or the greater sum articulated by Section 4, if destination marketing program was pre-existing), and to ensure unique agreements above minimum thresholds entered between municipalities and tourism entities are acknowledged and supported.
- ▶ **Benefits:**
 - **Municipalities:** Fair distribution of funds, ability to create local agreements.
 - **Tourism Industry:** Guaranteed fair share of funds for tourism activities, ability to create local agreements.
 - **Province:** Ensures consistent and fair fund allocation, allowing flexibility when municipalities and tourism entities create local agreements.

7 Reduce Red Tape

- ▶ **Current Issue:** Delays in distributing MAT funds and excessive reporting requirements.
- ▶ **Recommendation:** Add an enforcement mechanism (e.g. penalty) that will require municipalities to distribute funds to tourism entities within three months of collection and simplify financial reporting by tourism entity to the provision of an annual report by the tourism entity.
- ▶ **Benefits:**
 - **Municipalities:** Reduced administrative burdens, faster investment into local economy.
 - **Tourism Industry:** Timely use of funds, leverage existing governance and reporting structures.
 - **Province:** Efficient and streamlined processes, faster investment into local economies.

8 Include College and University Accommodations

- ▶ **Current Issue:** College and university accommodations are exempt from MAT.
- ▶ **Recommendation:** Remove this exemption in Section 3 for college and university residences that function as seasonal hotels and short-term accommodations - and not as standard student accommodation - to increase funding for tourism and allow college and university accommodations to benefit from tourism development and marketing.
- ▶ **Benefits:**
 - **Municipalities:** Increased revenue for local tourism investments.
 - **Tourism Industry:** More funds for growth, job creation, and economic boost.
 - **Colleges and Universities:** More opportunity to participate in tourism marketing and product development activities, more revenue growth for schools' accommodation businesses.
 - **Province:** More comprehensive application of MAT, bolstering revenue generation potential for colleges and universities.

9

Maximize Return on Investment

- ▶ **Current Issue:** MAT implementations and new funds might be used to replace existing tourism funding.
- ▶ **Recommendation:** Create a restriction to ensure MAT funds are used to add to current funding, not replace it. This would ensure that the funds collected through the MAT be used exclusively to augment current funding, including from the province.
- ▶ **Benefits:**
 - **Municipalities:** Maximized impact of new MAT funds to increase tourism promotion and infrastructure.
 - **Tourism Industry:** Ensures new funding for tourism projects, and that non-MAT contexts continue to receive equitable funding.
 - **Province:** Ensures new funding will support new local economic development efforts, and that non-MAT contexts continue to receive equitable funding.

Implementation

TIAO recognizes the work required to make amendments and/or develop best practices such as those outlined above. We are fully committed to collaborating and assuming, when applicable, the responsibility for the administrative work required.

TIAO would be pleased to assist with coordinating necessary communication with stakeholders, preparing reports, facilitating public outreach, and assisting with drafting as needed to guarantee smooth execution.

We understand there will also be implications involved with enforcement of these changes and would be pleased to discuss assisting with training sessions and monitoring as required.

By taking on this critical responsibility, we aim to overcome barriers and ensure the success of this initiative. We ask for your endorsement and support of these recommendations.

Thank you for your consideration.