



Honourable Colin Hansen
Minister of Finance, Government of British Columbia
Room 153
Parliament Buildings
Victoria, BC V8V 1X4

October 20, 2009

Re: Harmonized Sales Tax (HST) Impacts on the BC Tourism Industry

Dear Minister Hansen,

As follow-up to our earlier meetings and correspondence on this matter, I would like to present to you a report entitled "The Impact of Sales Tax Harmonization on the British Columbia Tourism Industry," dated October 19, 2009. The report assesses a wide variety of implications for the B.C. tourism industry resulting from the introduction of the Harmonized Sales Tax (HST) on July 1, 2010.

We request a meeting with you at your earliest convenience to discuss COTA's analysis, potential mitigation options, and to establish a process to meet the needs of our sector and government on this matter going forward.

Some of the findings of the report include:

- The average price structure impact (increase) of HST on tourism businesses is estimated to be 4.66%.
- The resulting net taxation increase for the tourism industry is expected to be approximately \$363 million, which should result in a visitor spending decrease of roughly \$363 million to \$545 million (depending on consumer responses).
- Tourism-derived tax revenues for all levels of government are expected to decline between \$105 million to \$157 million due to HST.
- Tourism-related job losses would be in the range of 3,400 - 5,200 direct jobs and 7,000 - 10,500 total jobs (direct and indirect).
- B.C.'s massive short-haul / domestic travel market will be most significantly impacted due to HST, and this will have a disproportionate impact on rural tourism development opportunities.

COTA was challenged to finalize this report under such a tight decision-making timeframe and at a time when we are grappling with so many dramatic changes to the overall tourism system. We are struggling with the redesign of our entire tourism marketing system, addressing the impacts of the recession, responding to new travel rules for the U.S. border and for Mexican nationals, and are planning for the upcoming Olympic and Paralympic Games. And despite repeated requests, COTA has not yet received any figures from the federal or provincial governments regarding HST impacts on our sector.

Accordingly, the report's findings should be used as rough estimates that can assist all interested parties in better understanding the implications of HST for tourism.

COTA Recommendations on HST Mitigation

The COTA Council has given COTA the authorization to bring forward recommendations relating to mitigation measures that the provincial government can take to lessen the burden of HST on the tourism industry. These recommendations are itemized in the report, and include:

1. Establish Income Tax Credits for labour for tourism-related businesses, at least for a three-year HST transition period (FY 2010, 2011, 2012). This could be modelled on effective programs already in place in B.C. and other jurisdictions.
2. Eliminate the \$10 million revenue cap limit for ITC eligibility for tourism-related businesses.
3. Work with Ottawa to ensure that the Foreign Convention and Tour Incentive Program (FCTIP) makes eligible the full twelve (12) per cent HST for foreign visitor rebates, re-introduce rebates for individuals, and streamline the application process with a particular emphasis on re-enabling point-of-sale rebates.
4. Provide rebates or exemptions for tourism services provided after July 1, 2010 and for which PST was not charged, if the contract was signed before October 14, 2009 (the HST Transitional Rules announcement date).
5. Ensure the provincial marketing system (provincial, regional, and community) retains the following properties:
 - a. Funding is predictable and performance-based, preferably as a fixed percentage of industry-derived revenues.
 - b. Funding levels remain at least on par with those in existence prior to the announcement of HST.
 - c. Marketing agencies at all three levels should continue to maximize their effectiveness and accountability by observing industry-led professional standards and governance best practices.

We have reviewed the transitional rules for HST on the government website, and hope that final HST decisions have not yet been established, as the provincial government has not yet completed its HST/budget consultations.

We look forward to continuing our productive working relationship established with the provincial government over the past several years, and hope that we can turn the HST into a positive news story for our sector at this exceptionally challenging time.

Sincerely,



Jim Storie, Chair
Council of Tourism Associations

Cc: Members of the COTA Council
Honourable Gordon Campbell, Premier of British Columbia
Honourable Kevin Krueger, B.C. Minister of Tourism, Culture and the Arts
Honourable Diane Ablonczy, Secretary of State for Small Business and Tourism
Jock Finlayson, Executive Vice President, Business Council of BC
John Winter, President and CEO, BC Chamber of Commerce
Randy Williams, President and CEO, Tourism Industry Association of Canada
Bill Allen, President and CEO, Tourism Industry Association of Ontario