ONTARIO TOURISM INVESTMENT ATTRACTION RESEARCH STUDY

February 2009

ISBN 978-1-4249-8930-0 (PDF)

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1. Introduction

1.1 Background

Ontario is transitioning from a manufacturing centre to a service-based economy. Tourism is becoming an increasingly important component of the economic development of the province and many of its communities. In the spring of 2008, the Government of Ontario initiated a process to establish a clearer path for tourism in the province. Dubbed the Ontario Tourism Competitiveness Study ("the Study") and led by former Minister of Finance Greg Sorbara, the Study has three objectives, specifically:

- To engage Ontario as a whole — not just the tourism industry — in a process to consider the future of tourism [in Ontario].
- To raise the tourism industry's profile and create a platform for new initiatives.
- To deliver a focused agenda — for the public and private sectors — to support the growth and long-term viability of tourism in Ontario as an important element of [Ontario's] economic development.

As support to the Sorbara study, the Ministry of Tourism engaged several consulting firms to produce background papers on different aspect of tourism in Ontario. HLT Advisory and the Tourism Company have been engaged to prepare a study on investment attraction related specifically to tourism.

1.2 Objectives of the Study

The objectives of the Ontario Tourism Investment Attraction Research Study are to:

- Identify trends affecting the tourism investment climate within Ontario, Canada and North America.
- Analyze best practices in attracting tourism investment as evidenced in other jurisdictions.
- Assess Ontario's performance and potential with respect to identified best practices.
- Provide clarity around the decision-making process employed by tourism investors of all sizes.
- Identify barriers to tourism investment in Ontario, including identification of mitigating strategies with respect to such barriers.
- Analyze key sources of tourism investment both domestically and internationally.
- Identify domestic and international conferences and events that Ontario should consider as opportunities to attract tourism investment.
- Recommend methods to realize tourism growth opportunities.

The Ministry's objective is to better understand private sector tourism investment strategies, support Ontario government decision-making and to sustain competitiveness and growth in the province's tourism industry.

1.3 WHY THE FOCUS ON INCREASING INVESTMENT?

Attracting private sector investment into the tourism industry is a challenge in a great many jurisdictions. The Ministry of Tourism (the "Ministry") conducted a Tourism Investment Climate Study in 2001. The study included an analysis of the tourism investment climate in the province by sector and identified factors affecting investment decisions, assessed Ontario's strengths in attracting tourism investment and analysed trends in tourism and provided recommendations for the government to support tourism investment in the province.

Since the release of the 2001 study, the tourism industry in Ontario has encountered many challenges including rising energy costs, currency exchange issues, increased border security and changing demographics and consumer trends. These challenges have caused a shift in visitation from traditional markets, notably the United States.

Continual reinvestment in tourism is necessary because:

- Being recognized as an attractive and desirable tourism destination is a catalyst for economic and social development – leads to larger market, better accessibility, strong image, increased availability of qualified staff and enhanced quality of living.
- Tourism is a consumer good and, like all consumer goods, reinvention and repackaging is necessary to remain relevant and interesting to customers.
- The status quo in tourism is not an option – the industry and the product has to continue to evolve and develop.
- The implied goal of growing the number of visitors to Ontario will require additional capacity in lodging, attraction, recreation and related tourism infrastructure.
- Employment generation.
- Global competition has resulted in the creation of new or reinvention of dated tourism destinations, placing greater pressure on Ontario to remain relevant and interesting to potential visitors.

Ultimately, reinvestment in tourism minimizes risk for existing investors and contributes to a more tourism-friendly environment.

1.4 UNDERLYING ASSUMPTIONS AND DEFINITIONS

In completing this assignment, the consultants made several initial assumptions in an attempt to clarify study objectives and focus, specifically:

- Market-based investment—The Study focuses on commercially-viable investments in Ontario's tourism industry. While this does not preclude public sector or other assistance that might be provided to catalyze a given investment opportunity, the focus has not been on tourism products, activities or services that require ongoing financial support.
- An Ontario focus—The Study focuses on investment attraction at a provincial level. Directions and actions at a regional or municipal level are addressed but the overall focus has been provincial.

- The Pareto principle (the 80:20 rule)—The Study is focused on that 20% of activity, direction and action that will have an impact on driving the remaining 80%. In other words, the primary focus has been on what active role can be applied to the 20% with a more passive role on the remaining smaller, less impactful (on an individual basis) 80%.

2. The Tourism Investment Environment

This chapter outlines some high-level trends affecting tourism investment on a global and local basis as well as summarizing current investment activity in Ontario's tourism industry.

2.1 TRENDS AFFECTING TOURISM INVESTMENT

Increasingly sophisticated travelers

As fast as the volume of international travel expands demand for more sophisticated travel experiences is growing still faster. Experienced travellers are increasingly looking for higher quality, more unique experiences and services. This applies to all aspects of the travel experience from accommodation to attractions to transportation services.

Outbound travellers from emerging countries

The number of affluent potential travellers in countries such as China and India, as well as select Eastern European, Gulf States, Australia, Korea and South American markets, are offering new opportunities and new challenges. These nascent markets will play an increasingly important role in international travel over the next two decades, due to the huge populations in these countries and growing affluence in others. Each market has its own unique product and service needs and expectations.

New tourism destinations/competition for both visitors and investment dollars

Rising economies and new outbound travellers have seen new tourism destinations created seemingly overnight. The best current example is the Middle East. In Dubai alone some 32,000 hotel rooms, most within the 4 and 5 star category, have been developed in the last few years with a further 80,000 new hotel rooms in the development pipeline over the next 5 years.[1] By comparison, greater Toronto has about 33,000 hotel rooms. In the mid 1960's Dubai was a poor desert land–today it is one of the world's fastest growing tourism destinations.

Globalization and growth in FDI (Foreign Direct Investment)

The US real estate market has recently experienced a surge in equity investment from Asian and the Middle Eastern sovereign funds. Large real estate and tourism development companies in the Middle East are now looking to opportunities outside the Muslim world. Several have been active in developing countries (e.g., Morocco, Cuba) with mixed-use resort/tourism projects among the most attractive development opportunities. Recently, several of these entities have made direct investments in first world tourism and real estate product such as Dubai World's investment in MGM's City Center project (Las Vegas) and EMAAR, one of Dubai's largest developers, opening a project office in Vancouver.

[1] *Government of Dubai Department of Tourism and Commerce Markeing.*

Events used as a destination draw

Special events, festivals and major business events can be categorized as attractions, drawing visitors on a short-term basis. Events can often provide a degree of urgency to draw visitors to a destination and also have the power to create media attention and exposure. Many jurisdictions are realizing the potential in developing major tourism events around historic milestones like centennials/bicentennials to grow tourism awareness and visitation. Destinations are becoming increasingly sophisticated in the way they strategically use events to grow tourism and in turn attract and stimulate new private sector investment.

Arts and culture used as a destination draw

Increasingly cultural activities and facilities such as performing arts centres, museums or art in the built environment are recognized as strong anchors for mixed-use developments helping to provide identity and prestigious image that money cannot buy. Some of the techniques being used in other jurisdictions to stimulate private sector investment include renovation of old buildings for adaptive reuse, instituting percent for arts programs, implementing tax incentives, building in below market rent for artists, creating special zoning changes and ensuring building codes allow for work/live space for artists.

Recreational real estate shared ownership products

New variations of shared ownership of recreational real estate such as fractional, condo/strata hotels, private residence clubs and non-equity clubs have joined the standard timeshare offerings. These products have had the effect of increasing the financial viability of mixed-use resorts (thereby creating opportunities for more destination commercial lodging) as well as the potential for limiting general leisure travel to alternate destinations. As a result of the ownership model, these products typically operate at higher occupancy levels than traditional hotels and resorts providing animation in the area that is often attractive to other tourists.

Sustainable tourism and greening the industry

Climate change is one of the most important long-term issues facing the tourism industry as witnessed by the impact on tourism seasons (i.e. shorter snow seasons) and travellers buying behaviour (i.e. seeking more sustainable travel solutions and destinations). The demand for ecotourism or sustainable tourism opportunities is likely to continue to increase as will the impact of the rising cost of gas (and related emission taxes), undoubtedly changing travel patterns.

New products and experiences

The accommodation sector continues to further segment with such concepts as mega resorts, boutique hotels, shariah compliant hotels, ecolodges, all-suite hotels, limited-service and extended stay properties. The choice of accommodation broadens the market for the tourism experience by meeting a wider range of traveller needs, preferences and price points. New attractions are being designed to provide greater participant control and encourage interplay between the visitor and his/her environment. Advances in technology have allowed attractions designers to realistically duplicate virtually any natural or special effects experience. A greater use of water related activities, attractions and landscaping is occurring in theme park design as well as in nearly all forms of real estate development. Design for all-weather operation/artificial environments - designed with a greater degree of weather protection in order to enable a longer operating season and longer operating hours per day. Future designs will incorporate indoor/outdoor combinations using new technology structures, domed enclosures and moveable walls. In the future they will play an increasing educational function to introduce, interpret and educate visitors to the local environment and to the host community and its values.

Weak tourism performance/increased investor risk

A particularly dramatic trend occurring in Ontario is the continuing decline in US visitation – both by air and auto. A variety of factors such as the increased value of the dollar, border issues, high gas prices, increased global competition and perhaps a sentiment of 'been there done that' is negatively affecting US visitation to Canada, and yet the US market is traveling in record numbers across the Atlantic to Europe.

Implications for Ontario tourism investment attraction

Given these trends, Ontario needs to ensure:

- An environment that encourages aggressive pursuit of new tourism investment to stay in tune with changing market needs and expectations, as the market mix and type of traveller evolves;

- Constantly refreshment of the tourism offerings in the province to both expand market appeal and to continue to appeal to repeat markets;

- More creativity in attracting tourism investment to Ontario;

- The right tools are in place to promote Ontario's competitive advantages; and

- Effective and consistent destination marketing, an essential ingredient integral to future investment attraction.

The status quo is not an option. Continued improvement is essential to the medium- and long-term growth of tourism in Ontario.

2.2 TOURISM INVESTMENT GROWTH IN ONTARIO

The 2001 Investment Climate Study contained an analysis of investment levels in Ontario tourism based on Statistics Canada data. The Tourism Industry was defined to include two industries as per the North American Industrial Classification System ("NAICS) - NAICS 71 "Arts, Entertainment and Recreation" and NAICS 72 "Accommodation and Food Services". The definition of tourism is much broader than these two NAICS industries, however, taken in aggregate they provide an approximation of investment and indicate year-over-year trend lines.

Using these two industries, the 2001 Investment Climate Study compared capital investment in Ontario to that experienced in other provinces and in Canada as a whole. Total public and private-sector capital investment projected for Ontario in 2001 was $823.3 million or 40% of the $2.04 billion projected for Canada.[2]

Statistics Canada has changed the methodology used to collect capital investment data since the 2001 Investment Climate Study. As a result, reconciling previous data to current data is not possible. Instead, Exhibit 1 contains a summary of private and public investment (excluding repairs) for the 1991-2008 period for both, the Arts, Entertainment and Recreation Industry and the Accommodation and Food Service Industry.

Exhibit 1
Total Capital Expenditure in Tourism Industry

	Arts, Entertainment & Recreation			Accommodation & Food Services			Total Tourism*		
	Canada ($Million)	Ontario ($Million)	ON as % of Total CND	Canada ($Million)	Ontario ($Million)	ON as % of Total CND	Canada ($Million)	Ontario ($Million)	ON as % of Total CND
1991	$344.4	$173.9	50.5%	$1,712.2	$947.4	55.3%	$2,056.6	$1,121.3	54.5%
1992	$365.4	$151.3	41.4%	$1,334.4	$750.0	56.2%	$1,699.8	$901.3	53.0%
1993	$511.5	$185.7	36.3%	$1,293.2	$677.0	52.4%	$1,804.7	$862.7	47.8%
1994	$703.3	$285.5	40.6%	$1,313.8	$568.8	43.3%	$2,017.1	$854.3	42.4%
1995	$772.5	$259.4	33.6%	$930.2	$290.3	31.2%	$1,702.7	$549.7	32.3%
1996	$898.6	$513.3	57.1%	$1,037.7	$304.8	29.4%	$1,936.3	$818.1	42.3%
1997	$907.1	$618.1	68.1%	$1,297.5	$383.4	29.5%	$2,204.6	$1,001.5	45.4%
1998	$850.4	$346.5	40.7%	$1,783.2	$518.8	29.1%	$2,633.6	$865.3	32.9%
1999	$1,083.3	$463.8	42.8%	$1,482.3	$449.4	30.3%	$2,565.6	$913.2	35.6%
2000	$1,103.2	$512.9	46.5%	$1,357.5	$400.9	29.5%	$2,460.7	$913.8	37.1%
2001	$1,141.1	$486.8	42.7%	$1,420.1	$444.8	31.3%	$2,561.2	$931.6	36.4%
2002	$1,282.6	$504.3	39.3%	$1,836.4	$603.0	32.8%	$3,119.0	$1,107.3	35.5%
2003	$1,473.7	$616.2	41.8%	$2,141.2	$717.3	33.5%	$3,614.9	$1,333.5	36.9%
2004	$1,650.0	$838.2	50.8%	$2,359.7	$798.1	33.8%	$4,009.7	$1,636.3	40.8%
2005	$1,395.1	$652.3	46.8%	$2,640.2	$853.9	32.3%	$4,035.3	$1,506.2	37.3%
2006	$1,487.9	$642.7	43.2%	$2,604.1	$891.8	34.2%	$4,092.0	$1,534.5	37.5%
2007	$2,046.4	$780.9	38.2%	$2,699.5	$865.6	32.1%	$4,745.9	$1,646.5	34.7%
2008	$1,681.6	$632.5	37.6%	$2,657.1	$857.8	32.3%	$4,338.7	$1,490.3	34.3%

** The Arts, Entertainment & Recreation and the Accommodation & Food Services NAICS categories have been used as a proxy to define "tourism" for the purposes of this example.*

Source: Statistics Canada, Statistics Canada. Table 029-0005 - Capital and repair expenditures, by sector and province.

Note: Most recent 2 years of data are preliminary actuals and intentions.

Based on this data, Ontario's share of Canada's total tourism investment has declined from 55% in 1991 to 35% in 2008. Overall, tourism investment in Ontario grew by 1.7% per year between 1991 and 2008 compared to 4.5% in Canada (based on compound annual growth rates).

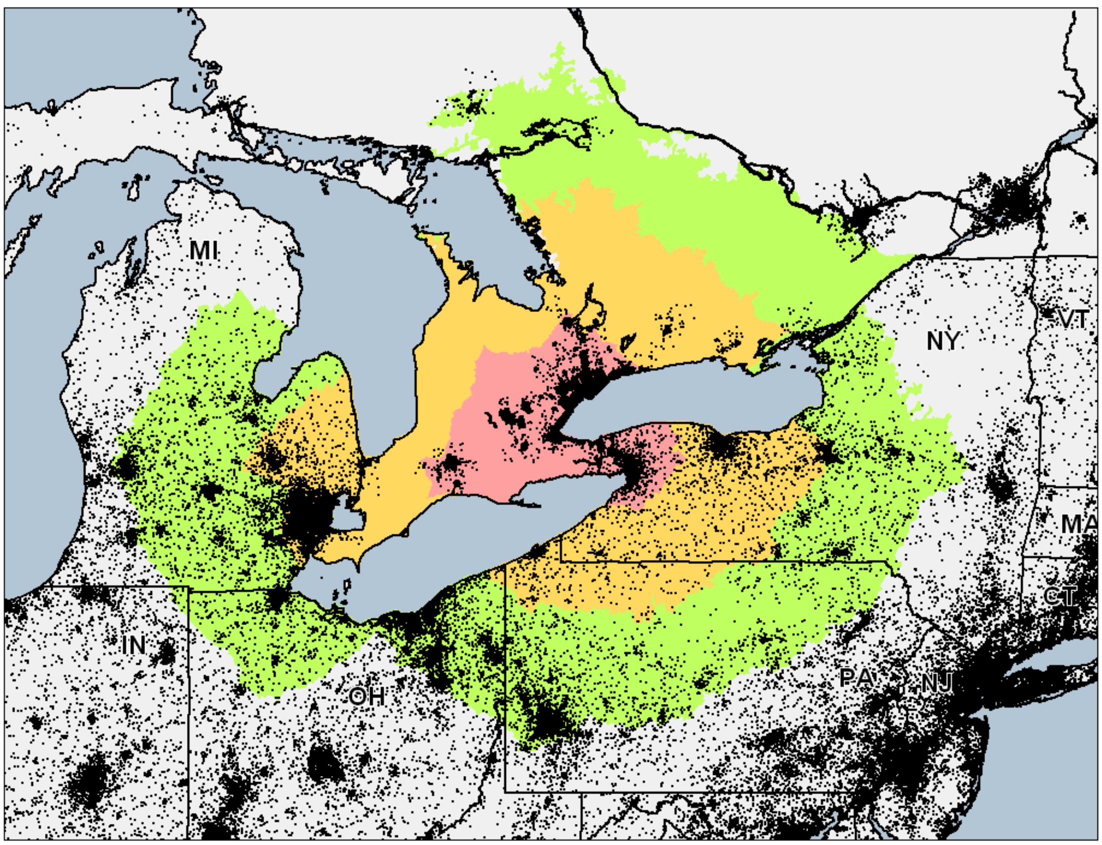
[2] *GGA Management Consultants and Economics Research Associates, "Ontario Tourism Investment Climate Study", December 2001 (based on Statistics Canada data)*

2.3 CONCENTRATION OF TOURISM ACTIVITY IN ONTARIO

Statistics Canada does not provide a breakdown of investment by smaller geographic areas within individual provinces. Consideration of some key market characteristics, however, provides an indication of tourism investment concentration across the province.

Population

Resident population is a key determinant of tourism market potential given the cross over of resident and tourist demand for many tourism products. Population concentrations in southwest Ontario and the north-eastern United States make this an attractive location for a variety of tourism products (including all manner of leisure, entertainment and recreation). Within a two hour's drive time from Toronto's Pearson airport, for example, there are about 8.3 million people.[3]



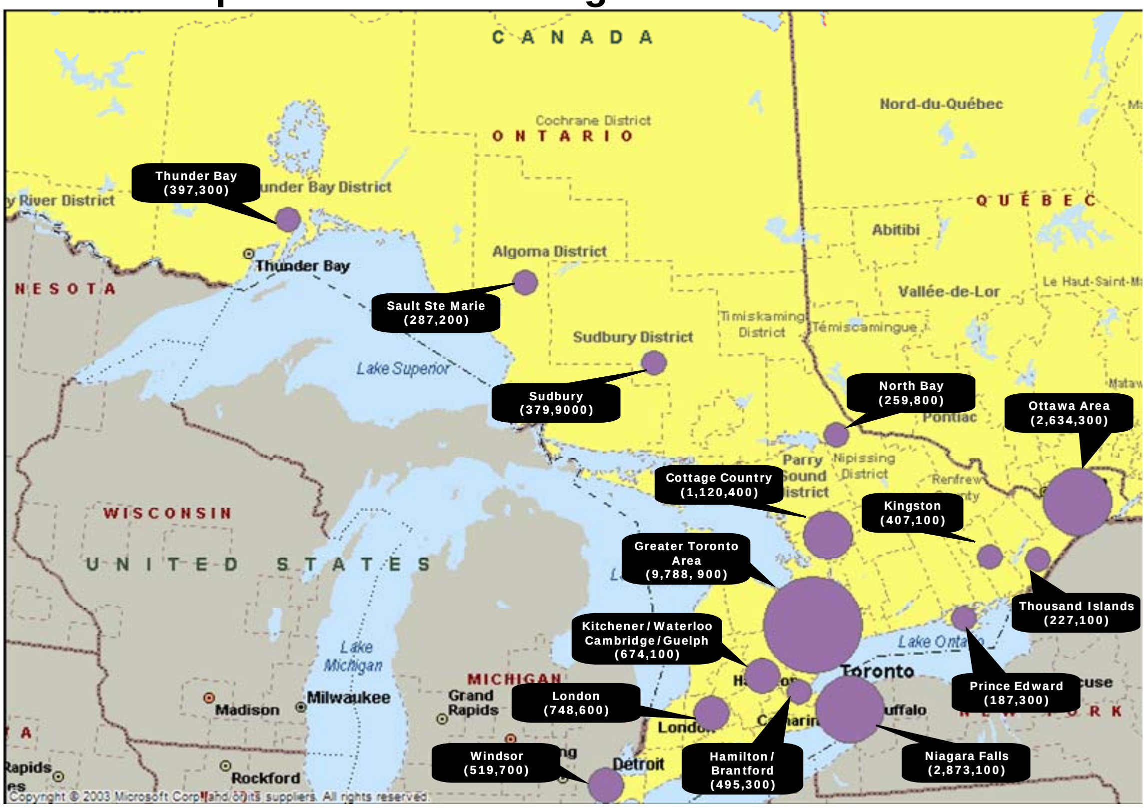
Hotel room nights occupied ("RNO")

RNO reflect not only the supply of hotels and hotel rooms in a given marketplace, but also the occupancy levels of these rooms. Annual RNO are calculated by multiplying total rooms time the occupancy rate (i.e., the percentage of room occupied on any given night) times 365 days.

[3] *Mapinfo estimates based on Statistics Canada data.*

In 2007, Ontario markets generated an estimated 25.7 million RNO.[4] Of these, 9.8 million RNO or 38.1% were generated in the greater Toronto area, an additional 2.9 million (or 11.2%) in Niagara Falls, 2.6 million (10.3%) in Ottawa and a further 1.1 million (4.4%) in Cottage Country (Muskoka, South Georgian Bay, Haliburton). Clearly, a high concentration of tourist activity (about 64.0% based on RNO) occurs in a small number of major destinations.

Occupied Hotel Room Nights in Ontario Markets



Source: HLT Advisory Inc. based on data from PKF Consulting and Mapinfo.

Enplaned/Deplaned Traffic at Major Airports

Another measure of tourist activity is airport arrivals and departures. Recognizing that airport traffic includes outbound residents of the host community as well as tourists, air traffic (particularly international and transborder) is a good indication of visitor volume. In 2006, airports in Toronto, Ottawa and Hamilton generated 33.6 million enplanements and deplanements. Of these, 16.2 million (48.2%) were generated by Canadians, 28.3% from transborder or United States residents and the remaining 23.5% from international visitors. Toronto's Pearson airport realized 92.6% of the transborder and 96.4% of all Ontario international passengers.[5]

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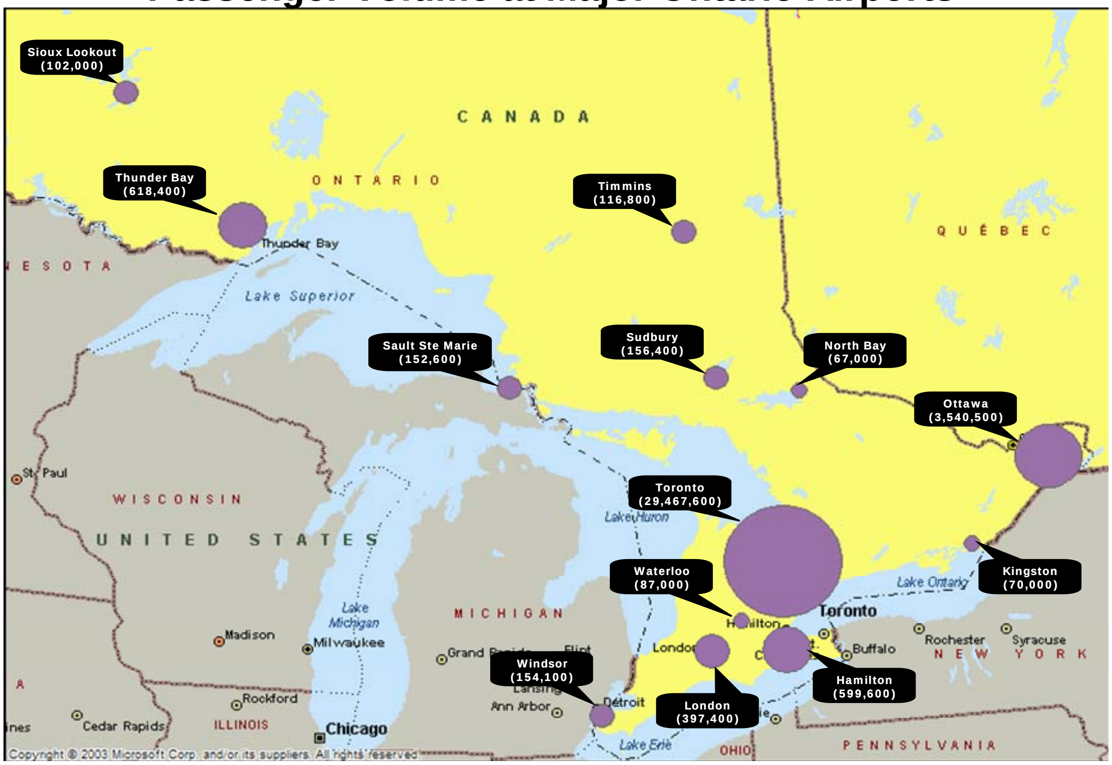
[4] *Market occupancies identified by PKF Consulting. Available rooms identified using HLT Advisory Inc.'s database of Canadian hotels with 30 rooms or more. These markets are estimated to represent over 80% of the supply of hotels in the province.*

[5] *HLT Advisory Inc. analysis based on information from Statistics Canada "Air Carrier Traffic at Canadian Airports – 2006" and airport websites.*

Passenger Volume at Major Ontario Airports



Source: HLT Advisory Inc. based on information from Statistics Canada, Air Carrier Traffic at Canadian Airports – 2006 (Catalogue no. 51-203-X) and airport websites.

3. Investment Attraction: The Ontario Approach

This chapter outlines the key entities involved in investment attraction to Ontario as well as the current status of past investment attraction initiatives according to interviews with staff, research collected, etc.

3.1 ONTARIO GOVERNMENT INVESTMENT ATTRACTION ENTITIES

Numerous entities are involved in a range of activities designed to attract investment to Ontario. The Ministries most actively involved in investment promotion include:

- Tourism (Investment Development Office)
- International Trade and Investment
- Economic Development
- Northern Development and Mines
- Agriculture Food and Rural Affairs

A brief description of each Ministry's role follows.

<u>Ministry of Tourism</u>

The objective of the Investment Development Office (IDO) of the Ministry of Tourism is to support destination development and investment in Ontario's tourism industry. IDO interacts directly with stakeholders in potential tourism investments including:

- Investors—IDO assists investors by organizing familiarization trips to Ontario, providing contacts with potential partners and providing information on tourism sectors and geographies of interest;
- Municipalities—IDO assists Municipalities by identifying business investment opportunities, providing information to support business case analyses, promoting individual investment cases; and
- Existing tourism operators looking to grow or expand—IDO provides assistance in identifying new markets, helps with data collection and analysis, reviews business and marketing plans and provides assistance in accessing government programs.

The Director of the IDO reports to the Assistant Deputy Minister of Tourism.

IDO has one senior development consultant whose primary function is to actively identify potential investors and investment opportunities. IDO does not have investment targets (either by quantum or nature of investment).

Tourism specific incentives have been available to encourage investment including:

- Tourism Development Fund—Accessible for projects that support destination development, support best practices and demonstration projects, enhance the competitiveness of strategic products and experiences and/or support recommendations from the Premier Ranked process.

- Sports, Culture and Tourism Partnerships Initiative—This initiative was launched in December 2000 to invest in sports, culture and tourism infrastructure through renewing, enhancing and improving municipally-owned or endorsed local sport, recreation, culture and tourism facilities, and major cultural and tourist attractions owned by provincial or not-for-profit organizations. The initiative supported several expansion/renovation projects, many in public-sector venues, but is no longer accepting new applications.

In addition to these services, IDO attempts to raise the profile of tourism in the province as well as managing sector/product-specific initiatives (e.g., festivals and events, culinary tourism).

<u>Ministry of Economic Development/Ministry of International Trade and Investment</u>

Recently the Ministry of Economic Development and Trade (MEDT) was separated into two Ministries: Economic Development (MED) and International Trade and Investment (MITI). MEDT consisted of three divisions: Corporate Service, Industry, and Investment and Trade.

The goals of MEDT were/are to build a strong economy for all Ontarians by:

- Helping Ontario businesses innovate and compete.

- Attracting new growth and investment to the province.

- Supporting Ontario businesses expanding their exports.

The Investment and Trade Division, now MITI, consists of five branches:

- Investment—focused on attracting businesses in key industry sectors (currently manufacturing and science and technology) to Ontario. The Investment Branch also includes business immigration, which provides services to business immigrants prior to and after arriving in Ontario.

- International Trade—focused on attracting investments from key international geographic markets.

- Marketing—responsible for all marketing and public relations efforts of the Ministry.

- Representation and Research—Representation has in market consultants in ten international markets (located in Canadian Embassies) responsible for attracting investment to Ontario. Research is responsible for coordinating the efforts to identify key industries and markets to target for investment attraction. An annual review process considers input from Ministry Consultants as well as research (Global 500 companies, total FDI by a country, countries currently investing in Ontario, etc.).

- Ontario Investment and Trade Centre—facilitates collaboration between MED and MITI and other ministries for the purpose of attracting investment. Potential investors often have to deal with several Ministries to start up and operate a business. The Investment and Trade Centre provides support to investors (and the government champion – often from another Ministry) in identifying contacts to facilitate the approval process.

Priority Projects are identified for collaborative support by the Ontario Investment and Trade Centre. These projects must generate significant economic impact and be approved by a Board with representatives from 19 Ministries. Once projects are approved, Board members self-nominate themselves to be on the project team. For example, the Woodbine Live project was identified as a priority project whose project team includes representation from the Ministries of Tourism, Public Infrastructure and Renewal (gaming) and Transportation.

The Ontario Investment and Trade Centre has been operating for less than two years. Ongoing considerations include identifying a framework to escalate issues for Priority Projects to the Assistant Deputy Minister level for prompt action.

Examples of provincial incentives available to encourage investment include:

- The Eastern Ontario Development Fund—This program assists projects working to secure investment, enhance investment attraction and lead to job creation. It is available in eastern Ontario providing 15% of project expenses for new technologies, new equipment, or skills training for employees that will drive the competitiveness or help your company grow. The Eastern Ontario Development Fund can also invest up to 50% for economic development projects valued at $100,000 or more.

- Next Generation of Jobs Fund—This program assists companies to grow and create well-paying sustainable jobs for highly-skilled workers. The program will make $1.15 billion available to companies who create knowledge-based jobs.

<u>Ministry of Northern Development and Mines</u>

The Ministry of Northern Development and Mines (MNDM) serves the northern Ontario region and the province's minerals industry. MNDM delivers provincial government programs and services and also represents northern and mining interests at Queen's Park. The Northern Development Division has a responsibility to promote economic growth and attract investment to the northern part of the province.

Incentive programs available to attract investment to the north include:

- Business Support Program—provides financial support to new and expanding businesses in Northern Ontario through a variety of programs:

    - Advanced Manufacturing Investment Strategy—provides loans (interest free for up to five years) for investments in leading-edge technologies and processes.

    - Grow Bonds Program—this program had two components: the sale of bonds and a loan program available for new and existing business. Small and medium businesses controlled by Northern Ontario residents are eligible for loans for capital investments of $125,000 to $1 million (50% of the capital costs).

- The Northern Ontario Heritage Fund provides support to Northern Ontario businesses to assist with the creation of new jobs through a variety of programs including:

    - Enterprises North Program—provides financial support to new and existing businesses from targeted industry sectors (not including tourism) to create jobs in the north. Eligible expenditures include capital costs related to the establishment or expansion of a business, leasehold improvements, purchase of equipment (new or used) and intellectual capital.

    - Northern Ontario Young Entrepreneur Program—grants of up to $25,000 available to young (18 to 29 years old) residents of Northern Ontario starting a new business.

<u>Other Ontario Ministries with responsibility for attracting investment</u>

Other Ontario Ministries and Government Agencies have mandates that include a responsibility and/or initiatives designed for attracting investment. These include:

- Ministry of Agriculture, Food and Rural Affairs—offer a variety of financial and tax incentives to agriculture, agrifood and food processing businesses to invest in Ontario.

- Ministry of the Environment—the Green Industry Office has a mandate (with a variety of incentives available to support the mandate) that includes assisting current businesses in environmental initiatives as well as attracting investment by companies developing environmentally-friendly technologies.

- Ministry of Culture—has established the Cultural Attractions Fund to assist not-for-profit cultural and heritage organizations in creating new ventures. Partially non-repayable loans are available for start up capital as well as for marketing and promotional costs for new attractions or events.

- Ministry of Research and Innovation—has established the Innovation Demonstration Fund to support businesses in developing and commercializing emerging technologies through financial assistance of $100,000 to $4 million per project.

- Ontario Media Development Corporation—offers a variety of programs designed to assist entrepreneurs from the book and magazine publishing, film and television production, sound recording and interactive digital media industries in expansion initiatives.

3.2 Other Investment Attraction Entities Active in Ontario

In addition to Ontario Ministries and Agencies, several other investment attraction agencies are active within the province.

<u>FEDNOR</u>

FedNor is a federal regional development organization whose mandate includes economic and business development in Northern Ontario. The organization provides financial support to Northern Ontario communities to develop economic development strategies. FedNor also implements recovery or diversification strategies for communities affected by downturns in the local economy.

FedNor works with public sector partners to provide financial assistance to Northern Ontario businesses that may not be able to secure financing through traditional commercial lenders. The Organization further stimulates investment in high-risk enterprises by providing capital to community-based investment funds. FedNor has implemented a Trade and Tourism Program that provides financial support to the tourism industry for a variety of diverse initiatives including infrastructure development, marketing, product development and training and education.

FedNor assists small and medium-size enterprises in the North by working through a wide range of partners that provide financial assistance to Northern Ontario businesses that may not have the conventional means to finance. FedNor also stimulates investment in higher-risk enterprises by providing capital to community-based investment funds. Specific initiatives include the Eastern Ontario Development Fund. This fund, delivered through Community Futures Development Corporations (CFDCs) assists in economic renewal in five priority areas in Eastern Ontario: business and community development, skills development, access to capital, retention of youth and technological advancements.

Aboriginal Business Canada

Aboriginal Business Canada is an initiative of Indian and Northern Affairs Canada, which has a mandate to support both Canada's original and northern peoples through social and economic development programs. Aboriginal Business Canada supports First Nations members' participation in the economy by providing support to entrepreneurs. Initiatives include financial assistance, business counselling as well as referrals to other sources of financial and business support.

Regional marketing alliances

Several regional marketing alliances have been created to focus on investment attraction at a more local level. Examples of these include the Greater Toronto Marketing Alliance and Canada's Technology Triangle (covering the Cambridge/Kitchener/Waterloo area primarily). None of these entities has a primary (and in some cases none whatsoever) focus on tourism although each is dedicated to attracting investment to their respective jurisdictions.

Municipal/regional economic development offices and chambers of commerce

At the municipal level a range of chambers of commerce, business improvement areas and municipal government economic development/investment attraction offices are also active in a range of promotion activities that may include investment attraction. The importance placed on tourism varies based on the degree to which tourism plays a role in local economic activity. Municipalities such as Niagara Falls concentrate economic and investment development activities on tourism while many others place much less importance on the tourism sector.

3.3 PAST ANALYSIS OF INVESTMENT CLIMATE

In 2001 the (then) Ontario Ministry of Tourism, Culture and Recreation, shortly after creation of the Investment Development Office, commissioned a study on the tourism investment climate in Ontario (*Ontario Tourism Investment Climate Study*, GGA Management Consultants with Economics Research Associates, December 2001 referred to hereafter as the "2001 Investment Climate Study"). The primary objectives were to conduct a comprehensive assessment of the industry by sector and to identify challenges, barriers and factors affecting investment. The 2001 Investment Climate Study also identified the composition of the Ontario tourism industry and provided guidance to the Ministry as to the role in government in encouraging investment.

The report made 22 recommendations in an Action Plan designed to "…pursue a longer-term comprehensive strategy to support tourism investment…" Many of the recommendations were acted upon (in whole or in part) while others have yet to be commenced. Highlights of the 2001 Investment Climate Study and its recommendations, as well as current status, are summarized below:

- Information and Marketing Tools—five information initiatives were recommended including the establishment of a competitive intelligence database, establishment of a tourism investment data portal, preparation of a guide to investment in Ontario, establishment of a tourism investor/developer of the year award program and the creation of an Ontario tourism awareness travelling kiosk. Many of these initiatives have been completed. However, IDO representatives suggest some need updating and others are not utilized effectively.

  Interviews with tourism industry investors conducted as part of this analysis suggested a requirement to more effectively provide information (e.g., on approvals, taxation and regulatory requirements) to potential investors. The ability to provide timely information is seen as a key factor in the success of other jurisdictions in attracting tourism investment.

- Government Assistance Tools—five government assistance initiatives were recommended: provide tax financing and related assistance, conduct a review of provincial tax policies affecting the tourism industry, promote the immigrant investor program, establish a tourism development capital pool and facilitate tourism development through streamlined processes and fast-tracked approvals. For the most part, these initiatives have not been addressed. The establishment of the Ontario Investment and Trade Centre and associated collaborative efforts will assist in the "cutting of red tape". The tax increment financing by the City of Toronto for Woodbine Live! was encouraging for the IDO.

- Opportunity Identification Tools—two initiatives were recommended: using the Premier Ranked Tourist Destination Framework and other tools to identify tourism opportunities (22 Premier Ranked Tourism Destination studies have been completed) and the creation of a Themed Tourism Development Framework (not completed). A review of select Premier Ranked Tourist Destination studies, however, did not provide many significant product development recommendations.

- International Investor Attraction—four recommendations for international investor attraction were provided: identify jurisdictions with potential investors to promote the Ontario tourism investment market, promote investment in Ontario tourism at relevant trade fairs, initiate market visits to promote Ontario tourism development and target international companies and establish key account relationships. To date, little progress has been made in these initiatives, primarily as a result of limited resources. Potential exists to "piggyback" on MITI initiatives in these areas.

- Investor Development and Education—six initiatives were recommended: make tourism investment presentations to international business delegations coming to Ontario; host Ontario tourism familiarization tours for international investors; increase tourism awareness and promote investment with Ontario international brand name tourism and entertainment companies; strengthen regional networks; develop Ontario tourism development opportunities and improve communication and understanding between Ontario's financial sector, tourism industry and Ministry of Tourism. Progress has been made on some of these initiatives.

Many of these recommendations remain valid and are incorporated into the recommendations contained in this current report.

3.4 Conclusions

A review of the current situation pertaining to investment attraction in Ontario suggests:

- Tourism investment attraction is managed separately from all other general economic development and investment attraction initiatives at the provincial level.
- Some coordination exists between Ontario ministries charged with investment attraction (the newly formed collaboration committee is the beginning of a centralized approach to investment attraction). Limited coordination is apparent however, between provincial investment attraction goals and those at the regional or municipal level.
- Very limited targeting (i.e., the identification of investors and matching them to product gaps) is conducted within the tourism investment attraction area. A situation at least partly a function of limited resources.
- No success measures are in place to determine success of investor attraction efforts.
- Some funding/financial incentive programs exists although these are not necessarily strategic or focused on enhancing tourism investment attractiveness that might generate substantial impact.
- Funds/grants available with no plan (e.g., major tourist attraction proposals in north).

Limited resources in the Investment Development Office have constrained the ability to make progress on recommendations outlined in the 2001 Investment Climate Study*.* The current Tourism Competitiveness Study process should consider resourcing this as a key element underlying the likelihood of achieving any future recommendations.

4. The Investment Decision Process

This chapter outlines the broad components of an investment decision as well as the points at which government may intervene to affect the attractiveness of the investment opportunity.

4.1 STAGES IN THE PROCESS

An investor and/or operator of any business enterprise, regardless of size or scale, will go through a relatively structured evaluation process when assessing a new development or expansion opportunity. Aspects of this evaluation process will be unique to a tourism enterprise but many others will be somewhat generic and, often, more a function of market, financial, economic, political and other factors.

Typically the path to a completed investment begins at the "Identification" or market opportunity stage progressing through an assessment stage (where the specifics of the investment opportunity are overlayed on relevant market factors) and culminating at the development and operation stage. Three stages of evaluation and implementation are summarized in Exhibit 4 and described more fully on the following pages.

Exhibit 4
Stages and Elements of the Tourism Investment Opportunity Evaluation Process

Identify	Assess	Develop and Operate
Ascertain if market meets minimum criteria for business model.	Due diligence on project feasibility given local conditions/requirements.	Design, construction, pre-opening activities and ongoing operations.
General: • Market-area population (and visitation), income and demographics • Economic stability • Political stability • Availability of labour • Operating costs • Tax regime • Infrastructure including transportation Tourism-Specific: • Tourism policy/support • Tourism infrastructure • Destination Marketing $	• Competition • Clarity of public-sector requirements • Responsiveness of approval authorities • Fairness of legislative regime • Time requirements • Access to/cost of financing • Tourism infrastructure/tie ins with critical mass	• Cost of land and construction • Transportation linkages/access • Project-specific design issues • Operating characteristics unique to individual businesses

Public-sector policies, legislation and attitude towards investment can affect the outcome of each evaluation stage. However, both the degree of public-sector intervention and the evaluation stage where such intervention is employed varies considerably among jurisdictions.

4.2 THE IDENTIFICATION STAGE

This initial evaluation stage, "Identification", provides the potential investor with a high-level indication of the degree to which the minimum business case requirements are met. While the weighting of individual criteria will vary in importance the underlying market support for the product or service is inevitably the primary focus.

Market-area population (and visitation), income and demographics

As with all consumer products, the success of a tourism product necessitates ready access to a base of consumers. The demographic (e.g., income levels, age, family status) and buying profiles (e.g., interests) of these consumers as well as the marketing and promotion efforts of the product determine patronage and revenue levels.

Tourism products are unique however, in that their "base" market is comprised of both the residents and visitors within any given geography. In some geographies visitors largely outnumber residents (e.g., Niagara Falls) while in others the economic potential of the resident market can be far greater than that of the visitor (e.g., a major metropolitan area such as Toronto). Some products are considered successful "tourism products" even though a majority of the visitors are resident based (e.g., Canada's Wonderland). While still comprising part of the tourism offering, these "tourism products" would not be viable in the same form if not for the resident population base. Other products are much more dependent on visitors (e.g., CN Tower); in these cases residents provide only a small portion of visitation. The examples used above (i.e., Canada's Wonderland, CN Tower) are attractions but the same principle applies to lodging, events, retail, food and beverage and all manner of other tourism products.

In addition to the quantum of residents and visitors other factors will also be taken into account such as:

- Demographic trends—The degree to which the current population profile will change over time and how these changes will affect the patronage of specific products.

- Repeat potential—Some products will be more likely to generate repeat visitation from the same audience, suggesting a heavier weighting towards a resident market (as opposed to visitor market) base.

- Seasonality—Resident market potential is more stable throughout the year than the visitor base (at least in most markets, including Ontario). Not all tourism product, however, has 12-month potential.

Economic and political stability

In first world countries such as Canada, economic and political stability issues are much less of a concern than when attempting to secure tourism investment in jurisdictions without modern political, investment and economic structures (e.g., Caribbean, Eastern Europe and parts of Asia…although the market potential in some of these developing jurisdictions provides such a compelling opportunity that stability issues may be overlooked). In Canada and Ontario, the focus is most likely to be on taxation policies, tariffs, interest and inflation rates, currency exchange and the cost/compliance requirements of new policy initiatives (e.g., environmental or labour issues).

Availability of labour

The presence of sufficient labour (i.e., full-time, part-time, seasonal) at a reasonable cost is a key criterion as is the availability of education and training. Management may be sourced locally or "imported."

Operating costs

Operating costs will vary based on the nature of the tourism investment/business. The largest expense items in tourism businesses tend to be payroll, regulated commodities (such as utilities), costs of good sold (which, depending on the type and nature may be affected by transportation-related costs) and fixed costs such as property taxes and insurance.

Tourism policy/support

The degree to which tourism is recognized as an integral component of the economic base of the region will be demonstrated through policies that support tourism development/operation and the "welcome" afforded potential tourism investors. The host government (government at all levels, not just provincial but almost more importantly at the local level) must embrace tourism and demonstrate its support in marketing, infrastructure and all other policies affecting the ease and profitability of doing business in the jurisdiction.

Infrastructure including transportation/access and tourism critical mass

In areas with an existing critical mass of tourism product (such as attractions, hotels, entertainment) the focus will be on compatibility, potential competitiveness and synergies. In existing tourism destinations and fledging or developing areas a greater concern will be the sufficiency of transportation and access infrastructure.

Destination marketing

For those investors/tourism operators dependent on large volumes of visitors (as opposed to residents) for a significant portion of volume, knowledge that the destination has sufficient marketing wherewithal is a key decision criterion.

In Ontario, institution of destination marketing fees ("DMFs") have been instrumental in funding destination marketing organizations/convention and visitor bureaus at a level on par with other North American cities. The ability for private sector to direct how these funds are spent, for the benefit of the community in which funds are collected, is seen as a positive key factor in raising the attractiveness of many Ontario destinations.

* * * * *

Together the criteria discussed above serves to characterize the investment friendliness and prerequisite suitability of a given jurisdiction given the investor's base business model. Significant change to any of these criteria within the short- to medium-term is limited. As a result, these criteria may be used to determine a range of potential investment opportunities on a location-by-location basis. Further, these criteria should be used to eliminate consideration of inappropriate opportunities so as to limit use of time and financial resources.

4.3 THE ASSESSMENT STAGE

The Assessment stage is the process of conducting more detailed due diligence to ascertain if the specifics of the investor's business model can be addressed in the target location. Among other factors tourism investors/operators will be looking to assess the:

- Competitive profile of the location, including directly and indirectly competitive businesses, to permit modeling of revenue potential.
- Implication of regulatory, compliance, zoning and any other public-sector (all levels) requirements that may negatively effect the development (i.e., cost, timing) and/or operation of the business.
- Responsiveness of approval authorities and any conditions placed on approvals.
- Fairness of legislative regime including taxation (income, commodity and property) and implications on financial assumptions.
- Tourism infrastructure and potential linkages between the existing critical mass of tourism product and the investor's contemplated product/service.
- Access to and cost of financing given the specifics of the investor's proposal. The investor may bring financing to the jurisdiction or seek local financing for the project.
- Time required to assess, design and develop the contemplated business including those factors within and outside the investor's control.

Consideration of these assessment criteria will form the basis of a business case for the investor and the financial parameters necessary to attract external financing.

4.4 THE DEVELOP AND OPERATE STAGE

The final stage in the process is the design, development, opening and operation of the business. The considerations present in this stage are unique to the business under consideration and include:

- The size and specific parameters of land necessary for the project as well as land costs.
- Cost of construction and fit out.
- Transportation linkages/access to the specific site.
- Project-specific design issues.
- Operating characteristics unique to individual businesses.

This stage is where financial and financial-related incentives will have the greatest impact in the decision making process.

4.5 THE ROLE OF PUBLIC SECTOR

The focus of this analysis is the role that public sector can play in attracting and supporting tourism investment. The ability of public sector to influence the investment decision runs a gamut from more passive actions to improve the investment climate (e.g., ensuring legislation and tax policies are investor friendly to all potential investors) to direct intervention and support of individual investment proposals.

Examples of activities undertaken by government to support tourism investment are outlined below. In addition to the Identify, Assess and Develop and Operate stages, a Preparation and an Aftercare stage have been added.

Prepare:	Preparation for actively promoting investment opportunities in a given jurisdiction (and even a more passive approach directed at supporting other's activities) might include: • Documentation of specific product investment needs at the local level. • Analysis and documentation of public sector tourism assets potentially available for private sector involvement (outright sale, partnerships involving capital injections, third-party management). • Review (and amend to the degree possible) legislation affecting the creation and operation of tourism businesses.
Identify:	A proactive investor targeting approach, given the underlying criteria required in the Identification stage outlined above, should be limited to: • Development of a contact database of high-probability investors including sufficient background to gauge interest in individual opportunities. • Preparation of "teaser" documentation specific to the opportunity and tailored to the investor's business case requirements. • Preparation of jurisdiction-wide and geographic market-specific "teaser" documentation addressing key elements of the Identification criteria.
Assess:	Public sector's role in assisting the investor complete due diligence is primarily focused on provision of information and streamlining approval processes. In particular: • Preparation of demographic and economic profiles of high-probability markets. • Preparation of "how to" manuals documenting basic regulatory requirements (e.g., how to register a company, how to effectively tax structure).

	• Expediting specific information requests including pre-approvals required to complete due diligence. • Provide a one-window approach.
Develop and Operate:	Public sector may, although not necessarily should, become much more interventionist at the development and operation level through provision of: • Development land on preferential economic terms (either freehold or leasehold). • Financial incentives including loans, grants, or payments tied to performance. These tools are discussed more fully later in this chapter. • Other concessions such as infrastructure development (road access), support services and marketing. • Tax deferrals including income and property taxes.
Aftercare:	Once a new investor/operator has been established potential exists for further development opportunities either in the same location or else where in the jurisdiction. • Continue relationship with investor to facilitate future investments and/or reinvestments. • Investigate expansion opportunities within jurisdiction by addressing product gaps in non-competitive areas.

4.6 INVESTMENT INCENTIVES

A wide range of incentives exist for governments to attract investment. These incentives, which can be utilized for tourism or a range of other investment types, can be classified into the following:

- Fiscal Incentives, which include special tax exemptions, deductions or allowances as well as customs duty exceptions.
- Financial Incentives, which include direct subsidies/grants as well as low-interest loans.

The effectiveness of incentives, specifically fiscal (tax) incentive, in attracting investment is the subject of much debate. Empirical evidence suggests incentives are not relevant to investors at the initial stage of the investment decision process. However, incentives do become more important when investors compare and assess the pros and cons between jurisdictions.

The Survey of Investors in South East Europe conducted by the OECD in 2003 show that factors like market size, cost of production and resource availability explain most of cross-country variation in foreign direct investment. Host country taxation system plays only a limited role in determining the international pattern of foreign direct investment. In addition, special tax incentives (rather than encouraging foreign direct investment) either were not taken into account or operated to discourage investment.

Despite the lack of evidence surrounding their effectiveness, incentives are used frequently by governments as a way to attract investment. Some examples of the various incentives used to attract tourism investment are described below.

Fiscal (tax) incentives

Fiscal incentives represent the most commonly used tools to attract investment–they can be easily implemented without requiring actual government funds. These incentives can vary from a simple tax exemption to more complex tax allowances involving future assessed value of the project and the surrounding area. Fiscal incentives include:

- Tax Holidays represent a temporary reduction or the elimination of corporate income tax for qualifying newly established projects.
    - In Malaysia, tourism projects/companies with *Pioneer Status* qualified for a five-year tax exemption on 30% to 100% of their income depending on location.[6]
- Tax Allowances on Capital Expenditures represents a deduction of taxable income by a percentage of the qualified capital expenditure.
    - In Ireland, the Capital Allowance for Construction and Refurnishing of Hotels qualifies capital expenditure on any building or structure used as a hotel for an accelerated capital allowance of 15% for years one to six and 10% for year seven. This allowance is considered one of the most popular and widely used for encouraging investment in new and existing tourism stock.[7]
    - Malaysia's Investment Tax Allowance provides a capital allowance of 60% to 100% on qualifying capital expenditure incurred within five years from the date on which the first qualified capital expenditure is incurred. Qualifying projects include hotels, holiday camps and convention centres with a minimum capacity of 3,000 participants.[8]
    - Fiji's Tourism Supportive Accelerated Depreciation Allowance approves hotel building or expansion to be entitled to receive an investment allowance of 55% of approved capital expenditure, excluding cost of land.[9]
- Job Tax Credits represent a credit against income tax provided to businesses that create and maintain new jobs.

[6] *Malaysian Industrial Development Authority*

[7] *Fitzpatrick Associates Economic Consultants, "Capital Investment in Irish Tourism 2006", July2008*

[8] *Malaysian Industrial Development Authority*
[9] *South Pacific Tourism Organization*

- South Carolina's Job Creation Tax Credit provides tourism-related businesses creating new jobs with a tax credit, which ranges from $1,500 in developed counties to $8,000 in distressed counties.[10]

- In Mississippi, job tax credits are calculated as a percentage of eligible payroll each year for five years based on job location and salary paid. Tax credits in the state range from 2.5% to 10.0% of payroll expenses.[11]

* Sales Tax Rebates is a commonly used incentive in the US, whereby new projects are entitled to receive a portion of the sales taxes paid by the visitors attracted to the project.

  - In Kentucky, developers of approved new or expansion tourism projects have the ability to recover 25% of the cost of the project through sales tax rebate. On an annual basis, developers of approved projects received the state sales tax paid by visitors to the attraction on admission tickets, food and gift sales and lodging costs. Developer has 10 years to reach the 25% threshold. An expanding attraction receives the incentive on increased sales tax due to the expansion.[12]

* Double Deductions represents a reduction of taxable income by an amount equal to a qualified operational expenditure.

  - In Malaysia, hotels and tour operators qualify for double deduction on the expenditures related to promotional activities overseas (e.g., advertisement on mass media, brochures, magazines, market research, etc.). Also, companies qualified for a double tax deduction on approved international fairs in Malaysia.[13]

  - In Singapore, similar double tax deductions are available for Inbound Tourism Promotion and Local Trade Exhibitions. These deductions are aimed at encouraging companies to market Singapore and expand their markets.[14]

* Tax Increment Financing ("TIF") is a tax mechanism commonly used through the US and it has recently been implemented by the City of Toronto. TIF captures incremental taxes resulting from the development of new projects to compensate investors for the costs of development. Examples of the different ways TIF programs have been implemented throughout North America include:

  - In Massachusetts, TIF is used to provide upfront financing through the sales of bonds, which principal and interests are paid by the incremental tax. Specifically, the government provides $1.0 million of TIF funding per every $5.0 million of private investment.[15]

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[10] South Carolina Department of Commerce
[11] Mississippi Development Authority
[12] Kentucky Department of Economic and Community Development
[13] Malaysian Industrial Development Authority
[14] Singapore Tourism Board
[15] Massachusetts Economic Development

- In Kentucky, TIF is done over the long-term by providing an annual compensation to investors. Kentucky's Tax Increment Financing program provides the developer of an approved project the ability to recoup up to 25% of their project costs over a twenty-year period. This is accomplished through the annual refund of up to 80% of state and local incremental taxes generated in the approved area. Taxes that may be considered in the refund include sales and use, income, property (excluding school and fire district property taxes), local insurance premium, occupational license fees and other taxes as determined by the Kentucky Revenue Cabinet.[16]

- In The City of Toronto, the Tax Increment Equivalent Grants ("TIEG") program is similar to Kentucky's. Under the TIEG program, all new development within the allowable sectors (including tourism) qualify for a compensation equal to 60% of the incremental tax revenues generated by the project over a 10-year period. The TIEG has been modified to support the proposed Woodbine Live Development by increasing the percentage of taxes granted back to 90% over the first five years and declining to 5% for years 6 through year 20.[17]

- Tax Exemptions represent exemption from payments of certain charges (e.g., custom duties) or taxes.

    - In the Bahamas, the Hotels Encouragement Act provides for duty-free entry of approved construction materials, furnishings and fixtures for hotel development.[18]

    - In Korea, tourism-related businesses are fully exempt from excise duty on imported capital goods.

Financial incentives

The most commonly used financial incentives are direct subsidies or grants to cover the capital costs associated with qualified tourism projects or to compensate for workforce training costs. Some examples of subsidies provided to tourism-related projects in international jurisdictions include:

- The Australian Tourism Development Program (ATDP) is a highly competitive merit-based grants program implemented to assist in the development of tourism projects in Australia. It offers grants for a two-year period ranging from $50,000 to $500,000.[19]

- Pennsylvania's First Industries Fund provides up to $250,000 in cash grants for relevant tourism projects.[20]

- West Virginia's Governor's Guaranteed Workforce Program provides training grants to eligible companies that create a minimum of 10 jobs for a 12-month period.[21]

- Florida's Quick Response Training program provides grant funding to assist new and existing businesses with the necessary training for expansion.[22]

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[16] *Kentucky Department of Economic and Community Development*
[17] *City of Toronto, "Stimulating Economic Growth: Toronto's Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentives Program", April 2008*
[18] *The Bahamas Investment Authority, "Summary of Benefits Under the Hotels Encouragement Act"*
[19] *Australia Department of Innovation, Industry, Science and Research*
[20] *Pennsylvania Department of Community and Economic Development*
[21] *West Virginia Development Office*
[22] *Enterprise Florida, "2007 Incentives Report"*

Low-cost loans are another form of financial incentives. Some examples of low-cost loans available for tourism-related projects in international jurisdictions include:

- Austria's ERP loan promotions are low-cost loans available for new construction, renovation and modernization of tourism-related projects–current rates range from 1.5 to 3.0%. These loans are available for 12-year terms.[23]

- Pennsylvania's First Industries Agriculture and Tourism offers loans through the Small Business First Program (SBF) for up to $200,000 and/or the Machinery & Equipment Loan Fund (MELF) for up to $500,000.[24]

[23] *ABA-Invest in Austria*
[24] *Pennsylvania Department of Community and Economic Development*

5. Lessons Learned From Successful Tourism Jurisdictions

Several jurisdictions were identified as part of this Study with a view to determining best practices in tourism investment. Jurisdictions were selected from within North America (British Columbia, Kentucky, Mississippi, Pennsylvania and South Carolina) as well as further afield (Singapore, Montenegro, New Zealand and the United Arab Emirates). Not all jurisdictions, nor the approaches used within each jurisdiction, are applicable to Ontario (i.e., the political structure and control in the United Arab Emirates and Singapore is very different than in Ontario) but elements of how each jurisdiction has approached the building of a successful tourism industry through investment attraction is useful to understand.

Appendix A and B contain details on each international and North American jurisdiction respectively. Key lessons learned have been categorized and summarized in several sections below. The comments are solely focused on investment attraction in which public sector plays a role.

5.1 Position Tourism As a Key Component of a Successful Economy

One of the common elements across all successful jurisdictions analyzed as part of this Study is the positioning of tourism as a key element of the overall economic development program and economic targets for the jurisdiction. Separate plans, targets and success measures for tourism in relation to a broader economic strategy implies that tourism is less than a fully-contributing industry sector. While in some situations, notably transitioning economies, tourism has been positioned as a "fall back" industry (e.g., such as forestry, mining or similar resource-based economies/communities) where access to the resources is constrained or eliminated, anything less than full integration of tourism will most likely produce less than its full potential.

Most of the jurisdictions analyzed as part of this Study had a broader economic development and/or investment attraction-focused entity as well as a tourism investment entity. In some cases the tourism investment attraction entity operated from within the broader economic development entity and in some cases tourism was separate. However, no matter the structure, tourism was positioned as a key element of the jurisdiction's economy with tourism issues and ramifications considered as part of larger decision making processes.

5.2 Set Goals and Communicate Buy-In from the Top Down

Another universal characteristic of successful jurisdictions is the establishment of clear goals or targets. In 2003 British Columbia set a goal to double tourism-generated revenue by 2015. In 1995, Singapore established a goal to triple visitation within 20 years. Both jurisdictions are seen to be making progress towards these goals and, more importantly, are making other economic and general policy decisions after taking into account the potential impact on the tourism sector and tourism goals.

A coordinated approach flowing from clear goals

Whether revenue, visitors or even quantum of investment a clearly defined goal(s), together with a finite timeline, should be used to clearly articulate how tourism fits within a broader economic growth strategy. The goal needs to be measurable, realistic and allocated to individuals or organizations together with clear accountabilities. These accountabilities need to dovetail with accountabilities established for the broader economic development plan. Areas of friction need to be eliminated or a work around put in place to ensure the likelihood of success.

Coordinated Approach
Singapore offers a strong example of setting clear goals and following through with a strategic investment attraction program to achieve the goals. The 2015 Plan for Singapore calls for tripling of tourism expenditures and doubling of tourism visitation by the year 2015. To facilitate the level of new tourism investment to achieve these goals the government has set up a S$2 billion Tourism Development Fund to be used for needed infrastructure improvements, capability enhancement, pursuing anchor events and product development to complement the existing tax incentive programs. The national DMO the Singapore Tourism Promotion Board has responsibility to help secure the tourism investment.

Tourism's importance acknowledged from the top

Not only does a clear goal need to be set, but the goal must be embraced by senior leaders. In British Columbia, Premier Campbell has visibly and aggressively supported the goal to double tourism revenue and to support the underlying guiding principles and action plan designed to achieve the goal. The Premier's support is felt throughout the Ministry of Tourism, Sport and the Arts with the benefit of priority being placed on those tourism projects consistent with the guiding principles and action plan.

Similar commitment is evident in Singapore, the United Arab Emirates and New Zealand and to a lesser, but still noticeable, point in several of the jurisdictions investigated.

5.3 Focus, Focus, Focus

The size, scale, complexity and diversity of the tourism "industry" and the range of operators/investors working within the industry can lead to well meaning but fragmented efforts at the investment attraction, policy and marketing levels. These characteristics, among others, have led some to describe tourism as a process or system rather than an industry in order to fully portray the many variables and exigencies. Regardless of the description, numerous examples exist of where public sector efforts have focused on helping aspects of the "industry" without benefit of an overarching tourism plan and the context of that plan within a broader economic strategy for the jurisdiction.

The establishment of a goal(s) forces public and private sector to take a more business-like approach to growing the industry. Aggressive goals tend to eliminate marginal initiatives by channelling resources into more meaningful opportunities having a greater probability of completion and less likelihood of being focused solely on addressing local versus jurisdiction-wide goals. The focus on performance-based goals drives behaviour.

Critical mass (or clusters)

Few investors, particularly in the tourism industry, are pioneers. For the most part, successful tourism jurisdictions have focused investment attraction efforts towards those geographies with existing critical mass of tourism product, support infrastructure and a solid marketing foundation. Critical mass is comprised not only of tourism product (e.g., lodging, attractions, events and festivals, convention facilities) but also supporting infrastructure such as transportation linkages, service companies and public amenities (that may be used by visitors). Critical mass creates brand awareness and perceptions that may be evaluated for "fit" with new tourism product. Finally critical mass reflects market size either in the form of a resident population base where the new tourism investment will also benefit from local patronage or in a predominantly tourist market with established visitation.

Critical Mass Example
South Carolina—in 2002, South Carolina business leaders invited Dr. Michael Porter and the Monitor Group, L.P., to assess the state's competitiveness. Dr. Porter identified tourism as one of the State's four industry clusters. The attributes of the Lowcountry Region (a unique ecosystem, early American history, seacoast location and cultural offerings) contribute to a tourism cluster. Four geographic areas, each with existing tourism infrastructure, have been targeted for tourism industry development by the state Tourism Alliance, a public-private partnership. Development strategies are being developed for each of these geographic areas.

The focus on critical mass should not be taken to imply that new market opportunities (e.g., remote resort, conversion of a resource community to a tourism focus) are not possible, but rather that the highest-probability investment options are likely to be those located within existing tourism clusters.

Targeting

Successful investment attraction begins with knowledge, specifically knowledge of the investor's business case parameters (discussed in Chapter 4) and knowledge of product gaps in specific geographies that meet these parameters. With knowledge, product opportunities or gaps can be matched to specific opportunities sought by tourism operators and/or investors. The shotgun approach to investment attraction is rarely effective.

Targeting

The Montenegro government has been very targeted in their pursuit of investment. Starting in 2001 the government engaged international consultants to prepare a Touristic Master Plan which did two things:

It completed the benchmarking to determine the investment attraction needs and defined the tools that needed to be put in place.

It evaluated the opportunity areas throughout the country and identified the high potential opportunities for focused investment attraction activities.

The country has experienced significant success since MIPA was created in 2005. By example Peter Munk has committed to invest US$500 million in a major marina development, Aman resorts have committed to a US$40 million resort development and in 2007 alone they secured US$1,247 million in foreign investment from 77 different countries.

Get all levels of government on side

To the extent multiple levels of government need to agree on the suitability of a tourism opportunity or gap, such agreement should be in place well before the investor is brought into the discussion. One level of government can rarely force another to embrace a potential tourism opportunity. Teamwork is the best approach to getting an investor on side. New Zealand does this well.

Know when to move on

Sometimes, for various reasons, a match cannot be made between an opportunity and a potential investor. If no further value add is possible, the decision should be made to move on to another opportunity and/or investor in order to achieve the pre-determined goals.

5.4 IMPLEMENTATION TECHNIQUES

The approach to interacting with potential investors and ensuring an investor-friendly environment will vary based on the specific geography under consideration, the nature and scale of the investment, role of local government and a host of other factors. Some common elements designed to create a welcoming investment environment include the following.

Whole of government approach

The concept of a whole of government approach in implementation of an investment attraction program ties directly back to the overall economic strategy and tourism's inclusion within this strategy. Whole of government implies that approved tourism objectives and initiatives (those in keeping with the overarching economic development strategy) should be viewed favourably and expeditiously by all parts of government not just tourism. This does not imply blind and wholesale concurrences with a given tourism project, but rather a time sensitive and thorough review of specific initiatives.

Whole of Government Approach
New Zealand has adopted a strong 'whole-of-government' approach to seeking foreign direct investment. Invest NZ is a single contact point representing the range of government ministries that an investor needs to deal with. However, it is interesting to note that tourism is not a major area of focus for New Zealand foreign investment attraction.

British Columbia—in 2003, Premier Gordon Campbell set the goal of doubling tourism revenues to $18 billion by 2015. This objective was subsequently confirmed by Cabinet and highlighted as part of the Liberal Party's 2005 provincial election platform. In order to meet this objective, an annual cumulative growth rate of 6.5% will be required. To achieve this growth, private sector investment in new product development is required, as is support of other Ministries and Government Agencies.

The Ministry of Tourism, Sports and Arts Tourism Development Branch, the entity responsible for tourism investment, benefits from a "whole of government" approach to development. Reducing "red tape" is a priority for the Tourism Development Branch and other provincial government organizations. As an example, adventure tourism initiatives are reviewed by the Tourism Development Branch and the Integrated Land Management Bureau. Approvals come from the Ministry of Agriculture and Land with a maximum "turn around" time of 120 days.

Judicious use of financial incentives

Efforts to attract investment should not be based on financial incentives that replace market support with grant support. Competition for investment is better based on a platform of being the most creative, investor friendly and proactive jurisdiction not on the jurisdiction prepared to provide the grandest incentives. Competing on an incentive-based method in North America is inherently problematic given the methodologies available to raise incentive funds across much of the United States.

The most common financial incentives used to support tourism products are summarized in Chapter 4. At a minimum, however, use of financial incentives should ensure:

- Creation of incremental visitation and critical mass.

- Recipients are not placed in an advantageous situation vis-a-vis privately-funded tourism operators/investors.

- A demonstrated return on investment through quantification of the incremental community benefits created from the project.

Fiscal Incentives Success Story

The Wickaninnish Inn—For over 20 years, the McDiarmid Family dreamed of opening a luxury hotel on the family's estate near Tofino, British Columbia on the west coast of Vancouver Island. However, several commercial lending institutions turned down the family's request for financing. The utilization of two financial incentive programs enabled the family to open the Wickaninnish Inn in 1996.

Capital cost to develop the 46-room hotel, 7,020 square feet of meeting space, The Pointe Restaurant as well as extending servicing from the highway to the site was $6.1 million. The McDiarmid's severed eight acres of the estate for the development of the Inn. This land was valued at $2.65 million. Through a British Columbia Venture Capital Corporation program, $2.65 million of equity capital was raised. An additional $500,000 was raised through a loan program of Federal Business Development Bank of Canada (the precursor to the Business Development Bank of Canada). To be eligible for the loan, a project must have been rejected by at least three traditional lenders.

The Wickaninnish Inn was a success. Five years after opening, the Federal Business Development Bank of Canada loan had been repaid and the equity investors in the venture capital program bought out. A traditional commercial lender holds the mortgage on the property, which was expanded by 30 rooms in 2002.

The success of the Wickaninnish Inn has generated additional tourism development in the Tofino area. In 2002, the 60-unit Long Beach Lodge was opened and the Middle Beach Lodge underwent an expansion program.

<u>Cut red tape</u>

Time is money. Potential investors need to know that approval processes are fair and consistent, can be managed within a reasonable timeframe and are not onerously expensive.

<u>Develop and maintain an information repository</u>

Accurate and comprehensive databases in a format permitting easy updating is a core resource and one best provided (or at least maintained) by the public sector. Databases need to include:

- Investment and development opportunities including product gaps at the local level.

- Investors and tourism operators, categorized into high and low value groupings based on how well business case criteria are matched to available opportunities.

- Information on those communities most suitable for tourism investment including not only specific product gaps but also basic community information addressing market size, services, cost parameters, etc.

- Information that would assist the investor to understand the set-up, development and operating parameters of the jurisdiction.

Regardless of the methodology used to initiate this step, data must be continually refreshed and made current.

Continual reassessment

Continually assess strengths and address issues that can create real or perceived disadvantages within the investment community (e.g., ease of doing business, destination image, corporate taxes, legal environment, cost structure). Changes may be necessary to ensure a once proactive and welcoming investment environment remains so amid changes in other jurisdictions and expectations of investors.

Self-sufficiency in destination marketing

Effective, competitive and appropriately funded destination marketing efforts are a critical component to investment attraction – a strong positive image and a desirable place to visit is a more likely place to invest.

Strong internet presence

Each of the successful jurisdictions reviewed had invested in a functional, well-marketed internet presence. The internet site can become the external portal for information maintained on product gaps, community descriptions and operating parameters. While internet sites are unlikely to achieve anything other than an initial introduction at the Identify stage, information can be extremely useful in assisting investors through the Assess stage.

Stimulation of Partnerships

A vehicle to identify and create partnership opportunities can be effective in leveraging existing public sector assets, capabilities and programs. A core element of such a vehicle is a database of opportunities (across all levels of government and including the private sector) identifying the characteristics and attributes sought from a partner.

Measuring costs of concessions provided against economic benefits created

To the extent any concessions (financial or otherwise) are provided to an investor, the cost of these concessions must be quantified and measured against the benefits created. The process of quantification and measurement should be established prior to the concession being provided.

6. Ontario Tourism: Competitive Advantages and Barriers

This chapter highlights several competitive advantages and barriers affecting the investment potential for the Ontario tourism industry.

6.1 COMPETITIVE ADVANTAGES

Within a North American context, and to a greater extent a Canadian context, Ontario has several competitive advantages worth noting. Competitive advantages are highlighted instead of strengths so as to identify the degree to which Ontario has a clear advantage over other destinations as opposed to the myriad of areas where Ontario is “simply” competitive.

- Large affluent population base—Given the importance of the resident market, Ontario’s $12.7 million residents with an average household annual income of $80,586 (when compared to the national average of$73,392) is a significant advantage.[25] The concentration of population in southwest Ontario and concentration of an existing critical mass of tourism product sets this region out as one of the most attractive market areas in North America.

- Gateway to Canada—Ontario receives 64.9% of the total 19.2 million non-resident travellers crossing into Canada from the United States by automobile. The total international and trans-border air enplanements/deplanements at Toronto and Ottawa airports is 46.1% of the total international and trans-border air traffic into Canada.[26]

- Ontario generally and the Toronto area specifically is the economic capital of Canada. Ontario accounts for 38.0% of Canadian GDP and 40.7% of Canadian spending on entertainment (i.e., spending on movie theatre, live performing arts and sport events and admission to museums and other activities).[27]

- Ontario offers several established tourism “icons” with international recognition including natural wonders such as Niagara Falls and the Thousand Islands as well as urban destinations such as Toronto.

- Access to North American markets—Toronto is ideally situated to distribute international visitors into key North American markets. Further, the United States’ requirements for Visas from residents of several countries permitted to enter Canada with only a passport (e.g., South Korea, Greece, several Eastern European countries) creates an advantage in the convention/meeting marketplace.[28]

[25] Based on Mapinfo data for current year (2008).
[26] Statistics Canada, CANSIM Table 427-0001 and Catalogue No. 51-203-X.
[27] Statistics Canada, Survey of Household Spending in 2006, February 26, 2008.
[28] United States Department of Homeland Security, Citizenship and Immigration Canada.

- Sports, science, cultural and arts "icons" with international recognition and awareness—A range of sport (e.g., Maple Leafs, Senators, Raptors), science (e.g., National Research Council, MARS), cultural (Stratford/Shaw, Royal Ontario Museum, Ontario Science Centre) and art (National Gallery, Museum of Civilization, Art Gallery of Ontario) icons are well know across Canada and internationally.

- Marketing resouces—the creation of Destination Marketing Funds (DMF) in several Ontario cities has resulted not only in financial self sufficiency for the affected destination marketing organizations but also funding levels commensurate with the size and scale of the product offering. Tourism Toronto, for example, is now one of the five best-funded destination marketing organizations in North America. DMFs have another distinct advantage: accountability for spending these funds by the private sector and in the community in which the funds are earned. This approach is a significant competitive advantage when compared to jurisdictions where marketing funds are determined annually at the political level.

As listed, Ontario has several competitive advantages within the national and international marketplaces which, for the most part, may be further exploited to a greater extent.

6.2 BARRIERS

A number of barriers also exist. Some, like climate and the sheer size of the province, present challenges when attracting tourism investment and are not easily rectifiable, if at all. Still others may be mitigated by public and private sector actions, such as:

- Access—Whether getting into the province by road, rail or air, or moving around the province between tourism clusters, access is rapidly becoming a barrier to attracting more visitors. Travel within Ontario is expensive. Linkages between established tourism clusters is most often by highway and these routes (e.g., Queen Elizabeth Way, Highway 400, 401 and 416) are often congested. Distances and logistical issues have prevented the introduction of alternate transportation modes (e.g., rail/water links between Toronto and Niagara Falls or rail links to Ottawa).

  Air access to Ontario, particularly from the United States is constrained and expensive. The meetings and convention industry in Toronto and Ottawa can point to numerous examples of lost conventions due to cost of air travel from U.S. origins. Many routes have limited or no competition.

- Tourism is rarely considered when developing government policy—Whether in transportation, urban planning or even more mundane areas such as rules and regulations governing alcohol service, tourism is not a top-of-mind consideration, for example:

  - The September 2008 Metrolinx draft report on transportation contains no specific recommendations to deal with moving visitors through greater Toronto other than identifying the potential Pearson Airport – Union Station connection.

  - Despite Toronto's Premier Ranked Tourism Destination Plan highlighting the opportunity for tourism product to be developed on the Toronto waterfront, the Waterfront Toronto master plan contains no specific tourism node.

The lack of focus on tourism may not be apparent to potential out-of-market investors considering Ontario as an expansion or new development option, but existing tourism operators in the province may look unfavourably on expansion or redevelopment opportunities.

- An historical reliance on American visitors—This reliance coupled with ongoing annual reductions in visitation have resulted in the need to identify new markets, adapt product to meet this market need and retool marketing programmes for relevancy.

- A high tax jurisdiction—The combination of commodity (i.e., PST and GST), property and income taxes along with other fees and charges creates a perception of a high-taxing regime which, in many cases, is reality. The commodity tax burden on hotels, entertainment, liquor and other purchases that make up a leisure or business trip are high by comparison across North America. The lack of mechanisms to return portions of these funds to tourism marketing or development purposes creates a greater concern.

- The municipal tax structure—Other than property taxation, Ontario municipalities have a limited range of revenue sources. In the case of some municipalities, property taxes have risen to the point of posing notable barriers to new development as the property tax component is a significant fixed expense of any large-scale project be it an hotel, attraction or retail venue. The recent tax increment equivalent grant program instituted by the City of Toronto to address the property tax burden, has been used to incent the development of Woodbine Live!, a $700+ million project planned for Woodbine racetrack. Such programs are used effectively in other jurisdictions to address fixed cost burdens in the initial years of operation of new developments.

- Restricted or limited range of financial incentives—Financial incentives employed by Ontario (and most other Canadian governments) are generally limited to outright grants and forgivable/low interest loans. These grant and loan programs have shown a degree of success in certain situations but are generally employed on an inconsistent basis (i.e., a short-term program available for a period of years). In the United States, several European and some Asian jurisdictions a broader range of incentive tools are not only in place but are permanent programmes (with conditions) creating an ongoing tool for investment attraction.

- Allocation of marketing expenditures not weighted towards high-yield destinations—Funds expended to market Ontario nationally and internationally come from general revenue and are spent at the discretion of the Ontario Tourism Marketing Partnership (OTMP). The OTMP is sensitive to the need to showcase Ontario, including a variety of tourism product across the province, but some may perceive the allocation of marketing expenditures as too democratized (i.e., spreading resource across the province) as opposed to highlighting those tourism destinations that attract greater numbers of visitors and, in turn, greater spending.

- Deteriorating public-sector tourism infrastructure—The Government of Ontario has committed substantial capital to refurbishment and modernization of provincial tourism infrastructure ranging from the Art Gallery of Ontario and Royal Ontario Museum to Science North to the Niagara Parks Commission's new attractions. However, several other provincial tourism assets remain underutilized (e.g., Ontario Place). Where these assets are the principal tourism draw in a geographic area (e.g., Upper Canada Village) the lack of reinvestment cannot help but have a negative impact on the degree of private-sector investment.

- Access to debt financing—Financing of tourism product has long been challenging given the seasonal and cyclical nature of the business.

Recommendations to address many of these barriers are included in the conclusion section, which follows.

7. Directions for Ontario

This chapter sets out recommendations for the Government of Ontario with respect to tourism investment attraction activities in Ontario. Recommendations are grouped into three categories, specifically:

- Structure and responsibility
- Focus and targets
- Implementation

The recommendations are designed to support active attraction of large-scale tourism investments as well as more passive support of smaller, SME-based investment opportunities. The recommendations and supporting commentary follows.

7.1 STRUCTURE AND RESPONSIBILITY

Success in the Ontario tourism industry is dependent on tourism being positioned as an integral part of the provincial economy, no less relevant than manufacturing, agriculture or financial services.

Recommendation #1

Tourism needs to be positioned as <u>part of</u>, not parallel to, the Province's overall economic development and investment attraction strategy.

Over the years divergent views have seen tourism placed within a broader economic development and trade envelope on one hand and kept separate on the other. The separation view has been grounded in the inherent differences between tourism (an "export industry" but one where customers need to travel to "pick up" the product) and other export industries (where goods are shipped around or out of the province). In some respects, however, separation has lessened the importance placed on tourism as a key economic driver and promotion vehicle for the province.

Tourism is becoming a key component of economic development and diversification strategies of jurisdictions around the world. At the national level, Singapore and the United Arab Emirates have used tourism (as evidenced by capital investment in key transportation, lodging, event and attraction infrastructure) as a leading edge component of plans to transform the national economy, aggressively compete for a range of business investments ranging from regional head offices to research and development, but more importantly place the jurisdictions front and centre on the world stage as investment friendly. While substantial differences exist between these two autocratic national governments and the government of Ontario, lessons can still be learned regarding the value of tourism as a means of demonstrating a welcoming and engaged investment environment.

Achieving an integrated economic development strategy for Ontario requires effective integration of investment activities currently housed in the Ministry of Tourism's Investment Development Office, the Ministry of Economic Development and the Ministry of International Trade and Investment. Integration of activities does not necessarily imply integration of ministries, but rather the need for a coordinated effective approach to setting targets, identifying opportunities, interacting with potential investors and measuring success.

Recommendation #2

The importance of tourism to the Ontario economy needs to be reinforced from the top.

The best signal that Ontario means business when it comes to encouraging investment in a thriving Ontario tourism industry is active, sustained and vocal commitment from the Premier and Cabinet. In jurisdictions where political leaders have identified tourism as a key priority, investment has been fast tracked and buy-in has been evidenced across other levels of government. Promotion of Ontario on the international stage as an investment-friendly jurisdiction should include a tourism element.

Recommendation #3

Create a "whole of government" approach to dealing with substantive (threshold to be determined) investments.

A whole of government approach provides the potential investor with a single point of contact through the Identification and Assessment phases discussed in Chapter 4. Such an approach will not be practical for every, potentially not even many, tourism investment opportunities. However significant investments in tourism, as with significant investment proposals in energy and manufacturing, require a timely and coordinated response. Such approaches have been put in place in the past, although on an ad hoc and project-by-project basis, and have proven successful.

Care must be taken that in attempting to create a "one-stop-shop" for investors looking to establish a base in Ontario that the one-stop-shop doesn't become what the Commonwealth Secretariat, when referring to a similar approach in the Caribbean, referred to as a "one-more-stop-shop." A whole of government approach requires assembly of the right mix of people, with a single focus on advancing a finite number of investment opportunities and possessing the authority (or having the channel to authority) to make timely decisions.

7.2 FOCUS AND TARGETS

From an investment viewpoint, tourism must be looked upon as a business not a regional economic development vehicle. This is not to suggest that tourism isn't a useful component of regional economic development initiatives or that government shouldn't channel resources towards such initiatives in situations where support is required to offset structural, economic or financial challenges. However, the approach to market-based investment attraction (i.e., self-supporting private sector investments) should be directed toward those opportunities in locations with an existing critical mass and market, supporting a high probability of success.

The focus and targets referred to below are weighted towards attraction of larger-scale investment opportunities where the Province and other levels of government may wish to be more proactive. Opportunities for SMEs and more remote areas of the province will be dealt with more passively in the following section: Implementation.

Recommendation # 4

Active investment attraction efforts should focus on high-probability investment destinations ("Key Locations") offering existing critical mass of tourism infrastructure, product and visitation.

In determining how to identify "Key Locations" for investment attraction efforts, consideration was given to several must have criteria, including:

- Significant resident or visitor population base, or both.
- Transportation infrastructure including road, air and rail offering reasonable access.
- A defined contiguous area.
- Unique attributes either already exploited for tourism purposes or future potential.
- An existing image as a tourism or recreational destination.
- A destination marketing organization.

After giving consideration to these criteria, primary markets were defined together with several secondary or satellite markets.

Primary Market	Satellite Markets
Toronto and area:	Toronto West (Kitchener-Waterloo, Burlington, Hamilton)
	Toronto North ("Cottage Country")
	Toronto East (Prince Edward County)
Ottawa and area:	Thousand Islands
	Kingston
Niagara Falls and area:	Niagara Region/Wine Country

These primary markets and the corresponding satellite markets should be the focus of any proactive investment attraction initiatives undertaken by IDO.

Recommendation # 5

Develop investment targets for each Key Location together with success measures.

The intent of developing investment targets is threefold:

- To ensure IDO has the active participation of local government and the private sector (as evidenced through local industry associations, business improvement areas, chamber of commerce, etc.). If active participation of the local government and private sector is not forthcoming, IDO may wish to re-evaluate the appropriateness of this Key Location.
- To relate the targets to incentive packages (e.g., municipally- or provincially-owned land that might accommodate a tourism opportunity, tax increment financing) contemplated by local government and/or the private sector.
- To identify any challenges or obstacles that might occur.

Responsibilities and time lines should be applied to each target.

Recommendation # 6

IDO investment attraction efforts to focus on identified target in key locations.

Premier Ranked Tourism Destination Studies have been completed for 22 areas across the province. All of the Key Locations (including sub markets) have been covered by a study with the exception of Ottawa. The purpose of these studies was, in part, to identify product gaps and infrastructure needs. While the Province oversaw the process and contributed funding in many cases, the responsibility for undertaking the study, and acting on the recommendations is that of the local government and partners (the structure of which varied in every case).

With few exceptions though, the detail contained in the studies is insufficient to identify specific targets or priorities.

Recommendation # 7

Ontario government to leverage publicly-owned tourism assets through private-sector investment.

The Ontario government is in a unique position to act as a catalyst for tourism investment in Ontario by identifying underutilized publicly-owned/operated tourism product that requires reinvestment/redevelopment (e.g., Ontario Place, certain parks commissions) and/or land holdings with no other strategic use. The intent of this recommendation is to engage the private sector to inject new capital to renovate, redevelop or otherwise rejuvenate tourism assets that no longer optimize visitation.

The initial focus of this recommendation would be provincially-owned (and possibly municipally-owned, although likely run through a separate process) assets in each of the Key Locations, although other assets may also be incorporated into this initiative.

In order to achieve maximum creativity in the redevelopment and planning of these assets, government should use a competitive bidding process to select a private-sector partner. The Province would need to establish ground rules respecting private-sector involvement (e.g., change of use, operating hours, pricing) as well as any overarching master planning/design issues and "ideal" partners. Once ground rules are established and the overall goal for the asset determined the private sector partner should be allowed maximum flexibility in the redevelopment process.

In some cases, the involvement of private sector in these assets may generate an initial cash payment to government (particularly if asset sales are contemplated as opposed to long-term leases) while in others a long-term revenue stream is more likely.

7.3 IMPLEMENTATION

The following recommendations support the proactive steps set out above under Focus and Targets, however, these steps also take into consideration the large number of SMEs active in the province's tourism industry and the need to support private sector investment activities, albeit in a more passive role.

Recommendation # 8

IDO to create investor support resource centre and enhanced website.

IDO has already created a website containing a very good range and depth of information for a variety of investment, research, community profile and related purposes. IDO is also active in compiling and disseminating information designed to assist municipalities and other communities demonstrate the value of tourism, presumably as a means to raise tourism profile and encourage local support.

The IDO website should be maintained but several amendments to the current content are suggested:

- The website should be thought of as a resource centre/information repository. Some information will be shared on the site initially without use identification but others should be retained until information is secured on the user.

- Information retained within the resource centre should include a constantly updated database of potential investors including a profile of what individual investors require. A contact programme should be established with communication points and follow up milestones.

- Information retained within the resource centres on potential product gaps/requirements at the local level for Key Locations and other locations across the province. Presumably this information could be collected through fixed information contacts at Key Locations and other centres. Information on product gaps and opportunities should be showcased on the website sparingly and users should be required to provide contact details to update the investor database.

- The resource centre should be linked to external sites designed to facilitate investment in international tourism such as Tourism ROI.

More information should be made available of a “how to” nature. Information to assist non-Ontario companies in starting a business in the province such as corporate set up, taxation requirements and GST registration would be useful.

The resource centre data must be reviewed, parsed and updated on a regular basis in order for it to have any meaningful use.

Recommendation # 9

Create an investment facilitation function to shepherd high-probability investments through approval/assessment stage.

One of the key findings from several of the jurisdictions reviewed as part of this analysis is the importance of streamlining the approval process or even the initial approval process in order to give a potential investor an indication of project feasibility. Investment facilitation should be considered as part of the process for implementing all approvals (e.g., transportation, environmental) placing equal emphasis on the importance of investment attraction as the other necessary approvals to ensure compliance with provincial laws and regulations. However, fast tracking approvals for all projects is not feasible. To the extent a fast track process is instituted consideration should be given to:

- Flexibility—The entity created should be comprised of representatives of a broad range of ministries and agencies necessary to grant approvals.

- Seniority—The entity should be comprised of decision makers (or those with a direct pipeline to decision makers) recognizing the entity will only be able to move as quickly as the slowest approval.

- Practicality—The entity must be able to scope out the approvals necessary and know when to move on if approvals are not forthcoming.

Ultimately any entity created to facilitate investment in tourism should be tied into broader province-wide investment decision processes and procedures.

Recommendation # 10

In cooperation with local governments in Key Locations, introduce financial incentive tools to be used sparingly to attract investment.

An underlying premise of this investment attraction study is the focus on market-based, self-supporting investments in Ontario's tourism industry. Notwithstanding this focus, some situations may require financial support to either improve the investor's business case outlook and/or meet the destination's tourism planning/investment objectives.

A range of tools is available to government to encourage investment. Financial incentives provided to investors should ideally be focused on improving the long-term operating attractiveness of the project (as opposed to providing up-front capital support). Financial incentives provided to meet a destination's tourism planning objectives should take into account the potential to destabilize the current competitive environment.

Preferred financial incentives include:

- Tax increment based models that return incremental property or sales taxes to the investor for a prescribed period of time. If property tax-based, these tools will be delivered through the municipality in which the investment is located. If commodity or sales tax-based, the Province would need to be involved in the creation of initial legislation although delivery could be conducted at the local level.

- Low interest loans or guarantees predicated on substantial investor equity and a review by an independent party to signing off on project feasibility. These loans or guarantees should be restricted to investments in Key Locations although a smaller programme for SMEs might be considered in more remote areas.

- Land contributions or provision of leased land (at a reduced rate) to support investment/development opportunities within Key Locations.

Recommendation # 11

Engage existing Ontario-based tourism investors/operators, destination marketing organizations and tourism industry suppliers on a periodic basis to identify targets, gaps and opportunities.

The Ministry of Tourism, its agencies (such as the Ontario Tourism Marketing Partnership) and municipalities (notably Key Locations identified above) are the lead entities with respect to establishing tourism policy and guiding Investment. The Ministry is in the best position to engage the private sector and public-sector entities in re-evaluating objective and targets as well as implementing actions designed to achieve these targets.

One of the methods gaining popularity as a means of showcasing investment opportunities in emerging and mature destinations is trade shows/investment showcases. These events act as a catalyst to bring investors/tourism operators to a single point and showcase specific opportunities. The following chapter introduces several events designed to facilitate investment in various locations around the world.

APPENDIX A
INTERNATIONAL
TOURISM DESTINATION CASE STUDIES

Appendix A1 – New Zealand

Impetus

Future forecasts in the 2015 Tourism Strategy for New Zealand call for international tourism contribution to increase to $12 billion by 2015 (4% growth per year) with an annual growth of 0.8% for domestic tourism. Ensuring the NZ tourism industry is prosperous and attracts ongoing investment is one of the four key outcomes of the 2015 strategy along with:

- Delivering a world-class tourism experience.
- Ensuring the tourism sector takes a leading role in protecting and enhancing the environment.
- Ensuring the tourism sector and communities work together for mutual benefit.

Tourism Investment Success Stories

Tourism is now the largest of New Zealand's export industries in terms of both earnings and economic impact–earning 19.2% of exports and 9.0% of GDP. The domestic tourism contribution to the economy grew from $7.8 billion in 2001 to $10.7 billion in 2006. The contribution from international tourism grew from $5.9 billion in 2001 to $8.3 billion in 2006. Over the period 2001 to 2006 there was a total of $1.1 billion invested in hotels and other short-term accommodation. In Auckland, Wellington and Christchurch hotel investment grew at 13% and 28% during 2005 and 2006. A total of 142 new export-ready products and businesses exhibited at TRENZ (Tourism Industry Rendezvous) between 2002 and 2006 and there were a total of 47 new companies and 58 new export products exhibited at the 2007 TRENZ. Another focus of both the 2010 strategy prepared in 2001 and the 2015 strategy has been to grow investment in Maori tourism – today there are more than 350 Maori tourism businesses in NZ and 20% of all international visitors experience Maori culture.[29]

In 2006 and 2007 New Zealand Trade and Enterprise (NZTE) commissioned the Nielsen Company to conduct research into the perceptions overseas markets have of New Zealand business, culture and values. The research was conducted in Los Angeles and San Francisco in the United States, London in the United Kingdom, Shanghai in China and Tokyo in Japan. Research was also carried out in Sydney and Melbourne, Australia.

The findings present a picture of New Zealand business as 'high in human values, but low in business acumen'. There is now a strong focus on developing the business acumen within the NZ business community.

Entity Responsible for Attracting Tourism Investment

Tourism New Zealand is New Zealand's national tourism organisation, marketing New Zealand internationally as a visitor destination under the 100% Pure New Zealand campaign. TNZ has no grant, loan or sponsorship programmes.

www.tourismnewzealand.com

[29] *World Travel & Tourism Council, "The 2008 Travel & Tourism Report – New Zealand", Ministry of Tourism, "New Zealand Tourism Strategy 2015" and "Key Tourism Statistics – August 2008".*

The Ministry of Tourism is responsible for the provision of quality information, research and forecasts to meet the needs of a wide range of tourism sector users.

The rationale for the Ministry undertaking this work is to ensure the tourism industry has the information it needs to support policy, marketing and commercial decisions relating to the sector.

www.tourismresearch.govt.nz

New Zealand has a 'whole-of-government' approach to economic development. This means a range of ministries and departments work together closely to improve the international competitiveness and sustained profitability in New Zealand businesses.

Investment New Zealand (INZ) is New Zealand's single contact point for international investors looking at business opportunities in the country. INZ can help identify sustainable business prospects and develop tailored investment solutions for overseas investors. INZ also acts as a link between high-growth New Zealand businesses in strategic sectors and international investors. Finally, INZ helps potential investors identify sustainable business prospects and develop tailored investment solutions together with helping investors efficiently manage regulatory requirements.

Investment specialists identify any financial assistance available for feasibility studies or pre-investment site visits to New Zealand. These specialists also help coordinate national and local government investment support. INZ has experienced investment specialists in offshore offices in Sydney, Melbourne, Singapore, Hong Kong, Tokyo, London, Paris, New York and Los Angeles. These offshore managers work effectively with New Zealand-based sector investment managers to provide regional and sector expertise. INZ also collaborates closely with regional economic development agencies (EDAs), headed by the Economic Development Association of New Zealand (EDANZ).

www.investmentnz.govt.nz

New Zealand Trade and Enterprise (NZTE) is the government's national economic development agency. NZTE works to stimulate economic growth by helping to boost export earnings, strengthening regional economies and delivering economic development assistance to industries and individual businesses. NZTE also focuses on connecting New Zealand businesses with trade and investment opportunities.

NZTE services cover specific aspects of trade and enterprise:

- Services for businesses starting up and at an early stage of development;
- Services for businesses seeking to grow and internationalize: including new exporters, high growth businesses and other exporters;
- Investment services including specialised services for investors, providing New Zealand business information as well as extensive networks for investors seeking existing and start-up New Zealand-based ventures with excellent future potential;
- Business partnerships: Supporting companies working together to export and grow internationally
- Regional development: Working with and funding regions to grow by encouraging them to focus on their regional economic advantages; and

- Fostering an enterprise culture: encouraging New Zealanders to have a positive attitude towards business success.

An interesting program run by NZTE is the Investment Ready Training workshops designed to provide generic training and information about raising capital. These workshops are intended to help business people and entrepreneurs learn about the types of finance they may consider to expand, diversify or commercialise a new concept and how they can access funding from investors.

www.nzte.govt.nz

EDANZ is a membership-based organization representing stakeholders that have a role in stimulating sustainable economic development and increasing prosperity in regional and local communities. Members are the regional and local economic development agencies (EDAs) throughout New Zealand plus other significant stakeholders including local government and the central government agencies that influence and contribute to economic development.

- Escalator is a New Zealand Trade and Enterprise service run by EDANZ that assists businesses prepare for and seek capital for growth. At any one time 30-40 investment opportunities are reportedly available through participating brokers.
- EDANZ holds a Securities Act (Local Authority and Other Venture Capital Schemes) Exemption Notice 2003 that effectively lowers the cost of raising capital for SME's, enabling companies meeting certain criteria not to issue a prospectus.

www.edanz.org.nz

Financial Incentives

New Zealand Investment Fund (http://www.nzvif.com/index.html), established by the New Zealand government, offers a program of equity investment to innovative young companies and seed investment for early stage businesses with high growth potential. Tourism is not a focus of this program.

Key business cost facts:

- Maximum effective tax rate of 21.18% on non-resident foreign investors.
- Office rental rates average USD$200 per square metre per annum. (World Competitiveness Yearbook, 2005).
- Ranked 7th in the world in flexibility of employment. (World Bank 'Doing Business in 2005' Survey – New Zealand).
- Ranked 2nd in the world in absence of protectionism and 3rd in absence of corruption. (World Competitiveness Yearbook, 2005).

New Zealand's competitive advantage as promoted by Investment NZ:

- New Zealand's efficient, market-driven economy delivers key benefits to investors, including business stability, extensive free-trade agreements and active government support for investment.

- Infrastructure for Business—New Zealand is an export nation connected locally and globally by efficient technology and logistics. Globally we connect to the world through efficient ports, a wide range of global airline services and high-capacity submarine fibre-optic cables.

- Competitive Business Costs—New Zealand's business-friendly taxation system supports capital development, research and development and international investment. Flexible labour policies ensure low employee add-on costs and minimal losses of work days to industrial action. Competitive property and telecommunications costs are also attractive.

For domestic tourism businesses the site www.business.govt.nz provides access to funding and support programs.

Infrastructure Investment

The NZ government provides grant assistance to rural communities faced with major water and wastewater infrastructure pressures resulting from tourism growth.

Other Initiatives

New Zealand Trade and Enterprise (NZTE)'s Brand Partnership programme allows the licensed use of the Fern Mark by exporting companies on their products and/or generic marketing collateral for promotional purposes in selected international markets.

The two-year programme is run under the auspices of the New Zealand Way, a company jointly owned by NZTE and Tourism New Zealand and the assessment process is managed by Qualmark. NZTE has engaged Qualmark to conduct and manage the assessment process. Qualmark is known in New Zealand for managing the quality assurance system on behalf of Tourism New Zealand.

Strategies to Overcome Barriers to Investment

The 'whole-of-government' approach is used to coordinate government efforts to assist in attracting investment and ensure a prosperous business community.

Appendix A2 - Singapore

Impetus

The current Tourism Plan for the Singapore Tourist Board (STB), ***Tourism 2015***, calls for tripling tourism receipts to S$30 billion, doubling visitor arrivals to 17 million and creating an additional 100,000 jobs in the sector by 2015. These targets will require a significant investment in tourism infrastructure.

Tourism 2015 identifies three key areas of focus:

- Strengthening Singapore's position as a leading convention and exhibition city in Asia;
- Developing Singapore as a leading Asian leisure destination by providing an enriching experience that is uniquely Singapore; and
- Establishing Singapore as the Services Centre of Asia – a place where visitors come to enjoy high-end services such as healthcare and education services.

Tourism Investment Success Stories

Singapore has gone through a series of tourism growth stages. Following independence in 1965, tourism was seen as an important means of creating employment. In the 1970s the efforts were concentrated on developing the garden attractions and modern hotels – and marketing Singapore as Instant Asia.

During the mid 1980s when the recession hit the first significant declines in tourism occurred resulting in an oversupply of hotel rooms. STB along with the industry began to realize the city was losing its Oriental mystique and charm due to rapid urbanization and industrialization. The weakness in the tourism product was also seen as a contributing factor in the declines – specifically the increasing loss of natural, historical and cultural attractions. In response, in 1986, the Tourism Product Development Plan dedicated US$223 million for the redevelopment of ethnic enclaves such as Chinatown, Little India, Kampong Glan as well as Raffles Hotel, the Singapore River and Bugis Street. The funding assisted in creating a cultural consciousness with Singaporeans.

In 1996 the Tourism 21 Plan was developed envisioning Singapore as a Tourism Capital. With increasing competition from neighbours like Malaysia and Indonesia as well as others, and considering Singapore's small size and lack of natural attraction disadvantages, the Tourism 21 Plan resulted in the concept of 'Tourism Unlimited'. This strategy called for the industry to break free from traditional geographic boundaries and begin packaging Singapore with the surrounding regions and establish Singapore as the Gateway to Asia. The overall intent was to establish Singapore as the tourism hub and begin to 'destination twin'. A new tagline was developed – 'New Asia – Singapore' reflecting the new role as a tourism business centre and hub. The strategy took stock of the infrastructure and realized there would be a shortfall in hotel rooms given projections, and there was a need to make the retail sector more vibrant and exciting.

Between 1996 and 2005 Singapore experienced an average annual growth in tourist visitation of 2.3% and 2.6% in visitor days. In 2005 Singapore attracted 8.9 million visitors, an increase of 7% over 2004. Total visitor receipts increased by 11% over 2004.[30]

[30] *Singapore Tourism Board, "Annual Report on Tourism Statistics 2005", September 2006.*

Entity Responsible for Attracting Tourism Investment

The Singapore Tourism Board (STB) is an economic development agency for one of Singapore's tourism sector. The mission of the Board is to develop and champion tourism, to help build the sector into a key component of the economy. The major role of the STB is to firmly establish Singapore as a destination of choice for international markets in order to achieve the 2015 targets of S$30 billion in tourism receipts and 17 million visitor arrivals.

With its strategic tourism units aligned to visitor purpose, the STB works towards revitalizing traditional segments ranging from sightseeing and attractions to business travel, as well as actively tapping into emerging segments such as healthcare and education services.

> *Vision*
> *To be a leading economic development agency in tourism, always pushing new frontiers, setting new benchmarks and pioneering best practices.*
>
> *Mission*
> *We develop and champion tourism, so as to build the sector into a key driver of economic growth for Singapore.*

www.stb.gov.sg/

In February 2003, the Singapore Tourism Board announced a review of its strategies and resource allocation to place more emphasis on growth areas. The result of this was a re-organisation of STB's former internal structure, with the major change being the formation of eight strategic tourism units which are tasked to propel growth in the various growth sectors. These include Business and MICE (meetings, incentive, convention and exhibition), Sightseeing and Attractions, Tourism Shopping, Events, Cruise, Healthcare Services and Education Services. These units are established to rejuvenate core segments such as shopping and sightseeing, grow the cruise, events and business and MICE segments, and develop emerging segments such as healthcare and education services. Each unit covers a broad range of activities from marketing to industry development. Currently the Singapore Tourism Board has 22 Regional Offices and 2 Marketing Representatives spread over eight regions.

The Regional Offices undertake the entire range of tourism functions from tourism marketing to investment promotion.

Financial Incentives

As part of the Government's commitment to grow the tourism sector, a S$2 billion Tourism Development Fund (TDF) has been set up to support initiatives in the following four areas:

- Infrastructure Development: Developing critical infrastructure to support tourism growth;
- Capability Development: Enhancing the capability of Singapore-based travel and tourism players as well as attracting world-class travel and tourism businesses and organizations to set up in Singapore;

- Anchoring Iconic/Major Events: Attracting iconic or mega events that will highlight Singapore as a premier destination for Leisure, Business and Services customer segments;

- Product Development: Developing strategic tourism products.

Allocation of funds under the TDF program is based on a projects ability to contribute to the 2015 targets and potential commercial viability.

The STB provides support, incentives and acts as a catalyst to encourage the private sector to take the lead in investing for sector growth. Investment attraction activities include investment promotion, product and industry development, financial grants and tax incentives. The following are some of the current programs:

- Tax Incentives—the STB offers Double Tax Deduction for Inbound Tourism Promotion and Double Tax Deduction for Local Trade Exhibitions, which are aimed at encouraging companies to market Singapore as a destination at overseas trade fairs and missions as well as to expand their markets by participating in international trade-oriented exhibitions held in Singapore.

- Investment Allowance Scheme For Flagship Concepts (Relief from Income Tax)—encourages new investments in flagship concepts stores in the retail, food and beverage and entertainment sectors.

- Concessionary Tax Rate For Approved Mega Events (10% concessionary tax rate)—encourages event organizers to bring in or stage mega events.

- The Film in Singapore! Scheme (FSS)—facilitates international film-makers and broadcasters in the shooting, production and post-production of quality movies and television programmes in Singapore.

- The Training Industry Professionals in Tourism (TIP-iT)—supports strategic companies in their manpower development through the acquisition and application of specialized skills / new capabilities that would directly contribute to achieving Tourism 2015 objectives.

The STB, as the lead agency for tourism also facilitates the application of other grants by other Singapore government agencies such as the Economic Development Board, International Enterprise - Singapore and SPRING Singapore.

The Economic Development Board was set up in 1961 as a one-stop agency to lead Singapore's industrialization drive through investment promotion. The fundamental policy in Singapore is the “open-door” concept where foreign investors are free to own 100% equity, free to repatriate profits and free to bring in foreign skilled workers to operate their facilities.

<u>Other Initiatives</u>

EnterpriseOne (One Network for Enterprises) is a multi-agency initiative managed by SPRING Singapore. EnterpriseOne aims to help local enterprises find the answers they need to start, sustain and grow their businesses.

- Local businesses looking for Government information and services—available 24/7 and managed by the EnterpriseOne team in close conjunction with 44 other partners.
  - Funding options customised for a business.
  - Government assistance based on needs.
  - Market statistics released by Government agencies.
  - Business-related Government e-Services.
  - Licenses and permits based on needs.
- For expert help and advice business consultants at the Enterprise Development Centres (EDCs) offer consultancy and advisory services to enterprises in Singapore.

Taxation Policies

There is no restriction on the repatriation of funds related to foreign investment.

There are currently no exchange control regulations.

There are no restrictions on the convertibility of currencies for the overseas transfer of funds.

Appendix A3 - Montenegro

Impetus

Tourism in Montenegro (part of Yugoslavia at the time) reached a peak in 1987 when total visitation amounted to 1.3 million visitors and 10.8 million visitor nights. At the time the emphasis was on mass tourism. With the ensuing Balkan conflicts tourism dropped dramatically to a low in 1999 of 298,000 and 2 million visitor nights.[31] Through the 1990s the tourism plant was suffering from neglect due to international sanctions during the Balkan conflict, even though Montenegro was never directly involved in the war. In 2006 Montenegro achieved independence and tourism was recognized as one of the economic pillars for renewal.

Tourism Investment Success Stories

In 2008 the World Travel & Tourism Council ranked the Republic of Montenegro as one of the top five destinations in the world in terms of forecast travel and tourism growth over the ensuing decade. In terms of real growth for 2008 Montenegro was ranked 3rd with a growth of 14.2%.[32]

Montenegro has come to be known as the 'jewel in the Balkan crown' and the Monaco of Eastern Europe. By 2007, 95% of the existing hotels have been privatized and over the previous five years investors poured close to 400 million Euros into the renovation and modernization of more than a dozen privatized hotels.[33]

In 2007 there were 1.15 million visitors with 87% from international origins, and 7.3 million visitor nights representing a 20.79% and 22.8% increase respectively. The national hotel occupancy rate increased from 30.4% to 33.3% while average rates continued to increase.[34]

Since independence the value of real estate has grown dramatically leading to significant foreign direct investment (FDI), reportedly placing the country as one of the most attractive destinations in the world in terms of return on FDI.

A total of 12 Greenfield sites are being offered for tender through long term lease agreements by the government for tourism development.

In 2006 Peter Munk concluded a deal with the Montenegrin government for the purchase of a former shipbuilding and naval yard in Kotor Bay. Munk plans to redevelop the 24 hectare site into the largest luxury yacht marina on the eastern Mediterranean with over 700 berths. The first stage will represent US$150 million in direct investment with a total of US$500 million by buildout.

Aman Resorts signed a 30-year lease agreement of the former fisherman's village of Sveti Stefan, a former playground of the rich and famous, along with two adjacent properties. The deal worth US$40 million will see two properties run by Aman and the third by GHM.

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[31] World Travel & Tourism Council, "Montenegro Travel and Tourism: Unlocking the Potential for Growth"; Ministry of Tourism & Environment, "The Information on the Work of the Ministry and 2007 Tourism Season Data", 2008; DEG, "Touristic Masterplan for Montenegro", 2001

[32] World Travel & Tourism Council, "Montenegro Travel and Tourism: Unlocking the Potential for Growth"

[33] World Travel & Tourism Council, "Montenegro Travel and Tourism: Unlocking the Potential for Growth"

[34] World Travel & Tourism Council, "Montenegro Travel and Tourism: Unlocking the Potential for Growth"

Total foreign investments from 1997 – 2004 amounted to 420 million pounds. Following the establishment of MIPA investment increased – in 2005 the total was 382 million pounds, in 2006 over 502 million pounds and in 2007 678 million pounds. Foreign investors come from 77 countries.[35]

Entity Responsible for Attracting Tourism Investment

The Montenegrin Investment Promotion Agency (www.mipa.cg.yu/) is the national investment agency set up in 2005 to promote foreign investment and assist in developing the economy. The mission of this organization is to partner with foreign and domestic investors, the public and private sector, and international groups or individuals to increase investment. MIPA does this in a very proactive manner by actively promoting specific project opportunities to the international community. MIPA assists foreign investors in a variety of ways as follows:

- Partnering
- Providing timely information on the investment climate
- Assisting with permits and licenses
- Locating sites – Greenfield and/or brownfield
- Supporting local partner relationships
- Lobbying government to lesson the ‘red tape’
- Advertising a foreign partners project to assist in furthering other partnerships
- Providing incentives

The Montenegrin Investment Promotion Agency (MIPA) focuses on promoting the key competitive strengths as follows:

- Stable and predictable macroeconomic policy
- An open economy
- Private property rights protection
- A strong currency (Euro) with inflation calculated on a Euro base
- Favourable tax climate
- Ability to repatriate profits, dividends and interest
- Visas not required for many countries
- Foreigners and nationals treated equally (i.e. taxed the same)
- Business registration process is simple, efficient and quick

[35] *Montenegrin Investment Promotion Agency.*

The Ministry of Tourism and Environmental Protection is responsible for tourism marketing and environmental and sustainable development. They are also the lead agency in public tenders for tourism development opportunities.

Agency for Economic Reconstruction - In order to cope with the problems of economic transformation and privatization the Government of Montenegro has formed a specialized agency (under its control) to deal with these issues.

Financial Incentives/Strategies to Overcome Barriers to Investment

Tax incentives used to entice foreign investment include:

- Tax credits—tax due can be reduced by 25% of amount invested in fixed assets up to 30% of total tax liability.
- Incentives for non-developed areas—corporate tax free for three years.
- Carrying loss—losses from business relations can be transferred forward to offset profit, not exceeding five years.
- Incentives for new employment.

Given the small size of Montenegro they are making an effort to offer a bit more than other destinations to potential investors. One additional service that MIPA offers is investor after care. Other strategies are listed below:

- The Republic of Montenegro provides tax exemptions and other incentives to encourage the establishment of foreign companies.
- An open skies policy has been implemented.
- Corporate taxes were reduced with investors gaining the right to repatriate all tourism earnings. The foreign company pays profit tax at the rate of 2.5%. A company is exempt from sales, property, building or land taxes. Personal income tax is 5%. Any pension income is taxed at a rate of 2%. A qualified individual is exempt from inheritance tax and any tax on capital gains made in the Republic.
- A special VAT of 7% was introduced for tourism—the standard VAT is 17%.
- Attractive terms are made available to investors for borrowing.

Infrastructure Investment

Over the period 2002 – 2007 the Montenegrin government invested 250 million Euros into the modernization and upgrading of airports, roads, border crossings and servicing. Agreements have been signed with the World Bank, the International Monetary Fund and the European Bank for Reconstruction and Development as well as with a range of other aid and donor organizations to continue upgrading the service infrastructure throughout the country.

Other Initiatives

Privatization has been the major investment attraction tool. Yugoslavia had a unique system of social ownership under which everybody effectively owned everything and nothing in the same time. Most of the state-owned enterprises were privatized in the last five years and the full privatization process will be completed in the next two years.

With an aim to European integration Montenegro has entered a Stabilization and Association Agreement with the European Union. Moving towards compliance with European standards the country will be able to access European Commission regional and rural development funds.

A Touristic Master Plan for Montenegro completed in 2001 by the German group DEG recommended that the country would need to develop competitive instruments to stimulate investment such as tax relief, long term loans at reasonable conditions and assistance in product strategy, product design, training and marketing. The range of instruments being used at the time in the Mediterranean region included:

- Provision of supply, waste and leisure infrastructure
- Subsidies from own or EU funds
- Concessionary long term loans for acceptable collateral
- Tax relief or exemption for many years
- Marketing subsidies
- Real estate at favourable terms
- Extension of supply and disposal infrastructure up to the project premises
- Public private partnerships
- Extension of public leisure and amusement facilities
- Extension of transport links

Taxation Policies

Montenegro has the lowest corporate tax rate in Europe at 9% flat and personal tax is 15% flat.

Key Public and Private Sector Stakeholders

The Centre for Entrepreneurship and Economic Development

Directorate for Development of Small and Medium-Sized Businesses

Euro-info Correspondence Centre

Appendix A3 – United Arab Emirates (Abu Dhabi & Dubai)

Impetus

In 1968, the UK announced its decision, reaffirmed in March 1971, to end the treaty relationships with the seven Trucial Sheikhdoms (located on the Arabian peninsula) which had been, together with Bahrain and Qatar, under British protection. In 1971 six of the seven Emirates in the Trucial States formed the United Arab Emirates. Ras Al Khaimah (the 7th Emirate) joined a year later.

Oil was discovered in the late 1950s/early 1960s and exports began in 1962. Through this period the economy was still dominated by pearl diving, fishing, agriculture and herding. Residents were poor living for the most part in barasti huts. Abu Dhabi did not have a proper school or hospital until the late 60s/early 70s. When oil prices started to rise in the early 70s the economy began to be dominated by petroleum.

With over 90% of the UAE's oil wealth controlled by Abu Dhabi, the largest emirate and federal capital, Dubai set about building an economy based on re-exportation using large ports, creating a plethora of free zones serving industries as diverse as media, IT, automotives, healthcare and precious metals, and developing a strong tourism economy building on its natural advantages of sandy beaches and year-round sunshine, plus its economic advantages of tax-free living and plentiful international flight connections, Today Dubai strives to be the new Riviera for the Middle East as well as its undisputed trade and services centre. Abu Dhabi is following Dubai's lead into tourism but in a more conservative and carefully master-planned manner.

Historically the UAE has acted as a connecting link between Europe, the Indian subcontinent, the Far East and Africa. The oil money has financed the major development program of tourism infrastructure in each of the Emirates with Dubai and Abu Dhabi becoming by far the largest destinations.

Tourism Investment Success Stories

Through a Tourism Satellite Accounts analysis of 176 countries the World Travel and Tourism Council (WTTC) identified that the UAE ranks 21st in terms of absolute size of the travel and tourism account and 27th in terms of relative contribution to the national economy. In 2008 the UAE travel and tourism sector is expected to generate AED 182 billion (US$49,603 million) of economic activity (GDP) accounting for direct and indirect impacts. In 2008 travel and tourism (T&T) contributed 22.6% of GDP and is forecast to increase to 23.7% by 201—this compares to T&T contribution to the world GDP of 9.9% and 11.1% to the Middle East GDP. The T&T economy in the UAE is expected to grow by 4.1% per annum in real terms between 2009 and 2018—this compares to a growth rate of 4.0% worldwide and 3.9% in the Middle East.[36]

[36] *World Travel and Tourism Council, "The 2008 Travel and Tourism Economic Research: United Arab Emirates".*

Tourism to Dubai is growing at an astonishing rate. The Strategic Plan to 2015 targets double digit growth in GDP from travel and tourism. The target for 2010 is 15 million business and leisure visitors contributing 20% of GDP, compared to over 7 million visitors in 2007. There are 80,000 hotel rooms (by 2010) within the current development pipeline, compared to 42,000 hotel rooms in place today (approximately 320 hotels). Expansion plans underway for the airport are to accommodate 70-100 million passengers by 2025 (compared to 34 million passenger movements in 2007). The planned new Jebel Al Airport is to become the world's largest airport servicing 120 million passengers when it is built in 2010.[37] In 2007 annual occupancies for 4 and 5 star hotels in Dubai achieved an amazing 85.2% and 88.7% respectively.[38] Over the past few years occupancy rates have continued to increase seemingly irrespective of the growing inventory of hotel rooms.

Abu Dhabi is not as far along the tourism curve but is implementing plans to invest $136 billion to increase visitor numbers from 1.35 million in 2006 to 3 million in 2015. Abu Dhabi airport is to become a Middle Eastern hub handling 20 million passengers by 2010. There are a projected 40 new private sector hotels and resorts by 2010 with available rooms rising from 11,500 in 2006 to 25,000 by 2012.[39]

Hotel RevPAR performance in both Abu Dhabi and Dubai has increased at a cumulative annual growth rate of 8% between 1994 and 2007.[40]

Through the Tourism Development and Investment Company there are more than 14 significant tourism projects underway financed and developed through private public partnerships. The two flagship projects are Saadiyat Island and Desert Islands. Saadiyat Island is being developed with a focus on cultural tourism (the largest single ensemble of world-class cultural facilities ever built)—the four main buildings are being designed by four of the world's leading architects:

- Frank Gehry – Guggenheim Museum
- Todao Ando – Maritime Museum
- Jean Nouvel – Classical Museum
- Zaha Hadid – Performing Arts Centre and the Louvre

The Desert Islands destination, comprised of Sir Bani Yas Island and the six Discovery Islands is being developed as a unique destination encompassing a nature reserve, a cultural experience, a showcase for world-class environmental, and conservation and ecological tourism including the Arabian national park – rivalling experiences in the Caribbean and the Maldives. Development of the Desert Islands requires an estimated total investment from public and private sources of more than US$3 billion.

[37] *Dubai Strategic Plan 2015*
[38] *Government of Dubai Department of Tourism and Commerce Marketing, "Analysis of 2007 Hotel Establishment Statistics.*
[39] *Hazel Heyer, Arabian Business, "Abu Dhabi Aims for 2.7 million visitors by 2012", April 23, 2008; World Trade and Tourism Council, "The 2008 Travel & Tourism Economic Report – United Arab Emirates", 2008*
[40] *HVS, "Abu Dhabi Market Snapshot", 2008*

Entity Responsible for Attracting Tourism Investment

In Dubai the **Department of Tourism and Commerce Marketing** (DCTM) was established in 1997 replacing the former Dubai Commerce and Tourism Promotion Board, with overall responsibility for marketing Dubai's commerce and tourism interests, and for planning, supervision and development of the tourism sector. Underlining the importance being placed on tourism the DCTM Chairman is the UAE Vice President and Prime Minister and Ruler of Dubai. DCTM implements an integrated program of international promotions and publicity activities with assistance from 18 overseas offices. They are responsible for tourism business licensing and act in a supervisory role for all touristic, archaeological and heritage sites, tourism conferences and exhibitions, and the operation of tourism information services. In 2001 they developed the Dubai Cruise Terminal hoping to establish the Emirate as the Middle East Hub. In 2002 they established the Dubai Convention Bureau to coordinate international bids and attract major events. Two other significant industry development initiatives include setting up DTCM Tourism and Hospitality Training Solutions and an Emiratization drive to encourage young Emiratis into the tourism industry.

Prior to 2006 the **Dubai Development and Investment Authority** operated as a Government Authority formed to boost the growth and development of Dubai's economy by attracting corporate and private investors to the UAE.

The authority was responsible for facilitating the growth of leading local business and encouraging local entrepreneurs. To meet these goals DDIA was entrusted with developing strategies to attract inward private sector investment into Dubai.

The Dubai Development and Investment Authority offered a broad and comprehensive services platform with numerous value propositions to investor and multinational corporations. These included:

- Access to a range of lucrative, sizeable, quality, strategically significant projects across all sectors.
- Project Development Assistance: As business plan development support, market testing, legal structuring and corporate governance services.
- Access to Capital: Assist in raising capital for projects and provide MNCs access to local and regional investors.
- One Stop Shop Government and Convenience services: Provide "Single window" Government and Convenience services to investors and MNCs and executing and setting-up projects at a fast rate.
- Project Specific Incentives: Provide project-specific incentives to investors and MNCs.
- Regional Research and Analysis Macro and micro economic data on all aspects of business, legal, financial and demographic information in the Region to assist with investment and expansion decisions.
- Business Assistance: Support for top local companies in building expertise, innovating growing, creating new partnerships and reaching international customers.

In mid 2006 the Dubai Development and Investment Authority (DDIA) was liquidated and as a result its subsidiaries were folded into Tatweer. Tatweer is a member company and subsidiary of Dubai Holdings, a Dubai-based holding company set up by the government of Dubai to manage its assets and investments. Founded in 2005, Tatweer is responsible for Dubai's single largest development, Dubailand. Set for completion in 2016, the $65 billion project will include a series of theme parks and a Tiger Woods-designed golf course, as well as a 10km Vegas-style hotel strip called Bawadi.

The company has also invested $3.4 billion in Dubai Healthcare City, has a stake in Dubai Mercantile Exchange and manages Dubai Industrial City.

In Abu Dhabi tourism marketing is handled by the **Abu Dhabi Tourism Authority** (ABTA) a statutory body established in 2004 with wide ranging responsibilities for the promotion and development of the emirate's international tourism industry. The mandate covers three primary areas: destination marketing; infrastructure and product development; regulation, and licensing; and classification. Investment attraction is handled by the Tourism Development and Investment Company a fully owned commercial company of the Abu Dhabi Tourism Authority.

Tourism Development & Investment Company (TDIC) is a master developer of leading tourism real estate assets within Abu Dhabi. It was created as a subsidiary of the Abu Dhabi Tourism Authority. The company is charged with assisting the provision of a world-class infrastructure which will fulfill the emirate's ambitions of becoming a truly global destination of distinction. TDIC was launched with a paid up capital of US$27.5 million to be operated commercially with projects being self-sustaining and economically feasible. Its primary mandate is to develop the real estate assets that support the ADTA's mission of economic diversification through tourism. TDIC's activities include creating tourism development concepts for specific sites and locations, disposing of, or repositioning government-owned tourism assets, entering into joint ventures with investment partners for assets such as hotels or residential products, as well as serving a master developer for large-scale projects.

Since its establishment in April 2006, TDIC has built up an impressive portfolio of projects, some developed under joint venture partnerships, including flagship destinations. These include the transformation of Saadiyat Island, the 27 square kilometre island offshore the UAE capital, and Desert Islands, a multi-experiential destination which is opening up the emirate's Western Province. The range of TDIC's project portfolio spans redevelopment of urban landmark districts, new-build mixed-use complexes, down-town business and leisure resorts, desert resorts and a leading-edge headquarters which is to be a showcase in sustainability. TDIC has also earned an international reputation as a world-class partner with its credentials now boasting alliances with some of the world best architects, hospitality brands and cultural institutions.

TDIC's philosophy is based on delivering best practice across every segment in which it operates—whether it be luxurious desert resorts, nature-based tourism destinations, world class cultural hubs or mixed-use urban redevelopments. Each TDIC project is designed to live up to the company's core values of environmental sustainability, progressive partnerships, cultural stewardship and enhancement and socio-economic viability.

In delivering on these core values, TDIC, and its private sector partners, are assisting Abu Dhabi in its goal of becoming a truly international destination of distinction. A destination which respects everyone and everything and where the values of the past enrich the present and shape the future.

Financial Incentives

The government, through entities like the **TDIC** in Abu Dhabi, invests alongside private sector partners. The government has and continues to make large commitments to investing in necessary supporting infrastructure like transportation, servicing and communications. A good example is the partnership relationship between TDIC and the Solomon R. Guggenheim Foundation. An operating agreement was established in 2007 for 25 years for the design development and construction, plus the first 15 years of Museum operation, renewable in 2027. Principal elements of the agreement include:

- Formation of a joint administrative and curatorial entity to oversee creation and management of the Museum.
- Creation of a mentorship and training program of UAE personnel.
- Allocation of an acquisition and commissioning budget over 20 years to build a unique and extraordinary modern and contemporary art collection.
- Formation of a special committee appointed by government to implement the acquisition and commissioning program.
- Development of a visionary special exhibitions program.
- Development and implementation of an educational program for UAE schools and universities.
- Establishment of a Guggenheim Abu Dhabi office in NYC.

Other key partnerships for the TDIC include:

- Anatara Resorts
- Gary Player
- Angsana Resort and Spa
- Gulf Leighton
- Louvre
- Rotana Hotels and resorts
- St Regis Hotels and Resorts
- Troon Golf
- Urban Land Institute
- Westin Hotels and resorts

Other incentives used in both Dubai and Abu Dhabi to stimulate FDI include:

- Establishing economic free zones where development must begin within 24 months.
- Opening the market to allow freehold ownership of real estate by foreigners.
- Developing a banking free zone.
- Creating a pro-western culture and an open arms approach to FDI.
- Simplifying the development planning and approvals process.
- A requirement for local partners in all developments.

Infrastructure Investment

The government of both Abu Dhabi and Dubai have and continue to make significant investments in the supporting infrastructure such as airports, national airlines, highways/roads, port facilities, development services, a core inventory of high-end hotels and resorts (i.e. Jumairah Group in Dubai and the Palace Hotel in Abu Dhabi), redevelopment of the souks to more modern standards, exhibition/trade centres and investing in core attractions and iconic architecture.

Other Initiatives

Both Dubai and Abu Dhabi are effectively using the tactic of hosting or encouraging/supporting major trade events to create awareness of investment opportunities and to entice FDI. The following are examples:

- Both Abu Dhabi and Dubai run Cityscape events on an annual basis. These major international investment conferences both provide a range of venues and events for investors, real estate developers, cities and regional authorities, consultants, contractors, etc. to gather and share opportunities and benchmarking data. In 2008 Cityscape Dubai added a three-day hotel and tourism investment and development conference. In 2008 the Dubai event attracted 51,855 participants from 136 countries with 18% investors and 15% real estate developers. The Abu Dhabi event attracted 50,000 attendees from over 100 countries with 24% investors and 16% real estate developers. Cityscape Abu Dhabi witnessed transactions and investments worth an estimated US$36 billion.

- Middle East Attractions, Amusements, Parks, Leisure and Entertainment International trade Exhibition. Prominent theme parks under development include Warner Brothers and Ferrari theme parks in Abu Dhabi and Dubailand in Dubai, a multi million dollar development with 24 them parks on an area 4.5 times the size of Manhattan.

- Dubai Entertainment, Amusement and Leisure Show. Four new aquariums have been built or are under development in Dubai and Sharjah.

Taxation Policies

Very favourable taxation policies for Foreign Direct Investors—no income tax or capital gains tax. Duty free goods lead to a strong shopping experience.

APPENDIX B
NORTH AMERICAN
TOURISM DESTINATION CASE STUDIES

Appendix B1 – British Columbia

Impetus

In 2003, Premier Gordon Campbell set the goal of doubling tourism revenues to $18 billion by 2015. This objective was subsequently confirmed by Cabinet and highlighted as part of the Liberal Party's 2005 provincial election platform. To achieve this objective, an annual cumulative growth rate of 6.5% will be required.

British Columbia plans on using the 2010 Olympic Games as an impetus for development of the tourism industry. The provincial government views tourism as one of the most important economic sectors in British Columbia that has a high potential to grow at an unprecedented rate.

Tourism Investment Success Stories

Since 2005, 18 new master development plans for all season resorts have been improved.[41] These resorts include:

- Mount Baldy (total proposed investment $100 million)
- Crystal Mountain (total proposed investment $110 million)
- Saddle Mountain (total proposed investment $115 million)
- Whitewater Ski Resort expansion (total proposed investment $15 million)
- Resorts at Jervis Inlet Marina, Canadian Mountain View Paradise Lodge, Callaghan Country Wilderness Adventures Backcountry Accommodation and Kasiks Wilderness Resorts (expansion)

A considerable amount of new hotel supply has recently opened or is in various stages of development within the province. Significant hotel development projects include:

- Loden Hotel Vancouver, 77 rooms, September 2007
- Shangri-La Hotel Vancouver, 119 rooms, Q1 2009
- Coast Coal Harbour Hotel Vancouver, 220 rooms, Q4 2009 ($60 million)
- Fairmont Pacific Rim Vancouver, 415 rooms and 176 residences, 2009 ($350 million)
- Valencia Hotel Vancouver (former Hotel Georgia), 168 rooms, 2010
- Ritz-Carlton Vancouver, 180 rooms and 123 residences, 2011

[41] *Ministry of Tourism Sports and Arts Tourism Development Branch*

Several other major tourism developments have occurred in British Columbia. For example, the $72 million Vancouver Island Conference Centre recently opened in Nanaimo. The Vancouver Convention and Exhibition Centre is undergoing a $800 million dollar expansion that will triple the size of the venue. In 2007, $1.2 million was spent upgrading 13 recreation sites.[42]

Entity Responsible for Development

The Ministry of Technology, Trade and Economic Development is responsible for facilitating economic growth in the Province of British Columbia. Activities of the Ministry include:

- marketing and promoting the province;
- expand trade and investment opportunities;
- increase sales and exports of goods; and
- encouraging immigration in response to labour shortage challenges.

The Ministry of Technology, Trade and Economic Development works with other provincial ministries and the private sector to identify and address competitive issues such as barriers to investment, labour mobility, diversification of the provincial economy as well as providing funding for infrastructure development. Other responsibilities of the Ministry include ensuring economic benefits from the 2010 Winter Olympic Games are maximized as well as the Asia Pacific Initiative.

Entity Responsible for Attracting Tourism Investment

The Ministry of Tourism, Sports and Arts consists of five branches. Two of these branches, the Tourism Development Branch and the Resort Development Branch, include mandates for attracting tourism investment. In order to meet Premier Campbell's objective of doubling provincial tourism revenues by 2015, the Ministry prepared a Tourism Action Plan designed to allow a whole-of-government approach. In addition to the Ministry of Tourism, Sports and Arts, 14 other ministries and 7 Crown agencies have agreed to work in concert to achieve the objective.

The Ministry of Tourism, Sports and Arts Tourism Development Branch is responsible for coordinating on-going development and implementation of the Tourism Action Plan.

The Branch reports directly to the Minister of Tourism. The Branch has an annual budget of about $4 million and includes 19 staff members. Functions performed by the Tourism Development Branch include:

- Business Research and Investment—provides a broad range of research services primarily to ministry branches and tourism stakeholders including: monitoring of tourism trends, reporting on tourism sector supply side performance measures, support to the BC Tourism Research Advisory Council, and through economic impact and financial analyses. In addition, the section works with the Tourism and Resort Operations Group to create new green tourism and resort investment opportunities by working with local First Nations to identify lands suitable for tourism resort and recreational vehicle development, and by facilitating First Nation partnerships with national and international developers/investors and/or financial institutions.

[42] *Ministry of Tourism Sports and Arts Tourism Development Branch*

- Industry Development—responsible for increasing BC market share of high growth and/or high yield tourism sectors such as cruise ships, conventions and meetings, and emerging growth sectors such heritage tourism and aboriginal cultural tourism. The section works first to bring more visitors to BC via these products, and then lever the visitor stay to increase pre and post visits, and return visits. Also the Ministry of Tourism, Sports and Arts acts as lead on tourism labour force issues and works closely with government's WorkBC initiative and tourism human resources associations.

- Outdoor Sector Development—responsible for facilitating and enabling outdoor recreational opportunities through product development and/or marketing strategies. The section is currently focusing its energy and resources on recreational vehicle park development, a recreation sites market development plan, rail-to-trail development, a provincial highway tourism signage initiative, a BC Marine trail and a safe-harbours handbook. Also the ministry lead on development and implementation of a Green Tourism Strategy for Sustainability, including green house gas emission reduction initiatives.

- Tourism Policy and Land Use—responsible for providing strategic advice and policy direction on inter-ministry and cross-government issues integral to Ministry of Tourism, Sports and Arts' tourism and recreation mandate and is the lead on tourism legislation, regulation and policy. By championing tourism sector interests at inter-agency forums related to tourism land use and policy, this team works with other branches and industry associations to resolve strategic policy and land use issues early on, address opportunities and build strong relationships providing opportunities for tourism businesses to thrive and grow within a sustainable resource management framework.

The Ministry of Tourism, Sports and Arts Tourism Development Branch benefits from a "whole of government" approach to development. Reducing "red tape" is a priority for the Tourism Development Branch and other provincial government organizations. As an example, adventure tourism initiatives are reviewed by the Tourism Development Branch and the Integrated Land Management Bureau. Approvals come from the Ministry of Agriculture and Land with a maximum "turn around" time of 120 days.

Ministry of Tourism Resort Development Branch

The Resort Development Branch is responsible for administering all ski resorts (regardless of the size) as well as all non-ski resorts with at least 100 commercial bed units or $1 million in recreational infrastructure. Smaller non-ski resorts are administered by the Integrated Land Management Bureau. The resorts may have a residential component.

The Resort Development Branch has a staff of 15 and an annual budget of $1.5 million (payroll and office expenses). The staff includes four development managers, each with a support person as well as a manager to facilitate developers' relationships with First Nations. In addition to the regular budget, operations may be funded under the Crown Land Account outside of the normal budget process should funds be required to administer resort development agreements. The branch does not actively solicit developments.

The Resort Development Branch administers existing resorts as well as works with proposed resorts throughout the development process. The development process may be lengthy and costly for developers (some developers spend up to $2 million). An interim agreement may take a year while a final agreement may take two to three years depending if an environmental assessment is required. The branch is working to reduce the length of the process by harmonizing the approval process with local and regional governments as well as harmonizing the environmental assessment process.

Entity Responsible for Tourism Marketing

Tourism British Columbia is responsible for tourism marketing in British Columbia. The goals of this organization are to promote development and growth in the tourism sector, increase tourism revenues and employment throughout the province, and increase economic benefits. Tourism British Columbia's annual budget has been increased to $60 million in 2008 by increasing the share of the 8% hotel tax from 1.65% to 3.0%.[43]

Tourism British Columbia has a Marketing Development Division that is responsible for assisting tourism product businesses, communities and sectors by providing tools to help grow the business opportunity. Its programs focus on providing useful tools for tourism businesses and communities to help grow their business. Additionally, the Market Development Division provides research to the government and industry partners, develops revenue-generating opportunities and publishes *British Columbia Magazine*.

Financial Incentives

The Ministry of Tourism, Sports and Arts Tourism Development Branch does not offer financial incentives or subsidize private sector initiatives. Instead, the Development Branch provides land base access for tourism operators and works with developers to cut red tape and facilitate approvals.

The Ministry of Technology, Trade and Economic offers three programs to help small businesses access capital:

- Small Business Venture Capital Tax Credit Program—provides British Columbia Investors a 30% refundable tax credit;
- Employee Share Ownership Program—offers employees investing in their companies a 20% provincial income tax credit; and
- Labour Sponsored Fund Program—assists in the creation of investment funds which are able to invest in small- and medium-sized businesses.

Community Futures Development Corporation British provides loans, seminars, counselling, business plan consulting and self-employment assistance) to rural communities across British Columbia.

[43] *Tourism British Columbia*

Infrastructure Investment

The Province of British Columbia has made significant investments in tourism infrastructure to support the goals of the Tourism Action Plan. Provincial investments include:

- Vancouver Convention and Exhibition Centre construction and expansion – (province share $500 million).
- Olympic Games - $600 million.
- Passenger rail service to the BC heartlands.
- Investment of $1.3 billion to ensure a reliable transportation network throughout British Columbia.
- Prince Rupert Cruise Terminal.
- Investing in the Vancouver, Victoria, Comox, Prince George, Cranbrook and Kamloops airports.
- Investing in, and facilitating the development of, tourism facilities throughout the province such as the Squamish/Lil'wat Cultural Centre in Whistler, Mount Washington Resort, Canoe Mountain Resort, Kicking Horse Mountain Resort and Big White.
- Providing $25 million to the Union of British Columbia Municipalities to develop community tourism development programs.
- A one time payment of $2 million to each of the Province's six regional Destination Marketing Organizations.
- $5 million has been provided over four years to the Aboriginal Tourism Association of British Columbia for the completion a tourism strategic plan.

Other Initiatives

Ministry of Tourism, Culture and the Arts completed a Tourism Action Plan in February 2007. This plan is based on several previous plans including the Spirit of 2010 Tourism Strategy. The plan focuses on variables that the government has a reasonable level of influence on and identifies specific actions by government that will "encourage a positive business climate, increase investment in tourism, maximize the potential of Crown assets, and develop and expand cultural attractions."

The Tourism Action Plan is a framework of 34 specific objectives organized in to four key areas:

- Development and Investment
- Access and Infrastructure Investment
- Tourism Workforce

- Marketing and Promotion

According to a 2008 Tourism Action Plan update, all 34 actions are underway. An emphasis has been placed on the top eight:

- Improve air and vehicle access to BC and strengthen our role as Canada's Pacific Gateway;
- Leverage the exposure and benefits of the 2010 Olympic and Paralympic Winter Games;
- Increase tourism workforce by raising the career potential of tourism and expand the scope of the labour market pool;
- Fully realize tourism benefits from government's capital investment in BC's convention centres;
- Ensure new resort approvals are expedited;
- Maximize return on Province's tourism marketing investments;
- Increase First Nations investment in the tourism and outdoor recreation sectors;
- Leverage our 'Super, Natural BC' branding with a new, world class Green Tourism Strategy for Sustainability.

In addition, the plan identifies four specific actions by government that will coordinate investments, encourage hassle-free entry to and travel through BC and raise the retention rate of the tourism sector:

- Establish a mechanism for periodic analysis of projected infrastructure enhancements by region (public and/or private sector funded) to meet anticipated future tourism demand. This will include air and marine ports, other transportation infrastructure, parks, RV facilities, trails, accommodations, etc.
- Ensure planning processes identify infrastructure gaps necessary for tourism development (expansions or enhancements to airports, roads and highways, ports, etc.) and devise specific government actions required to fill those gaps and support Canada's Pacific Gateway.
- Leverage transportation infrastructure investments and other tourism-related development.
- Work with the federal government to improve air access to British Columbia in support of Canada's Pacific Gateway Strategy.

Other initiatives by the Ministry of Tourism, Sports and the Arts include:

- The creation of a working group to develop a green tourism strategy for sustainability.

- The creation of a cruise sector working group to develop a strategy to take advantage of the British Columbia cruise industry through long pre- and post-cruise stays in the province.
- Implemented an Aboriginal Tourism Blueprint Strategy with Tourism BC, Aboriginal Tourism BC, the Government of Canada and industry partners.
- Created the Industry/Government Working Group for Recreational Vehicle Park Development.
- Established the Cruise Industry Working Group to identify ways to increase the benefits to British Columbia from the fast-growing cruise ship sector.

Key Public and Private Sector Stakeholders

With over 150 member organizations, Council of Tourism Associations represents all regional and municipal tourism associations in the province. The Council is designed to assist the associations in working toward common initiatives.

The Royal BC Museum is a Crown corporation responsible for the protection and exhibition of provincial collections, including specimens, artefacts, archival records and other materials that illustrate the natural and human history of British Columbia.

The BC Pavilion Corporation generates economic and community benefits through the prudent management of public facilities such as BC Place and the Vancouver Convention and Exhibition Centre.

Appendix B2 – Kentucky

Impetus

In 1995, the Kentucky Commerce Cabinet realized the tourism sector in Kentucky had stagnated while surrounding states were experiencing growth in the sector. The Cabinet commissioned a study which concluded new attractions were required. However, public funds were not available to accomplish this task. As a result, the Kentucky Tourism Development Act was passed in 1996 to stimulate private sector tourism investment.

Tourism Investment Success Stories

Kentucky's tourism industry generates $10.1 billion annually and employs over 175,000 people. In the last three years, tourism in Kentucky increased more than 24% and created more than 6,000 new jobs.[44]

The Tourism Development Act has been successful in attracting private sector investment in tourism projects. Since the Act was passed in 1996, 316 projects representing $733 million in private investment have been approved to receive financial incentives.[45] Tourism Development Act projects include:

- Newport Aquarium ($32 million)
- Newport on the Levee – a 250,000 square foot entertainment centre
- Kentucky Speedway ($100 million)
- 4th Street Live! ($70 million)
- Newport on the Levee Entertainment Destination Center
- Glassworks – a facility for glass artisans ($4 million)
- Owsley Brown Frazier Historical Arms Museum
- Hilton Garden Inn – Kentucky Fairgrounds
- Heaven Hill Distillery Visitors Center
- Galt House Renovation
- West Main Museum & Hotel, Louisville
- Hofbrauhaus
- Green River State Park Resort & Golf Course

Paducha Kentucky has become a model for the development of arts districts. Prior to the development of the arts district, Paducha was a depressed area. A several block radius was designated as a development area and incentives were provided to artisans to live and work in Paducha.

[44] *Kentucky Department of Travel and Cabinet for Economic Development*
[45] *Kentucky Tourism Development Cabinet*

<u>Entity Responsibly for Tourism Marketing</u>

Kentucky Department of Travel

An $8 billion matching funds program is available to tourist attractions, local and regional tourism groups and the Kentucky Department of Tourism to help promote area tourism or specific attractions.

<u>Entity Responsible for Economic Development</u>

Kentucky Cabinet for Economic Development

The Kentucky Cabinet for Economic Development is the primary state agency in Kentucky responsible for creating new jobs and new investment in the state. The Cabinet consists of:

- Office of the Secretary—responsible for the development and administration of the executive policies and for the overall management of the agency.
- Department of Existing Business Development—responsible for assisting and encouraging job retention and creation by working with existing business and industry.
- Department of New Business Development—responsible for coordinating the recruitment and attraction of companies that will enhance the overall viability of the state's economy.
- Department of Commercialization and Innovation—responsible for leading the efforts of the Kentucky Economic Development Cabinet in creating a knowledge-based economy.
- Department of Financial Incentives—coordinates all the financial assistance, tax credit and related programs available to business and industry.

Kentucky Economic Development Partnership

The Kentucky Economic Development Partnership was created by the Kentucky General Assembly in 1992 to direct the state's economic development efforts.

The Partnership includes eight private-sector members, whom are appointed by the Governor, and includes one member from each of the state's congressional districts. The secretaries of four Cabinets (Economic Development, Finance and Administration, Environmental and Public Protection, Commerce) serve as public sector, ex-officio members (non-voting members). The Governor serves as the Chair of the Partnership.

<u>Entity Responsible for Attracting Tourism Investment</u>

Kentucky Tourism, Arts and Heritage Cabinet

The Kentucky Tourism, Arts and Heritage Cabinet works with local economic development officers by keeping them current on incentive and educates the local council on the importance of tourism from an economic development perspective.

Until 1996 Tourism, Arts and Heritage was part of the Commerce Cabinet. Today, the Tourism Arts and Heritage Cabinet is one of nine state cabinets reporting directly to the Governor's office.

Financial Incentives

Kentucky Tourism Development Act

Kentucky was the first state to create a tax-credit program to support tourism-related development. The Kentucky Tourism Development Act provides a sales tax incentive program for major tourism developments. A hidden purpose of the program is to promote development on the Kentucky side of the Ohio/Kentucky border near Cincinnati.

Under the Act, developers may recover up to 25% of the project's development costs through a refund of the 6% sales tax paid by visitors to the attraction on admission tickets, food and gift sales and lodging tasks. The developer has 10 years to reach the 25% threshold. If the development is located in a State Park, the developer may recover 50% of the project costs over 20 years.

To be eligible for the incentive, the developer must prove the project would not proceed without the incentive. To date, two projects were denied funding under the tourism development act. Neither project proceeded as envisioned when the funding application was prepared.

The Kentucky Tourism, Arts and Heritage Development Cabinet unsuccessfully tried to attract investors by marketing the program. Upon the passage of the Act, the Kentucky Tourism, Arts and Heritage Cabinet sent a mailing to major US-based developers describing the act. Despite the expense involved in this campaign, it yielded little in the way of results.

Program guidelines are as follows:

- New or expanding tourism projects qualify.
- Minimum $1 million investment.
- The development must attract at least 25% of visitors from out-of-state.
- Minimum 100 days per year open to the public.
- The development must generate a positive fiscal impact after inducements.
- Must be located in an area of natural phenomenon or scenic beauty.
- Eligible developments include:
    - Cultural or historical sites.
    - Kentucky crafts and products centres.
    - Recreation or entertainment facilities.
    - Lodging (when built in conjunction with a tourism attraction that costs more than the lodging facility; built on state or federal parks and recreation lands; project involves restoration or rehabilitation of historic structure or lodging facility with more than 500 rooms and renovation costs of more than $10 million).

Tax Increment Financing for Tourism Projects

Tax Increment Financing for Tourism Projects is a new incentive program similar to the Kentucky Tourism Development Act. Tourism developments with a capital investment of at least $10 million are eligible for a refund of up to 80% of state and local incremental taxes generated in the approved area. Taxes that may be considered in the refund include sales and use, income, property (excluding school and fire district property taxes), local insurance premium, occupational license fees and other taxes determined by the Kentucky Revenue Cabinet. Projects are able to recover 25% of development costs over 25 years. To be eligible, projects must be located in designated development area.

Until this year, the Tax Increment Financing for Tourism incentive was operated through the Kentucky Finance Cabinet and is lightly promoted relative to the Tourism Development Act (which is operated by the Kentucky Tourism, Arts and Heritage Cabinet). As a result, program activity has been relatively light. In 2008, the program was moved to the Kentucky Economic Development Cabinet.

Tourism Development Loan Programs

In 2002, the Tourism Development Loan Program was launched. Under this incentive, tourism developers are eligible for loans (up to $250,000) at favourable interest rates. $1.5 million was made available for this program and, to date, $1.4 million has been lent to developers. Funding for the program has not been "topped up". However, $1.2 million is currently available due to the receipt of interest payments and the repayment of principle.[46]

Projects that have benefited from this incentive include:

- Cowboy's of Kentucky
- Torrent Falls/Via Ferrata
- Old Crow Inn
- Chaney's Dairy Barn
- Equine Show Facility
- Rock Climbing Adventure
- Bed & Breakfast, Restaurant & Winery
- Agritourism Facility

Kentucky Economic Development Partnership

Kentucky Economic Development Partnership Financial Incentive Programs include:

[46] *Kentucky Tourism Development Cabinet*

- Kentucky Micro-Enterprise Loan Program—provides loans up to $35,000 to small businesses (less than 50 employees with an emphasis on disadvantaged businesses).

- Small Business Innovation Research and Small Business Technology and Transfer Matching Funds Program—the Commonwealth will match Federal Awards up to $500,000 per year.

Infrastructure Investment

- The state is spending nearly $100 million to improve the Kentucky State Parks System. Improvements include renovations to campgrounds, recreation facilities, guest rooms and public areas of many state parks including furniture, carpeting and lighting. All park lodges now have wireless internet.

- Kentucky International Convention Center realized a 40% increase in business following its expansion and renovation, which was completed in 2000.

- The Kentucky Exposition Center, with over 1.2 million square feet of exhibit space, is the sixth largest exposition facility in the nation. With the newly completed opening of the North Wing, the facility now has over 800,000 square feet of Class A exhibit space making it the third largest in the country. The Kentucky Exposition Center is home to five of the nation's top 25 largest trade shows.

Other Initiatives

- Tourism signage programs.

- Kentucky will host 14 international sporting events over the next five years including the Alltech FEI World Equestrian Games in 2010, the Ryder Cup in 2008 as well as the annual Kentucky Derby.

- Transient Room Tax of 1% is charged at all Kentucky commercial lodging establishments (in addition to the 6% State Sales Tax). Receipts are deposited in the Tourism, Meeting and Convention Marketing Fund, which is administered by the Commerce Cabinet. The sole purpose of the Fund is to market and promote tourism (including events, meetings, conventions, trade shows, cultural activities, historical sites, recreation, entertainment, etc.).

Appendix B3 – Mississippi

Impetus

Mississippi is the third largest jurisdiction in terms of casino gaming in the United States. The Tourism Incentive Plan is designed to target family-friendly tourism attractions as well as outdoor experiences (lakes, trails, hunting, etc.).

The casino developments are primarily located along the Gulf Coast. The goal is to attract tourism to other areas (e.g., Tunica).

No target has been set (revenues or visitors).

Tourism Investment Success Stories

According to the Mississippi Development Authority Tourism Division Annual Report, tourism capital investment totalled $551.2 million in 2007. The Tourism Incentive Program has been operating for about one year, with some modest success. Success stories from the Tourism Incentive Program include:

- The relocation of the Mid-South Fair from Tennessee. The Mid-South Fair is a two-week event attracting up to 70,000 people per day. Year-round activity occurs at the fairgrounds.

- The Myriad Tunica Resort received a Mississippi Tourism Investment Certificate making it eligible for up to $290,950,000 of sales tax rebates, effective during the first 10 years of operation. Planned resort features included the first fully-enclosed, climate-controlled championship golf course, water park, 400 ft observation wheel, 1,200-room hotel and multiple enclosed botanical gardens.

Entity Responsible for Tourism Marketing

In 1986, a Governor's Task Force on Tourism was appointed to assess the strengths and weaknesses of the state's tourism industry and provide recommendations on how to increase tourism revenues. The major objective identified by the Task Force's report was the establishment of a state public/private sector promotional association. This lead to the establishment of what is known today as the Mississippi Tourism Association.

Entity Responsible for Development

Mississippi Development Authority

The Mississippi Development Authority is the state's lead economic and community development agency. The Authority is organized into three groups:

- Economic Development Group—focused on traditional business recruitment and retention, community development, tourism development and export development.

- Asset Development Group—pursues innovative ways to develop unique Mississippi assets such as cultural heritage, natural resources and small town lifestyles.

- Administration and Financial Services Group—oversees the Agency's financial and administrative responsibilities and community development grant programs. The Financial Services Group operates the Tourism Incentive Program and the Job Tax Credits

Mississippi Major Economic Impact Authority

The Mississippi Major Economic Impact Authority is administered by the Mississippi Development Authority and the State Bond Commission. The Authority is designed to allow the state to assist local communities in meeting development requirements inherent in large capital projects.

Entity Responsible for Attracting Tourism Investment

Mississippi Development Authority—Tourism Division

Financial Incentives

Mississippi Tourism Incentive Program:

- Administered by Mississippi Development Authority.
- Second program—about one-year old. Original program had a three-year mandate and resulted in the development of several golf courses and waterparks.
- Revised program different from the first program as casinos and existing project expansions are not eligible.
- Designed to provide an incentive to qualified developers of new family-oriented tourism projects within the State of Mississippi.
- Allows sales tax paid by visitors to the eligible tourist project to be diverted to the developer to cover project costs and may include public and/or privately owned facilities.
- Eligible projects must meet at least one of the following criteria:
    - Have an initial investment of not less than $5 million in a tier I area.
    - Have an initial investment of not less than $3 million in a tier II area.
    - Have an auditorium, dining facility, gift shop, lodging facility on the Project site or within one mile of the Project and owned by the owner of the Project (note the capital investment in any dining or lodging facility shall not be included in the capital investment required by the project, however, the tax revenue can be used to recover costs of the Project and other facilities).
    - If a family-oriented entertainment enterprise is owned by an entity which has a gaming license, the project must be in excess of that which is required by the State Gaming Commission for the issuance or renewal of a gaming license.

Job Tax Credits

- Available to certain types of businesses that create and sustain new jobs in Mississippi. Includes recreational facilities that impact tourism, resorts having a minimum of 150 rooms.

- Credits are taken against Mississippi corporate income tax. Calculated as a % of eligible payroll each year for five years based on job location and salary paid. Taken in years two through six.

- Counties are placed in one of three tiers based on county's level of economic development.

    - Tier III – 10 or more jobs – credit 10% of payroll

    - Tier II – 15 or more – 5% of payroll

    - Tier I – 20 or more 2.5% of payroll

- To be eligible employer must create and maintain the minimum number of jobs based on location.

Mississippi Major Economic Impact Authority

The Mississippi Major Economic Impact Authority is administered by the Mississippi Development Authority and the State Bond Commission. The Authority is designed to allow the state to assist local communities in meeting development requirements inherent in large capital projects. New project and expansions of existing facilities are eligible for the program. The projects, however, must have an initial investment of $300 million by the private sector or federal government. Several industry sectors are eligible for the incentive including tourism facilities.

Eligible developers are eligible for low-interest loans. The interest rate is determined by the Mississippi Major Economic Impact Authority and the loan term can not exceed 20 years.

<u>Other Initiatives</u>

Meeting and Convention Incentive Program:

- $2,500 (1,500 room nights) to $10,000 (4,500 room nights) available to groups that have never met in Mississippi or have not met in Mississippi in 10 years.

Mississippi Major Economic Impact Authority (Part of Mississippi Development Authority):

- Designed to allow the State to assist local communities in meeting the development requirements inherent in large capital projects (minimum initial capital investment of $300 million), thereby generating an investment in the quality of life in such communities.

- Eligible projects for this program include tourism facilities.

South Mississippi Tourism Industry Restoration Grant Program Advertising, Promotion and Events Marketing:

- Promote economic development through tourism events.

- Restore and enhance the image of Mississippi and its communities/regions as tourism destinations.

- Improve the quality of life by assisting events in becoming more established generating greater events and revenue.

- Seven southern Mississippi counties are eligible.

- $5 million available, maximum of $2.5 million for any one county.

Key Public and Private Sector Stakeholders

Momentum Mississippi, which has 14 goals including helping attract tourism opportunities and expanding film-making in Mississippi.

Appendix B4 – Pennsylvania

Impetus

Both tourism and agriculture have always been import industry sectors in Pennsylvania's economy. In 2003, newly-elected Governor Rendell introduced an economic stimulus package that included seven programs. One program, the First Industries Fund, focused on the tourism and agribusiness sectors.

Tourism Investment Success Stories

The Pensylvannia First Industries Fund has been successful in attracting tourism investment. One recent example is The Coliseum. Described as an entertainment megaplex, this facility is comprised of themed restaurants and entertainment facilities. Other facilities developed under the First Industries Fund include:

- the Pennsylvania Elk Visitors Centre
- Artisan centres
- Renovation of historic taverns and bed & breakfasts
- Kennywood Park
- Upgrade of parking at Idelwyld

Entity Responsible for Attracting Tourism Investment

Pennsylvania Department of Community and Economic Development

Originally, cultural tourism and heritage tourism were operated as separate departments. The Pennsylvania Council on Arts focused on people providing cultural experiences. Heritage Tourism focused on conservation of natural resources and assets. In 2002, an interagency task force was formed to examine the potential to grow the tourism industry in Pennsylvania. In 2004, tourism development moved from an ad hoc to more clarified program. At this time, the Department of Community and Economic Development – Tourism, Film and Marketing as well as Cultural Heritage and Tourism departments were formed.

Entity Responsible for Tourism Marketing

The Pennsylvania Tourism Office is the state's tourism marketing arm. The Pennsylvania Tourism Office, or VisitPA, is part of the Department of Community and Economic Development. The organization works with related agencies and organizations (i.e., Destination Marketing Associations, Convention Visitors Bureaus) on content for the VisitPA.com website as well as promotion of specific regions, attractions and events.

Entity Responsible for Development

Pennsylvania Department of Community and Economic Development – Tourism Division

Team Pennsylvania

Team Pennsylvania Foundation is a public/private partnership with a mission to initiate and support innovative programs to improve Pennsylvania's competitiveness and economic prosperity. The foundation, chaired by Governor Rendell and Scott Newkam (CEO of Hershey Entertainment and Resorts), has invested over $35 million in economic development initiatives since its inception.

The Team Pennsylvania Foundation has created a subsidiary, the VisitPA Foundation, which is focused on tourism-related economic development. Primarily supporting tourism industry marketing initiations, the VisitPA Foundation allows the tourism office to receive additional financial support through private grants, merchandise and other public/private initiatives. The funding allows investment in marketing efforts to help move forward the initiatives of Plan 2010, Pennsylvania's tourism strategy.

<u>Financial Incentives</u>

First Industries Fund – Tourism Program

The First Industries Fund was created to provide financial support to businesses in the tourism and agriculture sectors. $150 million was allocated to the first industries fund with $100 million for agriculture and $50 million for tourism. Of the $150 million, $10 million was allocated for planning grants. The $10 million for planning has been fully utilized although some of the funding is expiring and may be returned for other initiatives. A portion of the $50 million allocated for tourism is still available.[47]

The fund is administered by the Department of Community and Economic Development pending approval by the Commonwealth Financing Authority.

Eligible tourism projects include:

- Destination sites in Pennsylvania (historic, heritage, cultural, sporting, amusement, nature, outdoor recreation, retail, etc.);
- Hospitality establishments;
- Businesses that develop and market travel packages for the purpose of attracting out-of-state visitors;
- Public/Private Partnerships formed to enhance or optimize the use of Commonwealth-owned resources such as state-owned parks and state game lands;
- Tourism related activities or events that promote Pennsylvania; and
- Other projects or initiatives as determined by the Commonwealth Financing Authority.

The tourism program provides grants, loans and loan guarantees to non-profit organizations and for profit business enterprises to undertake projects relating to the promotion and development of tourism within Pennsylvania. Specifically, the program provides:

[47] *Pennsylvania Department of Economic and Community Development*

- Loans—up to $200,000 or 50% of total eligible project costs. Two loans are included as part of the First Industries Fund – one for machinery and equipment and the other for small businesses. These loan programs existed prior to the First Industries Fund but have been expanded in terms of types of eligible projects. To be eligible for loans, a matching amount must be raised by the organization. Some eligible participants have not been able to fully utilize the loans as they have been unable to satisfy the matching funds component.

- Grants of up to $250,000 are available for eligible projects.

- Loan Guarantees are also available through the First Industries Fund. These guarantees are intended to assist with projects in working with commercial lending institutions to achieve project financing. The State will guarantee up to 50% of loans to eligible projects.

In the First Industry Fund's first year, 38 planning grants and 19 loans or loan guarantees were approved by the Commonwealth Financing Authority. In June of this year, Governor Rendell announced an additional 28 projects that were awarded in aggregate of over $4 million. Projects receiving First Industry Fund loans, grants and loan guarantees come from all geographic areas of the state and include diverse attractions such as an underground railroad museum, equestrian centre, botanical garden and motor sports complex.

The Commonwealth Financing Authority, the entity which approves First Industry Fund applications, is also responsible for overseeing other economic stimulus programs including Business in our Sites, Tax Increment Financing Guarantee, New PA Venture Capital Investment, New Pennsylvania Venture Guarantee, Building PA, PennWorks and the Second Stage Loan programs.

Community Revitalization Program

In many cases, supplemental support for Pennsylvania tourism development projects has been funded through the Community Revitalization Program. This program, also administered by the Department of Community and Economic Development, provides grants for community revitalization and improvement projects throughout the state. To be eligible, a project must satisfy one of the following criteria:

- Improve the stability of the community;

- Promote economic development and/or community development;

- Improve existing and/or develop new civic, cultural, recreational, industrial and other facilities or activities;

- Assist in business retention, expansion or attraction;

- Promote the creation of jobs and employment opportunities; and

- Enhance the health, welfare and quality of life for citizens of the Commonwealth.

Eligible applicants to the Community Revitalization program include local government, municipal redevelopment authorities and agencies, industrial development authorities and agencies, not-for-profit organizations incorporated under the laws of the Commonwealth and community organizations engaged in activities consistent with the program guidelines. Projects for the sole benefit of a for-profit entity are not eligible for program funding.

Pennsylvania Main Streets Program

The Pennsylvania Main Streets program is a community-based downtown revitalization initiative. The program was developed in 1980 by the National Trust for Historic Preservation. Grants are provided to enhance revitalization of Pennsylvania business districts. Since 2003, over $26 million has been allocated to projects in communities across the state.[48]

Pennsylvania Progress Fund

The Pennsylvania Progress Fund provides start up and expansion loans along with entrepreneurial coaching to Pennsylvania's small tourism businesses. Since the fund's inception in 1997, the fund has made 189 loans totalling over $16 million as well as providing almost 8,000 hours of entrepreneurial coaching. Over 60% of the borrowers are located in distressed communities and over 30% are women.

Pennsylvania has not initiated a tax-credit program for tourism related development.

Infrastructure Investment

Pennsylvania's Capital Budget has included a significant number of tourism projects in recent years. Since 2003, over $154 million has been spent on a diverse range of tourism projects including the Quilt Museum and new Gettysburg National Battlefield Museum, to the Station Square pedestrian bridge and Erie Convention Centre. In addition, the State Government is spending $16 million to double the size of the Pennsylvania Convention Center in Philadelphia.

Other Initiatives

Governor's Conference on Tourism

In 2008, Pennsylvania held its first Governor's Conference on Tourism. The focus of this event was "Preserving the distinctive character of our communities and building economic development through cultural and place-based tourism."

Pennsylvania Governor's Tourism Partnership

The Pennsylvania Governor's Tourism Partnership includes private sector representation, tourism promotion leaders (CVBs) and representatives of related government departments. The Partnership is chaired by the Secretary of the Department of Community and Economic Development and acts as an advisory body on policy matters. The Partnership played a significant role in the development of Plan 2010, the State's tourism strategy and the creation of the Governor's Conference on Tourism.

[48] *Pennsylvania Department of Economic and Community Development*

Tourism Strategic Plans

Plan 2010, Pennsylvania's strategic plan for tourism, builds on the Five-Year Strategic Tourism Master Plan (1999). The plan allows for the continuation of the First Industries Fund enabling tourist industry to react to changing consumer trends as well as creating new demand drivers. It has also resulted in the creation of the Governor's Tourism Partnership.

Several other regions, municipalities and organizations have developed tourism plans including the Juniata River Valley Region, which includes the implementation of Community and Economic Development Programs to increase the Region's attractiveness for tourism including downtown revitalization, revitalization of gateways, planning for future high-quality growth, coordination with surrounding counties, financial incentives for tourism business and tourism infrastructure investment. The plan also identifies existing loan programs and other financial incentives available through the Small Business Administration, SEDA-COG, the Small Communities Block Grant Program, the Economic Development Administration, and the Commonwealth and Appalachian regional Commission that are potential sources of financial capital for tourism business to develop and expand. Other organizations with strategic plans that include a tourism development component include the Pennsylvania Travel Council, The Pennsylvania Department of Conservation and Natural Resources, The Pennsylvania Historical and Museum Commission, Lancaster County and The Center for Rural Pennsylvania.

Matching Funds Program

The Pennsylvania Tourism Office created a matching funds program in 1971 designed to assist tourism promotion agencies attract visitors to Pennsylvania. In 2007, the State disbursed $10.6 million to 49 tourism promotion agencies.[49] In aggregate, this contribution represented about 30% of the agencies' promotion budgets. A similar amount has been included in the State's 2008 budget.

Hotel Taxes

Like many jurisdictions, hotel taxes have been implemented in Pennsylvania with a portion of the proceeds going to tourism development initiatives. Under the Pennsylvania Convention Authority Act, a tourism marketing tax of up to 1% of hotel rates in cities with convention centres may be used to publicize tourist attractions in the area. Most jurisdictions have instituted a similar tax (of up to 1.5% of revenues) to generate marketing funds for the regional marketing authority publicizing area tourism attractions.

[49] *Pennsylvania Department of Economic and Community Development*

Appendix B5 – South Carolina

Impetus

In 2002, South Carolina business leaders invited Dr. Michael Porter and the Monitor Group, L.P., to assess the state's competitiveness. While South Carolina had experienced economic growth in the last decade, many were concerned that wage growth lagged behind and unemployment remained above the US average.

Dr. Porter and his associates identified tourism as one of the state's four existing industry clusters. Using Porter's cluster theory, this paper examines what are the right kinds of assets to spur tourism cluster growth in the Lowcountry region of South Carolina. The attributes of the Lowcountry—the unique ecosystem, early American history, seacoast location, and a medley of cultural offerings—contribute to a thriving tourism cluster.

A Tourism Alliance has been formed, primarily consisting private sector representation.

Tourism Investment Success Stories

According to the South Carolina Department of Parks, Tourism and Recreation, tourism expenditures in 2007 totalled $9.7 billion generating $16.7 billion in total economic demand. The sector is responsible for 10% of the state's total employment.

Entity Responsible for Tourism Marketing

South Carolina Department of Parks, Tourism and Recreation – Tourism Sales and Marketing. The responsibilities of this department includes:

- Creating and sustaining the tourism image of South Carolina;
- Working with industry partners to leverage tourism investment though cooperative programs;
- Providing leadership to identify opportunities and overcome challenges to the tourism economy;
- Providing financial and marketing assistance to eligible state, non-profit tourism marketing entities through a matching grants program;
- Developing and implementing the state's marketing plan; and
- Assisting group tour operators with details and contacts for attractions, accommodations and restaurants.

Entity Responsible for Development

The South Carolina Department of Commerce is the state's economic development arm. The Department has four foreign offices that recruit foreign investment to South Carolina as well as assisting state businesses in the development of export markets. The Department assists companies in finding sites and/or buildings in which to operate as well as offering grants for community development, infrastructure improvements and workforce skills development.

The Department of Commerce is also responsible for South Carolina Public Railways, the South Carolina Division of Aeronautics as well as the South Carolina Coordinating Council for Economic Development.

Entity Responsible for Attracting Tourism Investment

South Carolina Department of Parks, Tourism and Recreation – Community and Economic Development

South Carolina Department of Parks, Tourism and Recreation – Community and Economic Development provides:

- Site location assistance;
- Customized project-related research;
- SC Resident demographics;
- Permitting information;
- Computation of Business Tax Incentives;
- Resource for tourism infrastructure development assistance; and
- Coordination of site location visits.

Based on the Porter Study, four tourism clusters have been identified in the lowcountry with potential for tourism industry growth.

South Carolina Tourism Alliance

The Tourism Alliance, comprised mainly of private sector, is a not for profit organization that helps tourism industry developers set up meetings with municipal, regional and state organizations as well as provides technical assistance and advisement. The Alliance also assists developers through the permitting process.

The South Carolina Tourism Alliance has been provided with a $6 million product development fund. As an initial initiative, The TDI Group out of Ireland has been commissioned to complete development plans for each cluster.

Financial Incentives

Tourism Infrastructure Development Incentive

- A portion of the State Admissions Tax collected from a qualified establishment may be returned to the local government to fund public infrastructure development.
- $20 million over five years is available for this incentive.

Heritage Corridor Development Grant

- Assists communities and organizations in developing, implementating and maintaining a successful heritage tourism attraction or program that benefits residents and attracts visitors to the area.
- Limited to non-profit organizations.
- Require a 50/50 reimbursable cash match.

Corporate Income Tax Incentives

- Provides companies a credit against their corporate income tax where new jobs are created—qualifying businesses receive a tax credit for each new job created. Businesses must increase employment by a monthly average of 10 new jobs and be engaged in one of the following types of tourism or entertainment-related businesses:
    - Hotels and motels
    - Theatre
    - Theme or amusement park
    - Historical, educational or trade museum
    - Botanical garden
    - Cultural centre
    - Convention centre
    - Arena, auditorium or spectator or participatory sports facility
    - Motion picture production studio
    - Retail established and service related industries (in least developed or distressed counties only).
- Tax credits range from $750 to $8,000 based on company size and geography.

Family Independence Tax Credit

- Received by a company who employs a person who received Family Independence payments within SC for three months immediately preceding employment. Credit based on % of wages paid to employee (10% to 20%) for first three years.

Child Care Credit

- Credit to SC Income Tax for capital costs incurred in establishing a child care program (50% of incurred expenses) and costs incurred in running a child care program (50% of payments incurred by employer up to $3,000 per employee).

Corporate Contributions for Infrastructure Construction Credit

Other Initiatives

South Carolina Tourism Action Plan (“New Carolina”)

- South Carolina can become one of USA’s leading tourism states in less than two decades.
- Tourism cannot succeed without public/private sector collaboration and coordination.
- Less than one-fifth of one percent of the State’s earnings from tourism is presently reinvested in destination marketing. If budgets are doubled, growth rates can be doubled within the next five years and doubled again by 2020.
- A state product development plan should be developed and followed. South Carolina has a strong coastal tourism draw, but not enough inland products to create significantly increased tourism traffic in those areas. The product development plan should include incentives to private businesses to invest in the creation of new, expanded and upgraded accommodation and attractions across the state, so that all areas may benefit from the broad-based economic activity that the tourism industry generates. State assistance also should include research to identify potential new products and markets. SCPRT should add additional staff with specialized technical skills in product development and planning. Focused product development could create tourist-attracting clusters of activity near interstate highways and draw more visitors to areas such as the Greenville area, which has a strong industrial base but not the tourism traffic it has the potential to serve, given the natural and cultural attractions of the Upstate.
- Recommendation – Establish a Product Development Division in the State Tourism Organization.
- The role of the State Tourism Administration should be expanded to include a new Product Development Department (PDD). The PDD would produce a State Product Development Plan, updated annually, and the provide technical assistance and financial support for new product development and refurbishment/upgrading of existing private sector tourism facilities and amenities.

Strategies to Overcome Barriers to Investment

Access by highway and air are limiting factors to tourism growth in varying degrees around the state. Myrtle Beach has no interstate highway access.

- Work has begun on Interstate 73.
- Tourism Action Plan—recommends improving access to, and development of, high yield projects along the coast.
- Myrtle Beach airport is limited in its capacity and services.
- Airport is being improved to accommodate more non-stop flights.

APPENDIX C
INTERVIEW LIST

Interview List

Organization	Location
Bayt Al Mal/Emirates Consulting	Toronto contact for Kuwaiti investor
Blue Beach Avenue Corporation	Wasaga Beach
CB Richard Ellis	Toronto
City of Niagara Falls	Niagara Falls
City of Toronto	Toronto
CN Tower	Toronto
Colliers International Hotels	Toronto
E Solutions (formerly KW Chamber of Commerce)	Waterloo
Enterprise Florida (Canada Office)	Toronto Office
FedNor	Sault Ste Marie
Gaylord Entertainment	Nashville, Tennessee
George Washington University	Washington
Greater Toronto Hotel Association	Toronto
Ken Fowler Enterprises Ltd	St. Catharines
Kentucky Tourism Development Cabinet	Frankfurt, KY
Metropolitan Knowledge International	Toronto
Ministry for Economic Development of Montenegro	Montenegro
Ministry of Economic Development and Trade	Toronto
Ministry of Economic Development and Trade	Ontario
Ministry of Energy and Infrastructure	Thunder Bay
Ministry of Northern Development & Mines	Thunder Bay
Ministry of Northern Development & Mines	Sudbury
Ministry of Tourism	Toronto
Ministry of Tourism, Northern Ontario	Sudbury
Ministry of Tourism, Sports and Arts Tourism Development Branch	Victoria, B.C.
Ministry of Tourism, Sports and Arts Tourism Development Branch	British Columbia
Mississippi Development Authority	Jackson, MI
Ontario Investment and Trade Centre	Ontario
Ottawa Tourism	Ottawa
Pennsylvania Department of Economic and Community Development	Harrisburg, PA
Purdue University	West Lafayette, IN
Ripleys Entertainment	Orlando, Florida
Sault Ste. Marie Economic Development	Sault Ste. Marie
South Carolina Department of Parks, Tourism and Recreation	Columbia, SC
South Carolina Tourism Alliance	Raleigh, SC
South Carolina Tourism Alliance	Columbia, SC
The Cordish Companies	Baltimore/Toronto
Tourism New Zealand	Auckland
Tourism Toronto	Toronto
Travel Industry Association of America	Washington
Travel Oregon	Portland, OR
University of Colorado, Leeds School of Business	Boulder

Organization	Location
US Office of Travel & Tourism Industries	Washington
Waterfront Toronto	Toronto
Wickaninnish Inn	Tofino, British Columbia
Woodbine Entertainment	Toronto

APPENDIX D
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