

**MINISTER OF JOBS, TOURISM AND SKILLS TRAINING AND MINISTER  
RESPONSIBLE FOR LABOUR DIRECTIVE**

**SUBJECT:** Performance-based funding model for Destination BC Corp.

**AUTHORITY:** The Directive replaces the previous Directive from March 21, 2013, and is issued pursuant to sections 20 (1) and 28 (1) of the *Destination BC Corp. Act*.

**DIRECTIVE:** As the Minister charged with the administration of the *Destination BC Corp. Act*, I instruct Destination BC Corp. to adhere to the guidelines for the performance-based funding model and subsequent revenue-generating activities as listed or described in Schedule 1 of this Directive on or after April 1, 2017.

**EFFECTIVE DATE:** Date signed below

  
\_\_\_\_\_  
Honourable Shirley Bond  
Minister of Jobs, Tourism and Skills Training  
and Minister Responsible for Labour

  
\_\_\_\_\_  
Date

## Schedule 1

### **Funding Model:**

Destination BC Corp.'s (DBC) annual minimum base funding contribution of \$50 million provided by its responsible Ministry will be protected. Starting April 1, 2017, DBC annual base funding contribution (Ministry Base Contribution) will increase year-over-year, if certain conditions are met as specified in this Ministerial Directive.

The maximum increase in the Ministry Base Contribution any one-fiscal year period will be up to 2% of the actual Ministry Base Contribution paid or payable to DBC for the previous fiscal year, based on the following Parts 1 and 2:

### **Part 1 – Economic Performance Component**

#### **Class of Provincial Sales Tax (PST) Revenue Under Section 29 (2)(e)(i) of the Destination BC Corp. Act (Act).**

The Ministry of Finance (Finance) collects/assesses PST revenue from registered vendors and collectors of PST in the tourism-related sector (as defined by Finance) and will report such revenues using the North American Industry Classification System (NAICS) code system. The following describes the sub-classes of PST collections that Finance has identified as related to the tourism sector:

<b>NAICS Code</b>	<b>Description</b>				
711	Performing arts, spectator sports and related industries				
712	Heritage institutions				
713	Amusement, gambling and recreation industries				
721	Accommodation services				
7224	Drinking places (alcoholic beverages)				
7225	Full-service restaurants and limited-service eating places				

For the purposes of section 29 (2)(e)(i) of the Act, the class of PST established is the aggregate of collections/assessments identified and reported by Finance using the NAICS codes identified for, and as self-reported by, the tourism-related sector (Class).

All provincial government PST revenues flow into the government's Consolidated Revenue Fund.

### **Amount and Methodology of Payments Under Sections 20 (1)(a) and 29 (2)(e)(ii) of the Act**

For the purpose of section 20 (1)(a) of the Act, the amount that is equal to the prescribed portion in 2016/17 is the amount that is provided for in Vote 31 of the *Supply Act* for that fiscal year, specifically contributions to DBC, that is, \$50.3 million. This amount is subject to confirmation in the government's audited financial results for 2016/17 and is the starting Ministry Base Contribution, from which to establish the amount and the method for determining that amount for 2017/18 and ongoing fiscal years under sections 20 (1) and 29 (2)(e)(ii) of the Act.

The Ministry Base Contribution portion excludes one-time additional contributions that may be paid by the government to DBC during a fiscal year, other than for audit adjustments arising under section 20 (3) of the Act.

For the fiscal years beginning April 1, 2017, if the growth rate in *estimated* aggregate provincial PST collections/assessments of the Class in the preceding calendar year exceeds 5% of the *actual* amount of PST collections/assessments in the next previous calendar year, as determined by Finance, then the total *estimated* amount to be paid to DBC under section 20 (1) of the Act and through a voted appropriation established for that purpose under the *Supply Act*, for the fiscal year beginning April 1<sup>st</sup> of the next immediate calendar year, shall be 1% higher than the actual amount of the Ministry Base Contribution paid to DBC for the fiscal year in which the calendar year collections/assessments being *estimated* ends.

### **Payment Dates Under Section 20 (2) and 29 (2)(e)(iii) of the Act**

For the purposes of the Act, installment payments to DBC will, subject to the eligibility requirements of Part 1 and Part 2, be made quarterly, no later than the last day of business in April, July, October and January of the fiscal year.

### **Amount and Methodology of Adjustments Under Section 20 (3) and 29 (2)(e)(iv) of the Act**

For the purposes of sections 20 (3) and 29 (2)(e)(iv) of the Act, Finance will recalculate as appropriate, the *actual* amount of collections/assessments for a calendar year based on the government's *actual* audited results for total PST collections/assessment for the fiscal year in which the calendar year ends.

If:

- The growth rate in the *actual* amount of aggregate provincial PST collections/assessments of the Class for a calendar year is higher than 5% compared to the same Class in the previous calendar year; and
- The previously *estimated* growth rate was 5% or less, for the purposes of section 20 (1) of the Act,

Then the amount paid under section 20 (1) of the Act for the fiscal year in which that calendar year was *estimated* may be increased by an amount equal to 1% of the actual amount of the Ministry Base Contribution paid or payable to DBC, in the fiscal year in which the calendar year collections/assessments being *estimated* ended.

If:

- The growth rate in the actual amount of aggregate provincial PST collections/ assessments of the Class for a calendar year is 5% or less compared to the same Class in the previous calendar year; and
- The previously estimated growth rate was higher than 5%, for the purposes of section 20 (1) of the Act.

Then the amount paid under section 20 (1) of the Act for the fiscal year in which that calendar year was *estimated* may be reduced by an amount equal to 1% of the actual amount of the Ministry Base Contribution paid to DBC in the fiscal year in which the calendar year collections/assessments being *estimated* ended.

The maximum annual amount of increase to the Ministry Base Contribution in respect of the Economic Performance Component is 1% of the actual amount of the Ministry Base Contribution paid to DBC in respect of the previous fiscal year.

The amount in respect of the Economic Performance Component shall be cumulative and added to the Ministry Base Contribution used for the purposes of calculating the amount of payments to DBC under this Part for the next fiscal year, as well as under Part 2.

## **Part 2 – Destination BC Corp. (DBC) Performance Component**

The annual Ministry Base Contribution to DBC will also be tied to DBC's success in achieving specific annual Performance Targets established by the Minister responsible for DBC, in consultation with the corporation and the Minister of Finance (or the Minister of Finance's designate).

Where the Ministry Base Contribution to DBC has increased by 1% as a result of the Economic Performance Component in Part 1 for the purposes of Section 20 (1) of the Act, the Ministry Base Contribution may be further increased by up to 1% of the actual Ministry Base Contribution paid or payable in respect of the previous fiscal year, subject to DBC achieving the following Performance Target criteria:

There are three fiscal years to be used in determining eligibility under this Part.

- Target Year (year 1);
- Measurement Year (year 2); and
- Payment Year (year 3).

Annually by November 30, the Minister responsible for DBC will establish four measurable and independently verifiable Performance Targets for DBC. for the next fiscal year (Target Year 1). See Appendix 1 for the approved Performance Targets for 2017/18.

In the next fiscal year by August 31 (Measurement Year 2), DBC will prepare a report to the Minister responsible on the achievement of those four Performance Targets, as verified by DBC.'s independent auditors.

The maximum annual amount of increase to the Ministry Base Contribution in respect of the DBC Performance Component is 1% of the actual amount of the Ministry Base Contribution paid to DBC in respect of the previous fiscal year under section 20(1) of the Act.

Such payment would commence in Payment Year 3 and be added to the annual Ministry Base Contribution calculated under Part 1. Payments in respect of the DBC Performance Component shall be cumulative and added to the Ministry Base Contribution used for purposes of calculating the amount of payments to DBC under this Part for the next fiscal year, as well as under Part 1.

If:

- The Minister responsible for DBC confirms in writing to the Minister of Finance by November 30 of Measurement Year 2, that DBC has fully met 4 of the 4 Performance Targets established by this Ministerial Directive for Target Year 1, a payment equal to 1% of the actual Ministry Base Contribution paid in respect of the current fiscal year under section 20 (1) of the Act, will be made to DBC commencing April 1 of the next fiscal year (Payment Year 3);
- The Minister responsible for DBC confirms in writing to the Minister of Finance by November 30 of Measurement Year 2, that DBC has fully met 3 of the 4 Performance Targets established by this Ministerial Directive for Target Year 1, a payment equal to  $\frac{3}{4}$  of 1% of the actual Ministry Base Contribution paid in respect of the current fiscal year under section 20 (1) of the Act, will be made to DBC commencing April 1 of the next fiscal year (Payment Year 3);
- The Minister responsible for DBC confirms in writing to the Minister of Finance by November 30 of Measurement Year 2, that DBC has fully met 2 of the 4 Performance Targets established by this Ministerial Directive for Target Year 1, a payment equal to  $\frac{1}{2}$  of 1% of the actual Ministry Base Contribution paid in respect of the current fiscal year under section 20 (1) of the Act, will be made to DBC commencing April 1 of the next fiscal year (Payment Year 3); and
- The Minister responsible for DBC confirms in writing to the Minister of Finance by November 30 of Measurement Year 2, that DBC has fully met one of the four Performance Targets established by this Ministerial Directive for Target Year 1, a

payment equal to  $\frac{1}{4}$  of 1% of the actual Ministry Base Contribution paid in respect of the current fiscal year under section 20 (1) of the Act, will be made to DBC commencing April 1 of the next fiscal year (Payment Year 3).

The first priority for new funding to DBC as a result of Parts 1 and 2 will be to allocate such funding toward marketing/development programs, and in areas outside of Metro Vancouver.

The Minister responsible for DBC and the Minister of Finance will review the performance of DBC and the operations of this Ministerial Directive every three years.

### **Part 3 –DBC Review-generating Activities:**

DBC is authorized to engage in the following revenue generating activities:

#### Generally

- Sales of goods and services
- Charging of participant fees
- Charging of commissions
- Entering into arrangements to receive partner contributions
- Investing surplus cash to earn interest income

#### HelloBC Program

- Advertising in online or print publications

#### DBC Training and Learning Programs

- Participant fees for online or offline workshops, courses, training or development programs and materials.

#### Visitor Services

- Merchandising, food and beverage, space rental, brochure and ticket sales at Visitor Centres and online (in some cases the entire transaction will be billed and handled by DBC, in other cases DBC. will bill only a commission).

#### Cooperative Marketing Campaigns

- Recoveries from other partners. DBC will receive funds from partners and these will then be used to pay for cooperative marketing activities with tour operators, online travel agencies, media organizations or other partners. For example, DBC. may budget \$25,000 for a program, receive \$25,000 from a variety of partners, and then pay \$50,000 towards the program.

#### Industry Buy-in Programs

- DBC may create programs that industry organizations and/or businesses pay to participate in.

## Appendix 1: Approved Performance Targets Set by the Minister Responsible for DBC

SERVICE PLAN GOAL	ACTIVITY OR PERFORMANCE MEASURE	METHODOLOGY	16/17 FORECAST (BASE YEAR)	17/18 TARGET	18/19 TARGET	19/20 TARGET
Lead Canada in growth of overnight visitor expenditures	1. Number of customer leads for industry (direct or indirect) generated (direct or indirect) by Destination BC Corp. through digital marketing activities.	Count leads (visits to a tourism business' web property) from Destination BC Corp.-led activities either directly from a Destination BC Corp. website or indirectly due to Destination BC Corp. activities connected via tagging on the tourism partners' websites.	850,000	1 M	1.3 M	1.6 M
Lead Canada in growth of overnight visitor expenditures	2. Size of Destination BC's global social media community of brand advocates.	Count number of global social media community members in Instagram, Twitter, Facebook and other channels such as Weibo and Wechat.	950,000	1.1 M	1.3 M	1.5 M
Create a Powerful Marketing Network: collaborate with stakeholders, partners and communities to align and focus collective efforts, amplify British Columbia's marketing message	3. Number of communities and sectors participating in Destination BC Corp.'s application-based co-op marketing program, including the number of participating communities outside Metro Vancouver, Victoria and Whistler.	Count the total number of communities and sectors that are successful applicants to co-op marketing program and the number of communities in British Columbia's regions (outside Metro Vancouver, Victoria and Whistler).	120 (total participants) 100 (number of regional participants)	Maintain or Improve	Maintain or Improve	Maintain or Improve
Remarkable Guest Experiences: assist industry to deliver a world-class guest experience	4. Net Promoter Score (NPS) of participants in Remarkable Experiences Program.	Assess program participant's likelihood to recommend the Remarkable Experiences program, Based on survey of program participants after completing the program.	Establish baseline (Range -100 to +100)	Improve by 5 points	Improve by 5 points	Improve by 5 points

