

## **Destination Marketing Fee: FAQ's**

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- 1) **What is a Destination Marketing Fee?**
  - In this case it is a segment of the Vancouver hotel community have volunteered to add an additional 1.5% to the room sales to be used to augment the existing marketing of Vancouver as a tourism destination.
  - DMF's are quite common in tourism oriented cities including Toronto, Calgary, Edmonton, Montreal and Ottawa and while their structures may differ somewhat the purpose, to augment current marketing efforts, is the same.
- 2) **Why is it necessary for Vancouver at this time?**
  - Funding for marketing dollars in Vancouver is limited. Our annual spend on marketing initiatives is \$15.2M which puts us at a competitive disadvantage with cities like Toronto, annual spend \$31.5M and Montreal, annual spend \$27M. To remain competitive we need to increase the funding available for destination marketing. The DMF would allow the hotel community to increase the funding and allow the hotel stakeholders to participate in the decision making for fund allocation.
  - We must recognize that as transportation improves and as developing countries become more affluent the world becomes a smaller place and now our competitors include exciting and dynamic destinations on every continent.
  - We must ensure that Vancouver takes full advantage of the spotlight that will be placed on it by the Olympics and take our tourism sector to new heights. These dollars will assist in doing that.
- 3) **What is the formula for deciding how much money individual hotels contribute?**
  - Each hotel will add 1.5% Destination Marketing Fee on their hotel room sales.
- 4) **How does the DMF differ from the existing 2% hotel tax?**
  - The hotel tax is just that, a provincial tax collected by the provincial government and in Vancouver's case provided to Tourism Vancouver for marketing Vancouver. It is a required payment as are all taxes. The DMF on the other hand is simply individual businesses deciding to contribute funds to a joint marketing program. It is a business to business contractual arrangement.
- 5) **Who will administer the DMF?**
  - The Vancouver hotel community has created a legal entity, the Vancouver Hotel Destination Association (VHDA), that will sign the agreements with the participating hotels and whose Management Committee, consisting of hoteliers, will determine the best use for the funds.
- 6) **How does the VHDA relate to Tourism Vancouver?**
  - The VHDA will work closely with Tourism Vancouver as do the hotels already and some funds will be utilized to augment existing marketing programs while some monies may be spent on initiating new programs coordinated closely with Tourism Vancouver, government and other marketing agencies.
- 7) **Are there any restrictions on how the funds are to be used?**
  - A Marketing and Convention Committee will recommend to the Management Committee uses for the funds with use being restricted to leisure and convention marketing and not to fund infrastructure or offset operating costs.

- 8) **What is the government's role in the DMF?**
- None. This is not a tax or a government program but rather a group of businesses working together to provide Vancouver leisure and convention marketing with additional resources.
- 9) **Is this being done in response to a lack of funding from government?**
- Not at all. This is simply the hotel community stepping up to ensure that adequate marketing is done at this critical time in our history and in a manner allowing our sector to be fully engaged in the planning and execution of marketing programs.
- 10) **What does voluntary mean?**
- Each individual hotel property will enter into a contractual agreement with Vancouver Hotel Destination Association for a minimum of a 3 year term, agreeing to collect and remit a 1.5% voluntary Destination Marketing Fee (DMF). The remittance schedule will coincide with the same date that the provincial sales tax is paid to the province.
  - Only those hotels that sign up to pay the DMF will do so.
- 11) **How will we be expected to collect the 1.5%?**
- The manner in which the Hotel chooses to finance the Destination Marketing Fee is within the discretion of the Hotel. The Hotel will reflect the Destination Marketing Fee as a separate line item charge on guest invoices. The Hotel shall not misrepresent the nature of the Destination Marketing Fee in any communications to guests or promotional materials and in particular it shall not represent or create the impression that the Destination Marketing Fee is a government tax or levy of any kind that it is required by law to charge to guests.
- 12) **Do we remit this 1.5% to the province so they can then forward it to the Vancouver Hotel Destination Association?**
- No. This initiative is purely voluntary in the collection, distribution and management of the 1.5% DMF. Since the process is not a legislated activity, the province is not involved.
- 13) **Who will collect the fund?**
- The voluntary Destination Marketing Fee will be collected through Vancouver Hotel Destination Association (VHDA). The VHDA will retain a third party to oversee the collection, disbursement, and accounting of the DMF. Funds collected through the Destination Marketing Fee, less reasonable administrative expenses, not to exceed 5%, will be used strictly for destination marketing.
- 14) **Is the DMF a tax?**
- The DMF is not a tax. The government is not involved in the approval or collection of the DMF. It would be an agreement between the hotels.
- 15) **How will funds be invested in marketing initiatives?**
- The Marketing and Convention committee will recommend initiatives for the leisure marketing and convention marketing.
- 16) **How will the marketing funds be approved?**
- Annually the Marketing and Convention committee will present a 3 year Strategic plan with a one year tactical plan to the DMF Management committee who will review, discuss and approve the funding for the one year plan.