



Office of the Auditor General of Ontario

# Value-for-Money Audit: Tourism Support Programs



*December 2023*

# Tourism Support Programs

## 1.0 Summary

Ontario tourism impacts a number of different sectors of the economy, such as the transportation, accommodation, food and beverage, recreation and entertainment, and retail sectors. About 90% of the tourism-related businesses in Ontario are small businesses that employ fewer than 20 employees. In 2019, the Ministry of Tourism, Culture and Sport (Ministry) estimated that tourism represented 4% of Ontario's gross domestic product (GDP), amounting to about \$37 billion, and 5% of Ontario's total employment—about 396,000 jobs.

The Ministry provides financial and non-financial support to promote economic growth in Ontario through the tourism sector. This includes direct support to tourism operators with the objective of attracting more tourists to Ontario, such as grants to help with the costs of hosting events that encourage visits to a city. In 2022/23, the Ministry spent \$45 million in total on funding programs in the tourism sector. In addition to direct funding to tourism operators, the Ministry also funds Destination Ontario (a provincial agency) and regional tourism organizations (RTOs—non-profit organizations with annual funding agreements with the Ministry), with \$52 million provided to them in 2022/23. Destination Ontario is responsible for marketing Ontario as a destination to tourists, and the RTOs

are responsible for leading the co-ordination of tourism in each region (13 regions across Ontario, of which 11 are funded by the Ministry) and attracting tourism spending from their key markets.

The number of tourists in Ontario consistently exceeded 130 million each year in the decade prior to the pandemic, and was almost 132 million in 2019. In 2020, the COVID-19 pandemic significantly impacted Ontario's tourism industry, with the number of tourists in Ontario dropping by about 41% from the year prior (and with more of them being Ontarians travelling within Ontario as opposed to visitors from outside the province), leading to a 65% reduction in the tourism sector's contribution to GDP. In response, the Province launched one-time funding programs (\$131.9 million in total in 2021/22) to help the tourism industry manage COVID-19-related public health restrictions and the associated impacts on its operations.

Overall, we found that the Ministry does not have an effective long-term strategic plan for supporting and growing tourism in the province, especially as the industry recovers from the impact of the COVID-19 pandemic. The last strategic plan was released in 2016, with a goal of achieving average annual tourism growth of about 3% through 2021, but the province did not achieve this, as tourism in Ontario grew at less than 2% per year prior to the COVID-19 pandemic. While other provinces, such as British Columbia, Alberta and Quebec have released tourism strategies for the recovery and growth of the tourism sector



following the effects of the COVID-19 pandemic, Ontario has not yet released a new long-term strategic plan. Having a tourism strategy is important for delivering effective tourism support programs that are co-ordinated to achieve clear goals for the province's tourism industry, obtain value for money spent, and ultimately maximize the economic impact of tourism in Ontario, including the contribution to the provincial GDP, the number of jobs supported and tax revenues generated.

The Ministry-funded organizations (Destination Ontario and the RTOs) have overlapping responsibilities, as both dedicate resources to marketing Ontario tourism to Ontarians. This decreases the amount of funding that is left for Destination Ontario to advertise in other markets, such as the United States and overseas, even though its marketing data shows that allocating more advertising dollars to the United States rather than Ontario would lead to a greater number of tourist visits and increased spending. This would result in greater economic benefits for Ontario.

Our audit also reviewed four annual, recurring funding programs, and two one-time funding programs to support businesses during the COVID-19 pandemic. We found that two of the annual programs, the Tourism Economic Development and Recovery Fund and the Pan-Regional Fund, support tourism projects with similar purposes, yet complementary projects funded through the two programs are not required to collaborate for more efficient use of the funding.

We also found that the design of one of the Ministry's one-time COVID-19 funding programs (Ontario Tourism Recovery Program) resulted in inconsistencies in the number of grants companies could receive, based solely on the ownership structure of the business. Subsidiaries of companies with multiple owners were eligible for more funding at times than subsidiaries of companies with only one owner. About one-quarter of the approximately \$98 million disbursed was paid to only 28 groups (representing 94 businesses), with the remainder paid to 476 businesses. In addition, we found that approximately \$1.5 million was paid to 14 businesses that were ineligible for funding or that had potentially fraudulent applications submitted on their behalf.

The following are some of our significant findings relating to the Ministry's strategy and approach for supporting the tourism sector:

- **The Ministry has not developed an effective long-term strategic plan for tourism recovery and growth following the COVID-19 pandemic.**

The last long-term strategic plan released by the Ministry was in 2016 with an objective of growing tourism at an average rate of 3.3% annually over five years (through 2021). The tourism sector in Ontario did not achieve this growth after 2016, and then was significantly impacted by the COVID-19 pandemic. In 2020 and 2021, two reports with broad actions and recommendations were developed, one by the Ministry and one by tourism stakeholders at the direction of the Minister of Tourism, Culture and Sport, to support the tourism industry during the pandemic while health restrictions were in place. However, unlike other provinces such as British Columbia, Alberta and Quebec, Ontario has not developed a strategic plan outlining its main goals and planned actions to support this sector in the pandemic recovery.

- **Tourism marketing in Ontario is not always in partnership with regional organizations, resulting in less funding available for international marketing and fewer potential tourist visits.**

In the five years from 2015/16 to 2019/20 (the years before the COVID-19 pandemic), Destination Ontario spent about \$4 million on average annually to advertise Ontario tourism within Ontario, and the 11 RTOs that receive Ministry funding collectively spent about \$11.7 million, on average, annually for the same purpose. While both Destination Ontario and the 11 provincially funded RTOs invest in marketing to encourage Ontarians to travel within the province as part of their mandates, we noted that the majority of Destination Ontario's advertising in Ontario was not done in partnership with regional organizations. However, Destination Ontario's own analysis indicates that it could attract more

tourists and tourist dollars if it spent more on marketing Ontario to international tourists as opposed to tourists within Ontario; promoting Ontario to the rest of Canada and internationally is part of Destination Ontario's mandate. Using Destination Ontario's analysis on the impact of past marketing campaigns, we estimate that in 2022/23, if Destination Ontario had allocated \$2 million of the amount it spent marketing within Ontario to advertising in the United States, Ontario could have seen an estimated 86,000 more tourists and an estimated \$38 million more in tourist spending in 2022/23.

- The Ministry is not collecting necessary information to determine the impact that regional tourism organizations have on tourism in their region.** The RTOs are required to set goals and report to the Ministry on these goals and the activities they undertook to achieve them at the end of each year. However, from our review of the RTOs' reporting, the RTOs do not always establish targets for the activities they plan to perform. For example, one RTO planned to participate in partnership projects, but did not set any targets for the number of partners, and another RTO did not establish required performance targets for all of its activities. The Ministry also does not require the RTOs to report back on tourist trends for their regions to help it understand the impact of the RTOs' activities and more effectively target funding to RTOs. For example, we noted that four of the 13 tourism regions in Ontario experienced a decrease in tourists from 2013 to 2017, and the Ministry did not collect data from the RTOs to understand this trend in their tourism.
- Limited provincial funding has been provided in the past five years to attract private investment in the tourism sector, which is part of the Ministry's mandate.** From 2012/13 to 2017/18, the Ministry, along with the Ministry of Economic Development, Job Creation and

Trade, provided total funding of \$19 million to attract tourism sector investment, which led to total private investment of approximately \$288 million. They have made no such investment in the past five years. In contrast, British Columbia (\$30 million over three years) and Alberta (\$51.6 million over three years) have established current funding programs to develop tourism experiences, which in turn attract private investment to the tourism sector. Although the Ministry has assigned some of the responsibility for attracting private investment to the RTOs through their annual funding agreements, the RTOs informed us that they do not have the budget to achieve this in an effective manner, and this work is generally organized at the provincial and/or municipal levels, whereas RTOs support multiple municipalities.

The following are some of our significant findings relating to the Ministry's funding programs:

- Ineligible and potentially fraudulent applications to a COVID-19 funding program resulted in approximately \$1.5 million paid.** The Ontario Tourism Recovery Program was a one-time grant provided to eligible tourism businesses that experienced a 50% or greater revenue decline as a result of the COVID-19 pandemic. From the 570 total recipients of the program's grants, we tested 90 applications and found that six applicants received approximately \$1.1 million that should not have been awarded. When reviewing the information reported in the applications, we noted errors that would have made them ineligible based on the application guidelines, such as not meeting the requirement to have experienced a 50% decrease in revenue when comparing 2020 or 2021 to 2019. An additional eight companies applied for the grant and received about \$460,000 before the Ministry identified these as potentially fraudulent submissions as they used incorrect corporate information. Overall, this resulted in

approximately \$1.5 million paid to ineligible or potentially fraudulent recipients.

- Similar tourism businesses received different levels of funding from a COVID-19 funding program based on their ownership structures.** The Ministry's design of the Ontario Tourism Recovery Program allowed businesses of similar size and type to get different funding support based solely on their ownership structure. For instance, if two corporations jointly owned three companies they could apply for three grants, but if one corporation owned three companies it could apply for only one grant. For example, we found that eight companies were able to apply for a total of eight grants totalling \$2.75 million because each company owned a hotel and had more than one owner. However, these companies were all part of the same group of hotels that share the same senior management and have many owners in common. In contrast, over 20 companies, each of which owned a hotel, were eligible to receive in total only one grant of \$695,000 (the maximum grant available) because they were all owned by a single corporate owner. Ultimately, 28 groups (consisting of 94 businesses) received almost a quarter of the \$98 million total funding, with 476 businesses receiving the remainder.
- The Pan-Regional Fund is not publicly advertised, funds projects that do not meet the original program criteria and duplicates other funding programs.** The Pan-Regional Fund provides annual grant funding to applicants for promoting tourism across multiple regions (pan-regionally). The Pan-Regional Fund is not advertised publicly and there is no formal application process, so only organizations that have become aware of the program through the RTOs or the Ministry have submitted proposals to the Ministry for funding. There are also no defined criteria for evaluating applications. This results in the Ministry awarding funding at its discretion, with some projects'

objectives overlapping with objectives of other Ministry funding programs meant for the same purpose. For example, when the Pan-Regional Fund was first established in 2013, RTOs were expected to continue to collaborate across the province (pan-regionally) out of their annual funding allocation and not from this fund.

However, the Ministry provided one RTO with additional funding through the Pan-Regional Fund in 2021/22 and 2022/23 to deliver certain projects in collaboration with four other RTOs. This funding is contrary to the original program design of the Pan-Regional Fund and existing expectations for RTOs; all other RTOs are already expected to collaborate with other regions across the province as part of their mandate through their annual RTO funding from the Ministry.

- Late funding approvals by the Ministry led to cancelled festivals and events.** The Ministry delivers annual funding to organizations that host festivals and events to attract tourists to a region through the Reconnect Ontario program, but delays in notifying recipients of funding decisions have resulted in events being cancelled, including seven events in 2022/23. The Ministry accepted applications for Reconnect Ontario from January 6, 2022 to February 2, 2022, and notified successful applicants of their approved funding on July 28, 2022; this was over five months after the application period ended and nearly four months after the start of the funding year, April 1. Three of the cancelled events were planned to start between May 2022 and July 2022, including one that was expected to generate \$1.3 million in tourist spending. By the time the Ministry communicated the funding notifications, organizations had already cancelled their events or reduced their scale, with some cancelling at a later date.

This report contains 17 recommendations, with 39 action items, to address our audit findings.

## Overall Conclusion

Our audit concluded that the Ministry of Tourism, Culture and Sport (Ministry) has not developed and executed on a long-term strategic plan since its five-year plan released in 2016 (covering 2016 to 2021) to grow Ontario's tourism industry and maximize its contribution to the economic growth of the province. British Columbia, Alberta and Quebec all released long-term strategic plans for tourism growth and recovery between 2021 and 2023 to support the tourism industry following the COVID-19 pandemic. However, Ontario has not developed a long-term plan for supporting its tourism sector since the pandemic.

We also found that not all tourism funding programs were designed or delivered efficiently and effectively to support the tourism industry. For example, one funding program is not publicly advertised and does not have defined criteria for evaluating applications. We noted that the program awarded funding, at the Ministry's discretion, to projects whose purpose duplicates purposes of other funding programs.

Additionally, the Ministry has not collected information to evaluate the effectiveness of provincial tourism supports in growing the tourism industry and reported the results to the public or tourism stakeholders.

### OVERALL MINISTRY RESPONSE

The Ministry appreciates the work of the Auditor General and welcomes the recommendations for the Ministry's tourism support programs for Ontario.

The government is focused on rebuilding the economy and creating good jobs for Ontarians. Tourism is an important economic driver, and strengthening this sector plays a significant role in delivering on these priorities and promoting communities throughout Ontario.

The Auditor General's recommendations provide useful feedback to help build on the Ministry's current and ongoing support for the tourism sector. These recommendations will assist us in:

- growing the tourism industry;
- co-ordinating efforts between regional tourism organizations and Destination Ontario to ensure efficiency and an effective regional approach to promoting tourism;
- improving program design, funding criteria and evaluation to ensure the best return on investment; and
- improving data sharing and research to facilitate planning and strategy.

The Ministry will continue to work with Ontario's tourism industry to welcome visitors and showcase all that Ontario has to offer.

## 2.0 Background

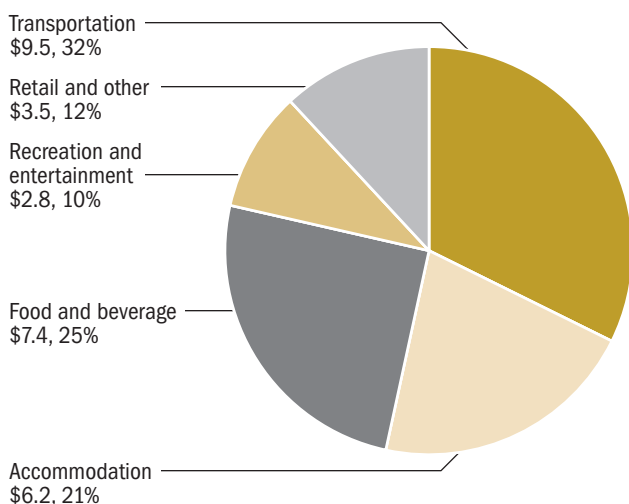
### 2.1 Impact of the Tourism Industry in Ontario

A tourist is defined by Statistics Canada and the Ministry of Tourism, Culture and Sport (Ministry) as anyone who travels 40 kilometres or more to a destination for anything other than work, school, going to appointments, or shopping as part of regular activity. Spending by tourists impacts many sectors within the province, including transportation, accommodation, and food and beverage sectors (see **Figure 1** for tourism spending by sector in Ontario in 2019). Statistics Canada conducts two annual surveys of tourism activities in Canada—one surveying international tourists travelling to Canada, and one surveying Canadian residents on their travel plans within and outside Canada. The surveys were paused in March 2020 as a result of travel restrictions during the pandemic. The national travel survey of Canadian residents resumed in July 2020, but the international travel survey was not restarted until April 2023 at most major airports due to ongoing travel restrictions in 2021 and 2022.

In addition to the economic value of tourism through tourist spending, the tourism industry also contributes to social benefits in the province and its

**Figure 1: Tourist Spending by Sector in Ontario, 2019 (\$ billion)**

Source of data: Ministry of Tourism, Culture and Sport



regions. According to the Ministry, most tourism-related businesses in Ontario are small businesses, with 90% employing fewer than 20 employees; they employ many youths and students, as well as a larger proportion of part-time workers and visible minorities than other industries. The tourism industry also promotes local culture, and the infrastructure and experiences built for tourists also benefit the local residents.

In 2019, the Ministry estimated that Ontario attracted approximately 132 million tourists; 13% of them arrived from outside Canada, with the remainder travelling within Ontario (82%) or from other Canadian provinces and territories (5%). Between 2011 and 2019, Ontario consistently attracted more than 130 million tourists (see **Appendix 1** for the breakdown of tourists by place of origin, per year, between 2011 and 2021). On average, between 2011 and 2019, 85% of tourists were travelling from within Ontario, 5% were travelling from other provinces and territories in Canada, and 10% from other countries. In 2020, this changed to 93% of tourists travelling from within Ontario, 4% travelling from the rest of Canada and 3% from outside Canada.

In 2019, spending by tourists generated \$38 billion in tourist receipts, which contributed almost \$37 billion to Ontario's gross domestic product (GDP) (about 4%

of total provincial GDP) and supported about 396,000 jobs (about 5% of total provincial employment) across approximately 88,000 tourism-related businesses. The tourism industry also generated about \$13 billion in tax revenue for the federal, provincial and municipal governments.

Starting in 2020, the tourism industry was negatively impacted by the COVID-19 pandemic as public health restrictions significantly limited travel. The tourism sector added about \$15 billion to Ontario's GDP in 2021 (\$13 billion in 2020), which was a decrease of about 59% from 2019. Tourism stakeholders estimate that the tourism sector in Ontario will not recover to 2019 levels until at least 2025.

### 2.1.1 Measuring the Economic Impact of Tourism

The Ministry relies on Statistics Canada survey data described in **Section 2.1** to determine the number of tourists in Ontario each year and total tourism receipts in Ontario (see **Appendix 1** for these statistics for 2011 to 2021). Tourism receipts are one of the Ministry's main performance indicators to assess the trend of tourism activity in Ontario. **Appendix 2** provides the breakdown of tourism receipts, which represents the total spending of tourists in Ontario plus spending in Ontario for trips outside the province, plus profits from Ontario travel firms.

In the 1980s, the Ministry developed the Tourism Regional Economic Impact Model (Economic Impact Model). A web-based version of the model was launched in 2005. The Ministry uses the Economic Impact Model and its calculation of tourism receipts to estimate the value added to Ontario's GDP from tourism activities, the number of jobs created and government tax revenue generated.

The Economic Impact Model is also used by tourism organizations and operators to estimate the economic impact of specific tourism activities in Ontario such as hosting a festival, a convention centre event, or investment in building a new tourist attraction. Organizations can calculate the economic impact of their



events by inputting information such as estimated or actual number of tourists, length of each tourist's stay in the region, and where they arrived from.

Statistics Canada also conducts an analysis of provincial and territorial GDP and employment generated by tourism. Its calculation method differs from Ontario's calculation in that Statistics Canada includes only the direct impact to GDP and not the indirect or induced impact of re-spending in the economy (such as the reinvestment of profits by tourism businesses to expand their operations by providing more services and hiring more employees). **Appendix 3** shows the percentage of GDP and jobs that tourism represents in each province and territory.

### 2.1.2 Ministry's Performance Indicators for the Tourism Sector

The Ministry has two internal performance indicators to track the impact of the tourism sector in Ontario:

- number of jobs generated by tourism in Ontario; and
- dollar amount of Ontario tourism receipts.

**Figure 2** shows the trend in these performance indicators from 2011 to 2021. In 2019, the Ministry's targets for these performance indicators were to

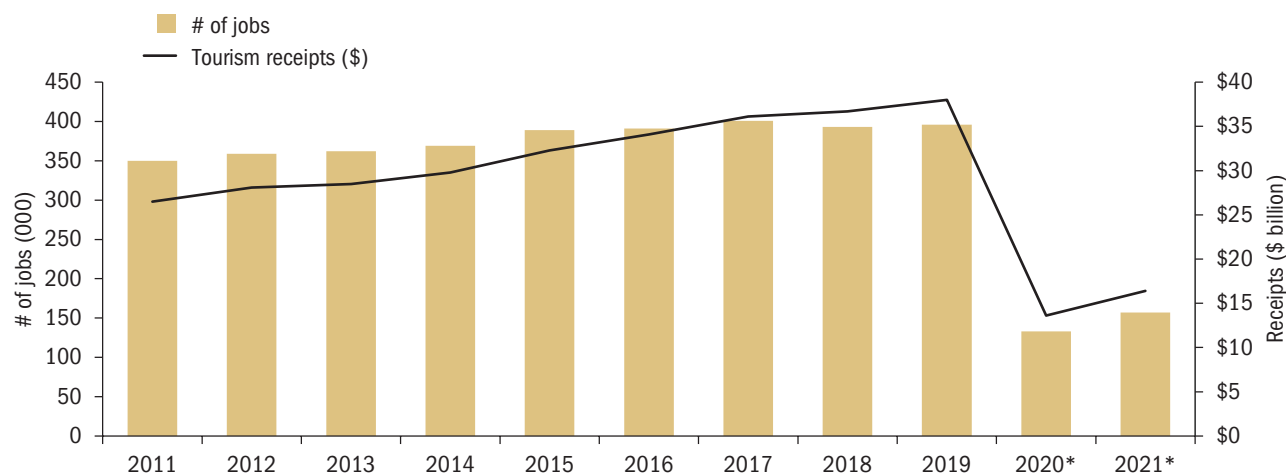
achieve 439,462 jobs generated by tourism in Ontario by 2021, and \$51 billion in tourism receipts by 2027. These targets were initially set in 2017. By 2022, the COVID-19 pandemic had led to significant restrictions on tourism activity, so the Ministry set new internal targets to reflect its expectations for Ontario's tourism sector to recover to the 2018 level of jobs and tourism receipts by 2025 (392,777 jobs generated and \$36.7 billion in tourism receipts).

## 2.2 Role of the Ministry and Other Key Players

There are many organizations—federal, provincial and municipal—that support tourism in Ontario (see **Figure 3** for some of the main organizations that support Ontario tourism). The Ministry provides financial and non-financial support to the tourism industry. This includes the Ministry's direct funding programs for tourism operators. Some of the funding programs are annual and recurring, such as funding for events that attract tourists to Ontario. Other funding programs are designed to provide one-time financial support, such as grants to operators who could not operate normally during the COVID-19 pandemic.

**Figure 2: Ministry of Tourism, Culture and Sport Key Performance Indicators for Tourism Sector, 2011–2021**

Source of data: Ministry of Tourism, Culture and Sport



\* The COVID-19 pandemic interrupted Statistics Canada's travel survey collection operations, and therefore data for 2020 and 2021 includes travel estimates produced by Statistics Canada. At the time of our audit, data was available only up to 2021.



**Figure 3: Key Players That Support Ontario Tourism**

Prepared by the Office of the Auditor General of Ontario

## Federal

### Federal government

- Several departments and agencies within the federal government provide funding and/or support to the tourism industry in Canada, such as Innovation, Science and Economic Development Canada, the Federal Economic Development Agency for Southern Ontario and the Federal Economic Development Agency for Northern Ontario

### Destination Canada

- Federally funded Crown corporation
- Tourism organization responsible for sustaining Canada's tourism industry, marketing Canada as a tourist destination, and supporting the co-operation between the private sector, Canada and provinces and territories

## Provincial

### Ministry of Tourism, Culture and Sport (Ministry)

- Helps grow Ontario's economy through strategic support and investment in the tourism sector by working with stakeholders
- Operates funding programs that provide funding directly to tourism operators (businesses, not-for-profit organizations) that attract visitors to communities across the province

### Ontario Tourism Marketing Partnership Corporation (operating as Destination Ontario)

- Provincially funded agency of the Ministry
- Tourism marketing organization with a mandate to promote Ontario as a travel destination to individuals within Ontario, Canada and internationally

## Regional

### Regional Tourism Organizations (RTOs)

- 11 not-for-profit organizations that are independent of the Ministry and are provincially funded to lead within their tourism region (see **Appendix 5a** for the 13 regions, two of which are not provincially funded)
- Lead tourism development in the region by increasing co-ordination of businesses impacted by tourism, marketing the region, and working collaboratively with the industry to enhance tourism experiences available

## Municipal

### Destination Marketing and Management Organizations (DMOs)

- Funded by municipal governments and Municipal Accommodation Taxes, and/or the DMOs' members
- Responsible for increasing tourism at the sub-regional level (e.g., municipal) through marketing, such as promoting a location and experiences it offers or increasing awareness of a destination

Note: The activities of the Ministry, Destination Ontario and the RTOs to support the tourism industry are included in this audit.

In addition to these funding programs, the Ministry is also responsible for providing strategic support, developing tourism policy in partnership with other ministries and governments, attracting private-sector investment, and performing research and analysis of tourism statistics to support its activities and policy decisions.

The activities of the Ministry are also supported by other provincially funded organizations that are mandated through their funding agreements to promote Ontario as a tourist destination and work with the tourism industry to increase economic growth in Ontario. These include Destination Ontario and regional tourism organizations (RTOs), which both receive provincial funding. Destination Ontario is a provincial agency responsible for marketing and promoting Ontario tourism. RTOs are not-for-profit organizations that operate independently of the Ministry and are responsible for providing strategic and advisory support to tourism businesses in their region and promote collaboration within their region and among the RTOs to develop better tourism experiences for tourists.

### 2.2.1 Destination Ontario

The Ontario Tourism Marketing Partnership Corporation (operating as “Destination Ontario”) is an agency of the government of Ontario. Formed in 1999 under the *Development Corporations Act* (Ontario Regulation 618/98: Ontario Tourism Marketing Partnership Corporation), Destination Ontario’s role is to promote Ontario as a travel destination in order to benefit the province through increased domestic and international visits and spending. Destination Ontario’s key strategic priorities include:

- focused marketing campaigns direct to the consumers who would be most likely to travel to Ontario and/or result in the most tourist spending;
- partnering with tourism stakeholders such as Destination Canada (a federal Crown corporation responsible for supporting the tourism industry in Canada and promoting Canada as a

tourist destination) to grow tourism in Ontario; and

- conducting research on consumer behaviour and tracking advertising impacts to identify the most effective activities to pursue in the future to increase tourism.

The agency is accountable to the Ministry and is governed by a board of directors whose members are appointed by Ontario’s Lieutenant Governor in Council. The Ministry provides Destination Ontario with its mandate and annual funding to carry out its objectives.

In 2022/23, Destination Ontario received \$33 million of funding from the Ministry. About half of its annual expenses are costs for advertising and marketing campaigns to promote Ontario and/or specific destinations or attractions in Ontario as tourism destinations on the Internet, radio and other media channels. The remaining annual expenses include offering travel information services, partnerships with industry, and other direct operating costs.

As of August 2023, Destination Ontario operated nine Travel Information Centres across Ontario (see **Appendix 4** for the location of these centres), located near border crossings and along major routes to offer travel advice, tickets for select attractions and events, and souvenirs. These are provincially run and separate from the over 200 municipally owned or community-operated visitor information centres. In 2022/23, these centres cost approximately \$5 million to operate.

### 2.2.2 Regional Tourism Organizations (RTOs)

RTOs are independent, not-for-profit organizations that promote tourism at the regional level. In 2010, the Ministry divided the province into 13 tourism regions, with one organization for each region. Many different business sectors are part of the tourism industry (such as accommodations, food and beverage, entertainment and attractions), and tourism-related businesses in Ontario are predominantly small businesses. The RTOs were established at the Ministry’s direction to increase co-ordination of all the businesses impacted by tourism, market the region, promote the unique

potential of each region, and work collaboratively with the industry to enhance the tourism experiences available. See **Appendix 5a** and **Appendix 5b** for maps of the tourism regions in Ontario.

Even though RTOs are governed by their own boards of directors and are independent of the Ministry, they are each accountable to the Ministry through the annual funding agreement that outlines the objectives and activities that each RTO must perform. The RTOs are expected to support the tourism sector through five priority areas. See **Figure 4** for a description of the objectives of each priority area. For example, an RTO may create marketing campaigns highlighting a regional attraction, work with tourism operators to collaborate on providing joint experiences that attract more tourists to the region, and provide business coaching and support to small business operators that may not have the expertise on how to expand their attraction.

As of 2019/20, the Ministry provides annual funding to 11 of the 13 RTOs, amounting to approximately \$19 million in total (see **Appendix 6** for a breakdown of funding by RTO between 2018/19 and 2022/23). The remaining two RTOs (RTO 5, Greater Toronto Area and RTO 10, Ottawa and countryside) stopped receiving annual funding from the Ministry

in 2019; the Ministry's rationale for this change in funding was that these two RTOs earned revenue from the collection of the Municipal Accommodation Tax, which is an additional fee that municipalities can levy on short-term accommodations such as hotels, to generate revenue for tourism marketing in the municipality (see **Section 2.2.3**).

## 2.2.3 Municipal Tourism Organizations

In addition to Destination Ontario (working at the provincial level) and RTOs (working at the regional level), municipalities may also have tourism organizations that promote tourism for the city, town or county. These organizations are called destination marketing organizations or destination management organizations, both of which can be referred to as DMOs. RTOs are expected to work collaboratively with all industry partners, including the DMOs in their region.

DMOs focus on developing tourism at a sub-regional level, such as within municipal boundaries, particularly through marketing. This can include promoting a location and the experiences it offers, increasing awareness of a destination, and improving the overall reputation of the destination as a desirable place to visit, such as through social media advertising. Often, multiple

**Figure 4: Five Priority Areas of Regional Tourism Organizations (RTOs) Required by Ministry of Tourism, Culture and Sport (Ministry) Funding Agreements**

Source of data: Ministry of Tourism, Culture and Sport

Priority Area	Objective
<b>Investment Attraction/ Investor Relations</b>	Increase investment in the tourism industry to enhance visitor experience.
<b>Marketing</b>	Increase awareness of Ontario as a travel destination and increase conversion <sup>1</sup> in target markets.
<b>Partnerships</b>	Become a catalyst in building strategic alignment and promoting collaboration within the industry. <sup>2</sup>
<b>Product Development</b>	Enhance visitor experience through well-designed tourism products that meet current and future visitor demand.
<b>Workforce Development and Training</b>	Facilitate and support the attraction, development and retention of a tourism workforce to enhance the visitor experience.

1. Conversion represents desired consumer action or behaviour taken as a result of the marketing or advertising campaign, such as travel by an individual to a region in Ontario after viewing an advertisement.

2. Additional guidance in the Ministry's 2017 RTO Guide specifies undertaking projects with third parties (any partner other than the Ministry).

DMOs operate in each region that an RTO supports; there are about 200 DMOs compared with 13 RTOs.

A DMO can be funded annually by the municipality it serves, by its members, and sometimes through a Municipal Accommodation Tax.

### Municipal Accommodation Tax

On December 1, 2017, Ontario Regulation 435/17: Transient Accommodation Tax (O. Reg. 435/17) was introduced. The regulation gives municipalities the authority to impose a tax, usually called the Municipal Accommodation Tax, on the purchase of short-term accommodations (such as hotels) in the municipality. This regulation was developed by the Province, but it is up to each municipality to decide if it will implement a Municipal Accommodation Tax and what rate to charge. For example, the City of Toronto charges a 6% Municipal Accommodation Tax on the price of a room as of May 1, 2023, compared to the City of Niagara Falls that charges \$2 tax per night of occupancy. As of March 31, 2023, there are approximately 50 municipalities that have implemented, or are in the process of implementing, a Municipal Accommodation Tax.

The regulation requires the revenue earned through a Municipal Accommodation Tax to be shared between the municipality and one or more tourism entities. It is generally shared with a DMO or an economic development office of the municipality, so that the funds are reinvested in promoting tourism within the municipal boundaries and not in a broader region (such as with an RTO).

The amount of revenue sharing depends on whether the municipality had a prior destination marketing fee program in place before O. Reg. 435/17 was introduced. If the municipality did not have a destination marketing fee program prior to the Municipal Accommodation Tax, the municipality must share at least 50% of the Municipal Accommodation Tax revenue annually with the DMO. For municipalities that had a similar charge in place before the Municipal Accommodation Tax, the DMO is entitled to the revenue it would have otherwise earned under the previous program. As a result, RTO 5 (Destination Toronto) and RTO

10 (Ottawa Tourism), which received the Municipal Accommodation Tax revenue prior to 2017 and were also the DMOs for their cities, continued to receive revenue from this tax after they stopped being funded as RTOs in 2019/20 (see **Section 2.2.2**).

## 2.3 Annual Tourism Funding Programs

The Ministry operates provincial funding programs to support the tourism sector, including four ongoing grant programs, financial support to provincial and regional tourism organizations, and one-time funding that it provided during the COVID-19 pandemic (refer to **Figure 5** for a summary of the Ministry's 2021/22 funding programs). From 2015/16 to 2018/19, annual funding was \$106.4 million on average each year across all these areas, decreasing to \$76.5 million in 2019/20 and \$79.9 million in 2020/21. The decrease in funding from 2018/19 to 2019/20 included \$5 million less to Destination Ontario, \$14 million less to the RTOs and \$4 million less in funding for festivals and events.

To help tourism businesses during the COVID-19 pandemic, the Ministry provided additional funding programs resulting in a total of \$239.4 million in tourism supports for 2021/22. Of this amount, \$172.3 million was paid directly to tourism operators—\$40.4 million from annual support programs and \$131.9 million in one-time funding to help the industry respond to the impact of the COVID-19 pandemic (see **Section 2.4**).

The next year, for 2022/23, the Ministry provided \$45 million through funding programs and \$52 million to Destination Ontario and the 11 RTOs.

### 2.3.1 Reconnect Ontario and the Marquee Event Fund (Funding for Festivals and Events)

Reconnect Ontario is an annual funding program that supports festivals and events that attract tourists to attend in person and that increase tourism spending and create jobs. This program has been in place since 2007; its previous names were Celebrate Ontario,



Figure 5: Tourism Support Programs Funded in Ontario,<sup>1</sup> 2021/22

Prepared by the Office of the Auditor General of Ontario

Program Name	Type of Funding	Description/Purpose	# of Organizations	2021/22 Funding (\$ million)
<b>Reconnect Ontario</b>	Annual (ongoing)	To support festival and event organizers to hold events that attract visitors.	404	35.3
<b>Reconnect Ontario—Marquee Event Fund</b>	Annual (ongoing)	To support festival and event organizers of large, high-impact, one-time non-recurring events.	7	3.7
<b>Tourism Economic Development and Recovery Fund</b>	Annual (ongoing)	For projects that encourage development of tourism experiences and investment, to ultimately increase Ontario's tourism industry capacity.	19	0.6
<b>Pan-Regional Fund</b>	Annual (ongoing)	To support projects that promote tourism and develop tourism experiences that are aimed at benefiting multiple regions.	4	0.8
<b>Total annual funding programs</b>				<b>40.4</b>
<b>Ontario Tourism Recovery Program</b>	One-time	To support tourism businesses (including accommodations and attractions) that experienced significant revenue loss during the COVID-19 pandemic.	570	98.4
<b>Ontario Tourism and Travel Small Business Support Grant<sup>2</sup></b>	One-time	For small tourism and travel businesses (fewer than 100 employees) that experienced a significant decrease in revenue as a result of the COVID-19 pandemic, to support their operating costs.	2,111	33.5
<b>Total one-time funding programs</b>				<b>131.9</b>
<b>Regional Tourism Organizations (RTOs)<sup>3</sup></b>	Annual (ongoing)	Funding to independent, not-for-profit organizations that promote tourism at a regional level (13 regions across Ontario are identified in <b>Appendix 5a</b> ).	13	34.1
<b>Ontario Tourism Marketing Partnership Corporation (operating as Destination Ontario)</b>	Annual (ongoing)	Funding to the provincial tourism marketing organization responsible for marketing Ontario as a travel destination to individuals within Ontario and Canada, and internationally.	1	33.0
<b>Total for provincially funded tourism organizations</b>				<b>67.1</b>
<b>Total</b>				<b>239.4</b>

1. The total funding summarized for 2021/22 does not include the \$270 million estimated cost of the Staycation Tax Credit program, which spans 2021/22 and 2022/23 fiscal years (2022 personal tax year). As of August 2023, Ontarians received approximately \$170 million under this tax credit.

2. The Ontario Tourism and Travel Small Business Support Grant was delivered by the Ministry of Economic Development, Job Creation and Trade, with support from the Ministry of Tourism, Culture and Sport.

3. Includes \$15 million one-time funding to two RTOs to support the organizations during the COVID-19 pandemic. See **Appendix 6** for the breakdown of funding to each RTO, 2018/19–2022/23.

and then the Reconnect Festival and Event Program in 2020/21, and in 2022/23 it became Reconnect Ontario. (Starting in 2023/24, the program will be known as Experience Ontario.) In 2021/22, a total of \$35.3 million was paid through this program to support 404 festivals and events.

In 2022/23, event organizers could receive up to 50% of their total eligible expenses, to a maximum of \$185,000 (reduced to \$125,000 for 2023/24). Eligible expenses include those relating to the delivery of the festival or event, including performance fees to artists, programming costs and wages for staff.

The Ministry had not completed an evaluation of the 2022/23 program at the time of our audit, as event organizers were still submitting final reports and performance measures. For the 2021/22 funding program, using the Economic Impact Model (see **Section 2.1.1**), the Ministry estimated that every \$1 of funding provided to festivals and events contributed about \$8.67 to the provincial GDP and \$3.39 in government tax revenue, of which \$1.55 is provincial tax revenue.

The Marquee Event Fund exists for major national or international festivals or events taking place in Ontario that have operating expenses of at least \$1 million and are not held in Ontario annually or biannually. For example, in 2022/23, the Tim Hortons Brier (Canada's national men's curling championship) received funding under the Marquee Event Fund. Eligible events can receive funding up to 50% of total eligible cash operating expenses. In 2021/22, a total of \$3.7 million was funded through this program to support seven festivals and events.

### 2.3.2 Tourism Economic Development and Recovery Fund (Funding for Creating New Tourism Products)

The Tourism Economic Development and Recovery Fund (Economic Development and Recovery Fund) is an annual grant program designed to support

non-capital costs for tourism projects that are innovative, create tourism investment, or build the capacity of Ontario's tourism industry. This funding program was delivered under this name between 2020/21 and 2022/23, but was previously called the Tourism Development Fund (which was in place since 2008), and it will be resuming with this name in 2023/24. For 2022/23, a total of \$428,500 was approved through this program to support 18 projects.

Eligible recipients include municipalities and not-for-profit organizations that have a defined tourism focus, such as tourism industry associations. For example, a municipality can apply for funding to develop a tourism strategy or develop a new tourism attraction or experience. Up to 50% of total cash expenses for a project can be funded.

In 2020/21, eligibility under the program was expanded to provide broader support to the tourism industry during the COVID-19 pandemic. This included support to for-profit organizations with projects designed to increase domestic tourism, as well as membership support to tourism associations.

### 2.3.3 Pan-Regional Fund (Funding for Tourism Development)

The Pan-Regional Fund is an annual grant program operating since 2013, designed to support projects that promote tourism and destination development across multiple tourism regions. For 2022/23, a total of \$750,000 was approved to support five projects.

There are no formal program guidelines for this funding program. Past recipients have been not-for-profit tourism sector associations that promote specific tourism activities across Ontario, such as Indigenous Tourism Ontario. The amount of funding a project receives is dependent on the Ministry's review of the project and its alignment with Ministry priorities.

## 2.4 Support Programs Created to Respond to COVID-19's Impact on the Tourism Industry

Tourism businesses were significantly impacted by public health restrictions after the COVID-19 pandemic was declared in 2020. According to Statistics Canada, 84% of tourism businesses reported a decrease in revenues in 2020, compared to 60% of all businesses in Canada. Tourism-related employment decreased by more than 28% in 2020, whereas total employment across all businesses fell by about 6%.

In March 2020, the Minister of Tourism, Culture and Sport (Minister) convened 13 Ministerial Advisory Councils to provide advice on the pandemic's impact on the tourism sector. This advice informed a report issued by the Ministry in December 2020, containing a broad plan for economic and social recovery from the pandemic (see **Appendix 7** for a description of the recommended action items). Proposals included making strategic investments in festivals and events, offering a travel incentive to Ontarians to encourage local tourism, and working with tourism operators to create new experiences that lead to year-round tourism in Ontario. In March 2021, the Minister formed a Tourism Economic Recovery Ministerial Task Force (Task Force) to further provide strategies and advice to support the recovery of Ontario's tourism industry. The Task Force report was released in June 2021 with 10 recommendations, summarized in **Appendix 8**, which include giving direct support to the industry to create attractions and experiences, and using research and analytics to create itineraries to generate interest in new markets.

Of the approximately \$172.3 million of funding the Province paid directly to tourism organizations in 2021/22, \$131.9 million was in one-time support (see **Figure 5** for a summary of the Ministry's 2021/22 funding programs). An additional \$270 million was budgeted through the Ontario Staycation Tax Credit between 2021/22 and 2022/23 to incentivize Ontarians to travel within Ontario in 2022 so that they could receive a personal income tax credit.

### 2.4.1 Ontario Tourism Recovery Program (Financial Support for Tourism Businesses)

The Ontario Tourism Recovery Program (Tourism Recovery Program) was a one-time grant program to help tourism businesses that had experienced significant negative impacts on their operations from the COVID-19 pandemic and public health restrictions. The businesses had to be historically successful and to have helped drive employment and visits to their regions. The program was initially announced in March 2021, and the first payment was made in May 2022. In total, \$98.4 million was distributed through this program to 570 businesses.

Eligible businesses included those in the accommodations, attractions and transportation sectors. **Appendix 9** lists the business types that were eligible for funding in these sectors. Businesses had to demonstrate a 50% or greater loss in revenues in 2020 or 2021 compared to 2019. Businesses received up to \$695,000, depending on the amount of revenue lost, and salaries and wages paid. They could use the funding for reopening and operating costs, implementing health and safety measures, and/or marketing.

### 2.4.2 Ontario Tourism and Travel Small Business Support Grant (Financial Support for Small Businesses in the Tourism Sector)

The Ontario Tourism and Travel Small Business Support Grant (Tourism Small Business Grant) was a one-time grant provided to small tourism and travel businesses starting in May 2021. This grant was available to businesses that were not eligible to receive the Ontario Small Business Support Grant provided in January 2021. The Ontario Small Business Support Grant was audited as part of the COVID-19 Economic Response and Supports for Businesses audit, which was part of our Office's *2021 Annual Report*. The businesses excluded from this previous grant included hotels, bed-and-breakfasts, indoor attractions, recreational rental services, and travel agents and wholesalers.

These businesses did not meet the earlier grant's eligibility criteria because they were not closed or did not significantly restrict their operations during the province-wide shutdown announced on December 26, 2020. Although they were not required to close, many of these businesses still had their operations significantly impacted as a result of the shutdown. Eligible businesses, along with any affiliated businesses, had to have 99 or fewer employees and to have experienced a revenue loss of at least 20%.

The Ministry of Economic Development, Job Creation and Trade, which also delivered the original Ontario Small Business Support Grant, delivered this program with support from the Ministry of Tourism, Culture and Sport. In total, \$33.5 million was paid to 2,111 businesses. There were no restrictions on the use of the funding by eligible businesses.

### 2.4.3 Staycation Tax Credit (Personal Tax Credit for Accommodation Expenses)

The Staycation Tax Credit was a one-time, refundable personal income tax credit for 2022. It was designed to encourage Ontarians to travel and explore the province and support the tourism and hospitality sector's recovery from the financial impacts of the COVID-19 pandemic.

Ontario residents could claim up to \$1,000 as an individual, or \$2,000 for families, of eligible accommodation expenses on their personal income tax return in 2022 (resulting in a tax credit of up to \$200 and \$400, respectively). Eligible accommodation expenses included short-term accommodations paid for hotel, motel, bed-and-breakfast, cottage or campground visits. When the tax credit was initially introduced, the Ministry estimated that the program would be used by over 1.8 million families and cost \$270 million. As of August 2023, Ontarians have received approximately \$170 million to date under this tax credit.

## 3.0 Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Tourism, Culture and Sport (Ministry) had effective systems and processes to:

- develop and execute on a strategic plan and oversee Destination Ontario and regional tourism organizations to support and grow Ontario's tourism industry;
- design and deliver funding programs that efficiently and effectively support the tourism industry and maximize the industry's economic impact; and
- collect information to evaluate the effectiveness of provincial tourism supports in growing the tourism industry and report the results to the public or tourism stakeholders.

In planning for our work, we identified the audit criteria (see **Appendix 10**) we would use to address our audit objective. These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices. Senior management at the Ministry reviewed and agreed with the suitability of our objectives and associated criteria.

We conducted our audit between January 2023 and August 2023. We obtained written representation from Ministry management that, effective November 17, 2023, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

Our audit work was conducted at the Ministry's office in Toronto. In performing our work, we interviewed senior management and appropriate staff at the Ministry, and examined data and documentation provided by the Ministry. For tourism support funding programs, we:

- selected a sample of funding recipients and tested their eligibility for the program by reviewing their application information (such as their application form, financial information and incorporation documents) against the eligibility criteria;



- discussed with Ministry staff how funding decisions were made in their review process; and
- assessed how these funding decisions aligned with the program design and the Ministry's program objectives.

Our audit work relating to the Reconnect Ontario funding program was for the 2021/22 and 2022/23 funding years, as prior years of the similar Celebrate Ontario funding program were audited as part of the audit of Oversight of Time-Limited Discretionary Grants in **Chapter 3, Section 3.11** of our Office's *2019 Annual Report*.

Our audit did not examine the effectiveness and results of the Staycation Tax Credit program that the Ministry budgeted to cost \$270 million over 2021/22 and 2022/23. This tax credit was available to Ontarians in the 2022 personal tax year, but detailed information on how many individuals or families utilized this tax credit was not available during the period of our audit work. Two other areas related to the tourism sector were not examined, as they were audited in separate value-for-money audit reports on the Travel Industry Council of Ontario and the Metropolitan Toronto Convention Centre and Ottawa Convention Centre (provincial convention centres) in our *2023 Annual Report*. These include the Travel Industry Council of Ontario and how it administers the *Travel Industry Act, 2002*, and the role of the provincial convention centres in growing tourism in Ontario.

We also held meetings with Destination Ontario and all 13 regional tourism organizations (RTOs), and reviewed how these organizations operated to meet their mandates with the Ministry and support the tourism industry. We examined Destination Ontario and the RTOs' internal reporting as well as reporting to the Ministry, including business plans, progress reports, financial statements and final reports to assess whether Destination Ontario and the RTOs' activities are effective at growing tourism in Ontario.

To better understand the role of tourism organizations in Ontario and the effectiveness of the Ministry's

tourism supports, including in comparison to other jurisdictions, we had discussions with a number of tourism stakeholders, including:

- tourism associations within Ontario and Canada that support the tourism sector, such as Attractions Ontario, Festivals and Events Ontario, Indigenous Tourism Ontario, Ontario Tourism Education Corporation, Tourism Industry Association of Canada, and Tourism Industry Association of Ontario;
- tourism organizations working at the municipal or sub-regional level, including destination marketing organizations such as Tourism Mississauga, municipalities including the City of Brampton, and associations such as the Eastern Ontario Agri-Food Network; and
- other tourism organizations in Canada, such as Destination Canada, Destination BC and Travel Alberta.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies Canadian Standards on Quality Management and, as a result, maintains a comprehensive system of quality management that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

## 4.0 Detailed Audit Observations

### 4.1 The Ministry Has Not Developed an Effective Long-Term Strategic Plan for Tourism Recovery and Growth after the COVID-19 Pandemic

The Ministry of Tourism, Culture and Sport (Ministry) has not developed a long-term strategic plan for tourism since the one it developed in 2016 (see **Appendix 11** for a summary of key actions it included). This was a five-year plan covering the years 2016–21. During these years, tourism growth in Ontario did not meet the Ministry's target of 3.3% per year.

The Ministry's 2016 strategic plan set the goal to grow tourism at an average rate of 3.3% annually over five years to match the average global tourism industry growth estimated by the World Tourism Organization. From 2016 to 2017, the number of tourists in Ontario decreased by 0.8%, and between 2018 and 2019, the number of tourists increased less than 1%. (In 2018, Statistics Canada changed its reporting methodology for collecting tourism data, so the measures beginning with 2018 are not comparable to the years prior. See **Figure 6** for the percentage change in the number of tourists in Ontario each year.) Before the Ministry released its strategic plan in 2016, the number of tourists in Ontario was growing at less than 2% per year—the year-to-year change between 2011 and 2016 ranged from a 0.9% decrease (2014) to a 1.7% increase (2015).

When the COVID-19 pandemic caused tourism activity to decrease, two reports were completed, one by the Ministry and one by tourism stakeholders at the direction of the Minister of Tourism, Culture and Sport (in December 2020 and June 2021, respectively). These reports contained actions and recommendations directed to the Ministry to support the tourism sector through the pandemic, and are summarized in **Appendix 7** and **Appendix 8**. The reports were meant to inform the Ministry's development of a five-year strategic plan for the tourism, culture and sport sectors, but no plan has been developed. In August

2023, the Ministry received direction from the Minister of Tourism, Culture and Sport to develop a tourism growth plan, but the Ministry does not have an estimated completion date for the plan.

Other provinces (including British Columbia, Alberta and Quebec) published multi-year strategic plans between 2021 and 2023 to communicate their strategy for growing tourism, with a specific focus on economic recovery after the pandemic. We compared the tourism strategic plans released by British Columbia, Alberta and Quebec between 2021 and 2023 to Ontario's 2016 plan. We found that Ontario's plan did not specify how the Ministry plans to make strategic investments in the tourism sector or establish multiple key performance measures. The strategic plans from the other three provinces also include elements such as provincial objectives, planned actions and strategic investments that will be made to achieve the objectives, and performance measures and targets for tourism growth.

**Figure 6: Total Tourist Visits in Ontario, 2011–2021**

Source of data: Ministry of Tourism, Culture and Sport

Year	# of Tourists (millions)	% Change
2011	139.0	n/a
2012	141.2	1.6
2013	140.8	(0.3)
2014	139.5	(0.9)
2015	141.9	1.7
2016	144.1	1.6
2017	142.9	(0.8)
2018 <sup>1</sup>	131.8	n/a <sup>1</sup>
2019	131.8	-
2020 <sup>2</sup>	78.2	(40.7)
2021 <sup>2</sup>	79.2	1.3

1. In 2018, there was a change in methodology of how the travel surveys were conducted by Statistics Canada to collect tourism data. For example, to collect domestic tourism data, a new online survey was started to ask Canadians about their travel spending in the year, as opposed to the prior telephone travel survey that respondents were invited to complete following a different telephone survey of their participation in the workforce. This impacted the reach and response rate of the survey, so the data prior to 2018 is not comparable to data for the years after.
2. The COVID-19 pandemic interrupted Statistics Canada's travel survey collection operations, and therefore data for 2020 and 2021 includes travel estimates produced by Statistics Canada.

A long-term strategic plan can establish priorities and objectives, co-ordinate provincially funded tourism organizations, and align the Ministry's funding and activities to maximize tourism growth and its contribution to the economic recovery in Ontario. This is especially important given the negative effect the COVID-19 pandemic had on tourism and businesses.

Without a set of current targets and performance measures, the Ministry also cannot determine if its activities and spending are effective at achieving their objectives. This is important to determine which of the current support programs are effective and should continue, and which should be modified to better support the tourism industry. We have also identified areas where the support that the Ministry currently provides to the tourism sector can be improved. This information should be incorporated into the Ministry's long-term strategic plan so that the Ministry, the organizations it funds and the Ministry's tourism funding programs can work together to provide effective support for the tourism sector and maximize the economic impact on Ontario. For example, as we note in **Section 4.1.3**, the information the Ministry collects does not let it evaluate whether the regional tourism organizations (RTOs) it funds are effective in increasing tourism in their regions. The Ministry also provides the mandate to perform marketing activities both to the RTOs and to Destination Ontario (the provincial marketing agency), which leads to the two having overlapping responsibilities. As we discuss in **Section 4.1.1**, the money that Destination Ontario spends on advertising could have greater impact in attracting more tourists if it was spent on marketing campaigns outside Ontario.

The Ministry also has not considered the role of two tourism regions, the Greater Toronto Area and Ottawa and countryside, as part of a provincial tourism strategy after ending their annual RTO funding. As we discuss in **Section 4.1.4**, since 2019 these regions are no longer accountable to the Ministry and therefore are not directly tied to Ministry priorities. This has decreased the collaboration within and across these regions, which is one of the main purposes of the RTOs, and has created gaps in support for local tourism

operators. There is also no plan for how to use these two tourism gateway cities to attract international tourists to Ontario.

## RECOMMENDATION 1

To establish and publicly communicate its priorities in maximizing the economic impact of tourism in Ontario and supporting the tourism industry in recovering from the COVID-19 pandemic, we recommend that the Ministry of Tourism, Culture and Sport:

- develop a long-term strategic plan for tourism that includes action items, key performance measures and targets to be able to track outcomes; and
- publicly report annually on performance against the performance measure targets in the plan.

## MINISTRY RESPONSE

We thank the Auditor General for the recommendation. The Ministry will continue to provide strategic support for the tourism industry by evaluating trends and will consider developing a strategic course of action that continues to grow the sector.

The Ministry is encouraged by strong signs of growth in tourism across the province and will investigate appropriate performance measures for the sector and publicly report on these measures.

### 4.1.1 Tourism Marketing in Ontario Is Not Always in Partnership with Regional Organizations, Resulting in Less Funding Available for International Marketing and Fewer Potential Tourist Visits

As the provincial tourism marketing agency, Destination Ontario's mandate includes marketing Ontario as a travel destination to tourists within Ontario, throughout Canada and internationally. Within this mandate is a principle that "Destination Ontario and regional organizations are to work together to market travel within Ontario." We found that Destination Ontario's

marketing within the province is not always done in partnership with other tourism organizations, such as RTOs and DMOs. In 2022/23, Destination Ontario spent about \$7 million on marketing to Ontarians, of which only \$1 million was matched funding in partnership with RTOs and DMOs. Destination Ontario's own marketing spend inside Ontario was comparatively higher in 2022/23 specifically because the agency was promoting the Staycation Tax Credit, but its spending to market travel within Ontario in prior years was also not done in partnership. For the five years preceding the COVID-19 pandemic, 2015/16 to 2019/20, Destination Ontario spent about \$4 million on average each year marketing within Ontario, none of which was in partnership with regional organizations.

Separately, the 11 RTOs that receive Ministry funding spent about \$11.7 million annually on average on marketing in the five-year period prior to the COVID-19 pandemic, and \$7.9 million in 2022/23. The approximately 200 DMOs across Ontario also invest in marketing, but the Ministry does not collect details of their spending, as the DMOs are generally funded by the municipality they serve, directly by their members or through the Municipal Accommodation Tax. Many of these organizations advertise mostly to Ontarians, since it is more cost-effective for them to focus on attracting Ontario tourists than international tourists. For example, many RTOs informed us that, given that their annual funding from the Ministry ranges from approximately \$1 to \$4 million, it is too costly for them to market separately within Ontario along with marketing to other parts of Canada and/or internationally. In contrast, Destination Ontario, with its larger budget relative to each individual RTO, and its sole mandate to promote Ontario as a tourism destination, is better suited to attracting tourists from outside of Ontario.

Destination Ontario's own analysis supports that marketing Ontario tourism to the United States provides better value for money than if it spent the same dollars marketing to other Ontarians. For example, in 2022/23, in addition to the \$7 million spent on marketing to Ontarians, Destination Ontario spent \$5 million marketing to tourists from the United States. Based on

Destination Ontario's analysis of incremental tourist numbers and tourist spending it could attract by advertising in the United States (estimated from tourism activity as a result of Destination Ontario's past marketing campaigns between 2012 and 2022), we estimated that Ontario could benefit from about 86,000 more tourists and \$38 million more in tourist spending if \$2 million was deducted from marketing to Ontario tourists and spent on marketing in the United States.

As part of developing a long-term strategic plan for tourism, a strategy to align the marketing activities for promoting Ontario tourism within the province, and oversight of these processes for better co-ordination between Destination Ontario and the RTOs, would create more value for Ontario that could lead to more tourists and economic benefit.

## RECOMMENDATION 2

To maximize the return on marketing investment and avoid duplication of marketing efforts, we recommend that the Ministry of Tourism, Culture and Sport:

- work with Destination Ontario to align strategies to maximize tourist visits and spending in Ontario based on the available marketing budget;
- work with Destination Ontario and regional organizations to develop processes and performance measures for effectively working together to market travel within Ontario; and
- receive and evaluate annual report-backs on the results of the partnerships between Destination Ontario and regional organizations, including marketing campaigns developed and dollars contributed.

## MINISTRY RESPONSE

The Ministry accepts this recommendation and will continue to work with Destination Ontario and Regional Tourism Organizations to better co-ordinate efforts to grow tourism in the province.



This includes looking for opportunities to enhance partnerships, align strategies, determine effective performance measures and develop a process to better utilize marketing budgets to build tourism in Ontario and report back on the results of this work to the Ministry.

#### 4.1.2 Travel Information Centre Locations Cost \$5 million to Operate Annually, Yet Are Underutilized and Do Not Align with Modernization Strategy

Destination Ontario operated nine Travel Information Centres as of August 2023, which offer tourists travel advice, tickets for select attractions and events, and souvenirs (see **Appendix 4** for the locations of these centres). In 2022/23, the centres cost \$5 million to operate. These Travel Information Centres have seen a significant decline in the number of visitors, from about 1,058,000 in 2016/17 to approximately 180,000 in 2022/23 (about 17% of the 2016/17 number). Not all of these visitors go to the Travel Information Centres for information; for example, some may only stop to use their washrooms. Therefore, Destination Ontario also tracks the number of groups that visit to use the centres' core services, primarily distributing travel information. Of the total visitors in 2016/17, approximately 446,000 parties were counselled and received travel information, a number that decreased to about 69,000 in 2022/23 (about 15% of the 2016/17

amount). **Figure 7** shows the trend in number of parties counselled, annual operating costs, and the average cost of operations per party counselled between 2015/16 and 2022/23.

The COVID-19 pandemic caused many of the Travel Information Centres to temporarily close when travel restrictions were in place, which contributed to the significant decline in visitors for 2020/21. However, the pandemic accelerated the declining visitor trend that had already begun before 2020/21.

In 2019, Destination Ontario conducted research through focus groups and found that the majority of those surveyed would not go out of their way to visit a Travel Information Centre, and those who had never visited one did not see their value because online resources are available. Visitors to Travel Information Centres mainly intended to use the washrooms, or to get maps or directions, or advice on what to do at the destination. However, as a result of public health restrictions on gatherings during the COVID-19 pandemic, these services have also shifted to other delivery methods as part of Destination Ontario's modernization strategy. These include mobile pop-up information service booths that have lower fixed costs and can be operated near events and attractions, and digital travel consulting services for people looking for travel ideas.

With Ministry approval, Destination Ontario closed some underused Travel Information Centres. For example, in October 2021, it closed the centre in St. Catharines, and then in April 2023 it closed the

**Figure 7: Ontario Travel Information Centre Operational Costs and Parties Counsellled,<sup>1</sup> 2015/16–2022/23**

Source of data: Destination Ontario

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Total parties counselled (#)	442,090	446,451	376,465	360,484	329,120	7,162	20,153	69,108
Net operating cost (\$)²	5,136,802	5,178,076	4,838,232	5,162,798	5,228,290	4,578,891	4,637,454	4,976,722
Average cost per party counselled (\$)	11.62	11.60	12.85	14.32	15.89	639.33	230.11	72.01

1. Total number of groups that visit for the core services of the Travel Information Centres, such as receiving travel information.

2. Operating cost of Ontario Travel Information Centres includes salaries and wages, lease expense and other operating expenses, net of any revenue earned from souvenirs and tickets sold.

Sarnia centre when its lease expired. As of August 2023, nine centres that continue to see a low number of visits were still operating.

Destination Ontario and the Ministry have had ongoing communication regarding the future operations of the Travel Information Centres. Destination Ontario has informed the Ministry that even if the nine centres were closed, travel information services could continue through other methods such as virtual video counselling and pop-up locations. As well, there are municipally owned and community-operated visitor travel information centres (about 200 across Ontario in total), resulting in duplication of services and over-saturation in some locations.

Since Destination Ontario's main role as the provincial marketing organization is to promote Ontario as a travel destination, the \$5 million that it allocates to operate these centres may be able to be used more effectively to grow tourism. The Travel Information Centres represent approximately 15% of Destination Ontario's current budget (approximately \$5 million of \$33 million annual funding), which the organization could use to attract more visitors through advertising outside of Ontario instead of providing information to travellers who have already entered the province. This would be similar to the trend in other provinces. British Columbia's visitor centres are owned and operated by community-based organizations (such as chambers of commerce or economic development offices), with some provincial co-ordination by its provincial tourism agency, Destination BC. New Brunswick has closed its visitor centres completely, and Nova Scotia and Manitoba are closing some of their centres or reducing hours of operation for centres that receive few visits.

### RECOMMENDATION 3

To align with trends on how visitors look for information services and to more effectively utilize tourism support funding, we recommend that the Ministry of Tourism, Culture and Sport work with Destination Ontario to:

- develop and execute a cost-effective plan for the future operations of Travel Information Centres,

with consideration of whether the locations are providing value in promoting tourism, and take action (such as changing services provided or operating hours, or closing locations) if locations are not providing value; and

- identify, through analysis of other jurisdictions, and implement alternative methods of providing travel information services (in addition to virtual video counselling and pop-up locations) that improve engagement with individuals to promote travel, length of stay, and/or spending, as part of Destination Ontario's modernization strategy.

### MINISTRY RESPONSE

The Ministry accepts this recommendation and will continue to engage with Destination Ontario on the strategy for modernizing Travel Information Centres and services.

Evidence-based, cost-effective options will be considered and pursued to modernize the current delivery of travel information services, taking into account the cost of operations and facilities, location of centres and number of visitors, consumers' preferences in receiving travel information, data from research and trends (including those from other jurisdictions), and use of current technology.

Options, alternatives, plans and implementation will be explored over upcoming business planning cycles.

#### 4.1.3 Ministry's Regional Approach Is Inconsistent in Monitoring Tourism Activity and Collects Insufficient Data to Understand Local Trends

In 2010, the Ministry set up 13 regional tourism organizations (RTOs) to lead the development of the tourism industry within their regions. These RTOs are independent of the Ministry and governed by their own boards of directors, but are accountable to the Ministry through funding agreements that require the RTOs to perform and report on activities in five priority areas (see **Figure 4**). Despite the planned activities,

performance measures, and targets specified in these funding agreements, the information collected by the Ministry does not demonstrate whether each RTO is effective in increasing tourism to its region. We noted that the Ministry does not perform a comprehensive review of the targets that the RTOs establish, whether these targets were achieved at the end of the year, and ultimately, how each RTO's activities contributed to the trend in visits to its region.

We reviewed the 11 business plans submitted by the RTOs that received Ministry funding for 2022/23 and found that RTOs do not always establish a detailed plan for how they will support the tourism operators in their region. Specifically, the business plans of seven RTOs did not include targets for all their identified performance measures. For example, one RTO included the number of partnership projects to be completed as a performance measure for the year without stating targets for the number of partners or projects. Another RTO listed several performance targets as "to be determined," and the Ministry did not follow up to require specific targets to be set. The Ministry indicated to us that this was due to the COVID-19 pandemic, which made it difficult to set specific performance measures.

We also noted that the business plans differ in their level of specificity. This includes the quality of activities, outputs and outcomes, all of which form the basis for developing each RTO's funding agreement with the Ministry. Some RTOs provide detailed information on their planned activities, while others outline the activities broadly. For example, one of the five priority areas in the funding agreements is product development—the creation or enhancement of tourism experiences to meet tourist needs and grow demand. One RTO stated that it would lead and support the development of more inclusive tourism experiences, but gave no expected outcomes or performance targets, or details of how it planned to achieve this. In contrast, another RTO stated that it would increase mid-week tourism spending in the spring and fall by offering product experiences that extend a tourist's stay, and it identified a plan to achieve this. It planned to develop four

cross-regional itineraries that include attractions, and culinary and overnight components, to generate awareness of the destination.

When clear targets are not set at the beginning of the year, the Ministry does not know how an RTO plans to support each of the five priority areas, and it cannot assess whether the RTO has been effective in fulfilling its plan. The result is that the Ministry cannot hold RTOs accountable to their funding agreements, nor can it determine whether the RTOs' activities are effective in increasing tourism in their regions.

One of the Ministry's main measures for assessing tourism growth is the number of tourists to Ontario each year. The Ministry collects this data annually for each tourism region, but the RTOs do not report back on this trend over the years as part of their performance measures. This means the Ministry does not obtain an understanding of the overall impact that all of the RTOs' activities had on the tourism industry in their region, to explain the extent to which the RTOs' activities were effective at promoting and increasing tourism in their region or what factors resulted in a decrease in tourism. This includes whether the RTOs are effective at working with other regional stakeholders, including municipal governments and DMOs, to promote tourism.

**Appendix 12** shows an eight-year trend in the number of tourists by region. For example, four RTOs had a net decrease in total tourists from 2013 to 2017 (the year prior to a change in data collection methodology, so tourist numbers are not comparable to 2018 and onwards). One of these RTOs experienced a decrease most years from 2013 to 2017. In these RTOs' annual reports to the Ministry, there is no explanation for the decreased numbers of tourists; only successes relating to individual activities are highlighted. Requiring more specific and informative performance measures and reporting can be useful to determine any additional actions that the Ministry, Destination Ontario or the RTOs themselves should be taking to grow tourism in these regions.

## RECOMMENDATION 4

To improve the performance measurement of regional tourism organizations (RTOs) and increase accountability to their funding agreements, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- require RTOs to include in their business plans performance measures and targets for each priority area that are specific, measurable, achievable and relevant;
- require RTOs to report on actual results at the end of the year for each performance measure included in their business plans, provide details of the activities undertaken each year to attain these measures, explain any targets that are not met, and detail the corrective actions taken; and
- in their final annual report to the Ministry, require RTOs to report the multi-year trend in tourists to their region, and explain the impact of their activities on the trend.

## MINISTRY RESPONSE

The Ministry accepts this recommendation and will work with Regional Tourism Organizations (RTOs) to develop targets and common performance measures for annual business plans and annual reports. This includes requiring detailed reporting on the specific impact of the activities that the RTOs undertake annually, and how their activities have impacted tourist visits to their regions over time.

These improved performance measures and reporting will be used to assess the effectiveness of the support the Province provides to the 11 RTOs who play an important part in Ontario's tourism economy to attract more visitors, generate more economic activity and create more jobs.

### 4.1.4 The Two Regions That Attract Many of the International Tourists to Ontario Are the Only Two Regions No Longer Funded by or Accountable to the Ministry for Growing Tourism

The Ministry created 13 RTOs in 2010 to provide leadership and strategic support, and increase collaboration between tourism operators within the regions. However, as of 2019, the Ministry no longer provides annual funding to two RTOs—RTO 5 representing the Greater Toronto Area and RTO 10 representing Ottawa and its countryside. These two regions bring in many of the international tourists to Ontario, but are no longer accountable to the Ministry. Municipalities in those regions no longer have support from a regional organization that is mandated to foster collaboration within the region or across regions, which was one of the main purposes of the RTOs when they were established. Since the Ministry does not invest in or establish priorities for the growth of these regions through its funding agreements, the regions are not directly tied to Ministry priorities for the tourism sector, unlike all other regions of the province.

The Ministry's rationale for this withdrawal of funding was that all other RTOs were having their annual Ministry funding reduced by about 20% as a result of a planned overall decrease in Ministry expenditure in 2019. The 11 RTOs that continued to receive Ministry funding saw a \$4.6 million decrease in their funding in total across all 11 RTOs (a decrease ranging from \$0.2 million to \$1 million for each RTO), whereas RTOs 5 and 10 no longer received \$12.9 million of funding in total. This resulted in a total decrease in RTO funding of \$17.5 million. The Ministry expected that even with the complete loss of its funding, the Toronto and Ottawa regions would not be as much affected as the other RTOs, as these cities could generate revenues through the Municipal Accommodation Tax. The net decrease in total revenue for each of these RTOs was estimated at only about 15% without the Ministry's funding.



## Impact on Growing International Tourism

The Greater Toronto Area and Ottawa regions act as gateway cities for international tourists entering Ontario through two of the province's largest international airports. Tourists landing here may also travel to other destinations, so these regions are important for moving international tourists to other tourism regions. A study conducted by RTO 5 (Greater Toronto Area) in 2018 found that tourists to Toronto accounted for \$12.6 billion of spending in Ontario overall, of which \$10.6 billion was spent within the Greater Toronto Area and \$2 billion, or 16%, was spent outside Toronto, in other tourism regions. This highlights the benefits of keeping these regions aligned with province-wide tourism priorities and collaborating with other RTOs, as it ultimately results in tourism for other regions.

About 55% of all tourist spending in Toronto was from international tourists (US and overseas). In addition to bringing foreign money into the Ontario economy, international tourists also spend more per visit, on average, than domestic tourists. Tourism data from Statistics Canada showed that in 2019, the average spending per person visiting Ontario varied from \$142 for an Ontario tourist, to \$160 for a Canadian tourist, to \$391 for a US visitor, and to \$1,597 for an international tourist—more than 10 times the spending of an Ontario tourist. Therefore, attracting international tourists is important for the economic growth in Ontario.

## Gaps in Regional Support Provided

Removing Ministry funding from RTOs 5 and 10 also changed their mandates, resulting in some areas being left without any regional tourism support and creating gaps in support for some tourism operators. The 13 RTOs were originally established to promote tourism in their broader regions, which include several municipalities (see **Appendix 5a** and **Appendix 5b** for maps of the regional boundaries), and the Ministry provided annual funding to foster collaboration across the regions. In contrast, the Municipal Accommodation Tax revenue that RTO 5 and RTO 10 receive can be used only to promote tourism in the municipality it was

generated in. When RTO funding was eliminated for two RTOs, these organizations reverted back to acting as DMOs for their municipality rather than serving the broader region. These two organizations no longer had the mandate to provide tourism support to operators in the broader Greater Toronto Area and the Ottawa and countryside regions, as the Municipal Accommodation Tax became these RTOs' main revenue source and had to be spent on marketing tourism exclusively in the cities of Toronto and Ottawa.

When the Greater Toronto Area's RTO 5 eliminated direct regional support to Brampton and Mississauga, it resulted in withdrawing from all business development efforts to attract sports tourism in those municipalities, and RTO 5 no longer funded business events to be held there. The RTO transitioned to a destination marketing organization (DMO) role for only Toronto. The remaining municipalities of RTO 5, Brampton and Mississauga, had to establish their own tourism offices after they lost the provincial support. This resulted in reduced regional collaboration.

During the COVID-19 pandemic, RTO 5 received one-time funding to support tourism for the region. We heard from the municipalities it supported that this funding led to improved collaboration across the Greater Toronto Area. This included the joint development of marketing content featuring all three municipalities, which they used to advertise at Toronto Pearson International Airport. Some of the municipalities would not have been able to invest in the same content on their own.

When Ottawa (RTO 10) lost Ministry funding in 2019, the United Counties of Prescott and Russell lost tourism support. This area's eight small counties are unable to generate significant revenues individually from the Municipal Accommodation Tax because of their lack of short-term accommodations such as hotels. To the south of Prescott and Russell are the United Counties of Stormont, Dundas and Glengarry, which are part of RTO 9 (Southeastern Ontario). The tourism operators in Stormont, Dundas and Glengarry are able to access tourism support from RTO 9, such as training and research and analytics. They can also

apply for additional funding to grow their tourism activities through RTO 9's partnership fund. However, similar tourism operators located just north of this area in Prescott and Russell do not have the same access, since RTO 10 no longer has the funding or mandate to support the region. The Ministry recognized that this area of Ontario was excluded from regional tourism support, and in July 2023 it changed the boundaries of the tourism regions so that Prescott and Russell was moved from RTO 10 to RTO 9, and RTO 9 received additional funding to support this additional area.

A third region, Niagara Canada, also acts as an important gateway for tourists to enter Ontario. This region continues to receive annual RTO funding, and the Province's 2022 Budget stated that support for tourism recovery in Niagara Falls was a priority. It was identified as a priority because the region is a popular international tourism destination, and so it is important to work with affected sectors there to recover to pre-pandemic tourism levels. Toronto and Ottawa are also important in attracting international tourism, but other than one-time funding during the pandemic, there is no continued annual funding for these regions, unlike Niagara.

Other than expressing this support for Niagara Falls in the 2022 Budget, the Ministry does not have an overall long-term strategy on what specific actions it will undertake to support tourism recovery and growth, as noted in **Section 4.1**. As a result, there is no plan outlining how to use the gateway cities to attract tourists to Ontario. For tourism growth and recovery, especially after the COVID-19 pandemic, it is important that the Ministry have a strategy and align provincial activities and tourism programs across all regions in Ontario, including those that draw in many international tourists.

## RECOMMENDATION 5

To provide tourism operators in all regions of Ontario with access to support from a regional tourism organization (RTO) and to foster collaboration between tourism operators across all regions,

we recommend the Ministry of Tourism, Culture and Sport evaluate the role of gateway cities for attracting international tourists to Ontario and how they contribute to the growth of tourism in Ontario.

## MINISTRY RESPONSE

The Ministry accepts this recommendation and will evaluate the role of gateway cities for attracting international tourists and their impact on the growth of tourism in Ontario.

### 4.1.5 Ministry Has Provided Limited Funding in the Past Five Years to Attract Private Investment to the Tourism Sector, Which Is Part of Its Mandate

Although the Ministry's mandate to support the tourism sector includes attracting international investment to Ontario, it has provided limited funding to encourage private investment in the tourism sector since 2017/18. **Figure 8** shows the number of businesses supported and amount of funding provided in the past 11 years by the Ministry and by the Ministry of Economic Development, Job Creation and Trade—the two ministries primarily responsible for attracting private investment to the tourism sector. In total, they provided \$19 million to encourage businesses to invest or increase their investment in Ontario's tourism sector, resulting in private-sector investment totaling \$288 million to Ontario's economy from 2012/13 to 2017/18, but the Ministry made no further investments between 2018/19 and 2022/23.

Even though the Ministry's Tourism Economic Development and Recovery Fund (**Section 2.3.2**) can support many types of tourism projects, including attracting investment, its budget averages less than \$1 million annually. Further, since 2020/21, the projects it has funded have mostly supported not-for-profit organizations, tourism associations and municipalities, reducing the focus on attracting private investment to stimulate economic growth in the sector through tourism infrastructure and activities.

**Figure 8: Provincial Grants<sup>1</sup> to Attract Private Investment to the Tourism Sector, 2012/13-2022/23**

Source of data: Ministry of Tourism, Culture and Sport and Ministry of Economic Development, Job Creation and Trade

Funding Year	Ministry of Tourism, Culture and Sport <sup>2</sup>		Ministry of Economic Development, Job Creation and Trade		Total	
	# of Grants	Grant Amount (\$)	# of Grants	Grant Amount (\$)	# of Grants	Grant Amount (\$)
2012/13	2	10,035,000	-	-	2	10,035,000
2013/14	-	-	2	229,034	2	229,034
2014/15	-	-	1	357,959	1	357,959
2015/16	1	360,000	1	260,784	2	620,784
2016/17	-	-	2	2,027,200	2	2,027,200
2017/18	-	-	7	5,951,060	7	5,951,060
2018/19	-	-	-	-	-	-
2019/20	-	-	-	-	-	-
2020/21	-	-	-	-	-	-
2021/22	-	-	-	-	-	-
2022/23	-	-	-	-	-	-
<b>Total</b>	<b>3</b>	<b>10,395,000</b>	<b>13</b>	<b>8,826,037</b>	<b>16</b>	<b>19,221,037</b>

- years during which no grants to attract private investment were made by either ministry.

1. Provincial grants include those funded by the Ministry of Tourism, Culture and Sport and the Ministry of Economic Development, Job Creation and Trade, which are the two main ministries responsible for attracting private investment related to tourism across Ontario. Only grants provided with the purpose of attracting new or increased investment from private sector businesses to establish or expand operations have been included. Other grants may have been provided by other government ministries to tourism businesses that have not been included in the figure. For example, tourism businesses may receive funding from the Ministry of Northern Development, which supports the overall economic and community development in Northern Ontario.
2. Only grants provided directly to private sector businesses with the goal of attracting private sector investment into Ontario have been included.

Other provinces such as British Columbia and Alberta have established funding programs to develop tourism experiences, which in turn attract private investment to the tourism sector to stimulate its recovery following the COVID-19 pandemic. In British Columbia, a \$30 million Destination Development Fund supports the development of tourism infrastructure, assets and experiences. Travel Alberta, a provincial Crown agency, intends to invest \$18.3 million annually in 2023/24 and 2024/25, and \$15 million in 2025/26 (or \$51.6 million over these three years), through its Tourism Investment Program to support businesses and communities with product and experience development. British Columbia launched its three-year program in late 2022, and Alberta revised an existing funding program in 2022 to include a focus on building new tourism experiences and infrastructure. These programs are in addition to funding provided for tourism businesses during the COVID-19 pandemic (which Ontario also delivered) that was meant to support the provinces' respective strategic plans for growing tourism after the pandemic.

In Ontario, the Ministry of Economic Development, Job Creation and Trade and its agency Invest Ontario promote economic development through three priority sectors: advanced manufacturing, life sciences and technology. They market Ontario as a destination for business investment, and work with the businesses that are considering establishing operations in Ontario by providing incentives such as grants, loans, tax credits and other support. It is the Ministry of Tourism, Culture and Sport's responsibility to perform a similar role for the tourism sector. The Ministry itself identified in its 2023/24 budgeting process that no provincial program currently exists to encourage private-sector investment, innovation and expansion in the tourism industry, even though it has identified potential investment projects that could be secured through funding support. At that time, the Ministry had identified 12 potential attractions that had expressed interest in Ontario and estimated that with government support ranging from \$800,000 to \$30 million, each project could attract investment to Ontario ranging from \$10 million to \$350 million.

The Ministry has also assigned some of the responsibility for attracting tourism investment to the RTOs at the regional level. As noted in **Section 2.2.2** and **Figure 4**, this is one of the five priority areas for RTOs to address through their funding. However, the RTOs informed us that they generally do not have the budget to provide one-time grants to incentivize private businesses to establish operations in their region. They noted that activities relating to economic development are usually performed at the municipal and provincial levels, instead of the regions that the RTOs operate in.

The RTOs' reports to the Ministry differ significantly on their achievements in the investment attraction priority area. One RTO mentioned that they "do not have the internal capacity to approach investment attraction in a similar manner as the [municipal] economic development offices." Another RTO referred to some of the activities it performed as part of product development, which is a different one of the RTOs' five priority areas. This RTO identified that it supported attraction of investment by providing timely, relevant research to demonstrate the potential audience that prospective investors can attract with new tourism attractions. It also noted that the lack of timely and relevant data continues to be a challenge for the tourism industry and an area of improvement to meet investor demands (see **Section 4.1.7**). A third RTO reallocated its funding budgeted for investment attraction to the four other priority areas.

The Ripley's Aquarium of Canada is an example of successful provincial investment that has led to large private investment with the development of a major tourism attraction within the last 10 years. Ontario provided \$10 million to support its construction, in addition to other investments made by the federal and municipal governments. The Ministry estimated that the economic impact of this attraction includes over \$220 million of tax revenues generated for all three levels of government, and almost 350 jobs supported.

## RECOMMENDATION 6

To more effectively attract and leverage private investment in tourism, we recommend that the Ministry of Tourism, Culture and Sport:

- evaluate the past activities of regional tourism organizations (RTOs) to identify the activities that have been effective in attracting private investment in tourism to a region;
- redefine the investment attraction priority area of the RTO funding agreement so that it is better aligned with the regional approach in which RTOs operate;
- analyze the programs and investment attraction strategies that other jurisdictions use; and
- develop a plan for supporting private investment in the tourism sector through the Ministry's strategic planning initiative identified in **Recommendation 1**.

## MINISTRY RESPONSE

The Ministry accepts this recommendation and will evaluate the past investment attraction activities of Regional Tourism Organizations (RTOs) as well as other jurisdictions to identify the potential activities that would most effectively attract private investments to Ontario. This evaluation will be used to consider potential changes to the investment attraction priority area for RTOs.

The Ministry will also continue to work across government and with government agencies, such as Invest Ontario, to support attracting and leveraging private investment in tourism.

### 4.1.6 Ministry's Regional Approach to Increasing Tourism Does Not Focus on Destination Development and Is Behind Other Jurisdictions

Other jurisdictions have placed a stronger focus than Ontario on destination development as part of their strategic plans for tourism recovery after the COVID-19 pandemic. Destination development is the strategic planning and creation of activities with a focus on developing the tourism product and experience, as opposed to marketing existing attractions. For example, destination development in Ontario's Niagara Wine Region, the largest wine production region in Canada, involved collaboration between tourism businesses to create a major destination experience highlighting the

region's wineries. Destination development has been identified as a best practice by other jurisdictions and in the tourism sector for growing and creating a sustainable tourism industry.

RTOs are the main provincially funded organizations that lead collaboration within their regions to grow tourism. The Ministry's funding agreements do not require the RTOs to support destination development in their regions, even though, as a potential revision to future funding agreements, it has recognized the benefits that could flow from focusing on destination development as a strategic approach.

In our review of 2021/22 final reports submitted by the 11 RTOs that are funded by the Ministry, we noted that six RTOs have promoted destination development by fostering collaboration between tourism operators to create a new tourism product and experience and the remaining five RTOs did not. The omission of support for destination development from the RTOs' funding agreements is one reason for this inconsistent approach among regions.

One RTO supported the collaboration of six distilleries and various municipal and tourism stakeholders in creating a self-guided tour of the different distilleries located across three municipalities in the tourism region. The tour attracts visitors to each participating distillery and to explore the towns where they are located, and the program provides additional opportunities to increase visits to each region by running contests for visiting multiple distilleries. Another RTO collaborated with a local film festival to collect data on the locations that attendees travelled from and their common interests. Using this data, the film festival introduced new programming, including a new art exhibit, to reflect visitors' interests and attract more tourists with similar interests. The RTO led the strategic collaboration with other tourism businesses, which created new programming and resulted in an increase in visitors to the film festival by about 5% over two years.

Since RTOs are not required to take a destination development approach to supporting tourism in their regions, the alternative that some RTOs have chosen has been to focus on partnerships with individual operators. For example, an RTO helped an organization

add a new disc golf experience to its property and also partnered with a performing arts theatre to conduct an operations audit and construct signage to increase awareness and bring visitors to its new theatre locations. While this is effective in supporting tourism in the region, other jurisdictions and the tourism sector have identified moving toward a destination development approach as a best practice to create a sustainable tourism industry.

In 2022, the Ministry proposed changes to the guidance provided to RTOs, to require them to invest more in destination development. However, as of August 2023, the Ministry had not finalized these proposed changes for implementation, as it is still considering further updates.

Other jurisdictions provincially, nationally and internationally have placed a stronger focus on destination development. As noted in **Section 4.1.5**, British Columbia has a \$30 million Destination Development Fund to support the development of tourism infrastructure, assets and experiences. British Columbia's 2022–24 strategic framework for tourism includes sustainable growth of visitors as one of its objectives, which prioritizes destination development support and attraction of new investment as one of its strategies. Ireland has a Regional Tourism Development Strategy (2023–27) for Dublin with similar objectives, which aims to support the industry in building a pipeline of future international business. Destination Canada, the federal tourism agency, launched the Tourism Corridor Strategy Program in 2023 with a goal of accelerating the destination development of three selected corridors. It intends to promote interprovincial collaboration across Canada, attract investment and raise awareness of further development opportunities.

## RECOMMENDATION 7

To promote destination development and continued collaboration between tourism operators across regions, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- analyze programs and destination development strategies that have been adopted in other jurisdictions, including best practices and strategies



developed by various regional tourism organizations (RTOs) in Ontario; and

- use this analysis to evaluate the Ministry's and RTOs' role in destination development, and incorporate the best practices into the guidance provided to RTOs, funding agreements and business plan requirements.

## MINISTRY RESPONSE

The Ministry accepts this recommendation and supports a collaborative approach to destination development. In October 2023, the Ministry released an updated program guide to the Regional Tourism Organizations that includes additional guidance on destination development.

The Ministry will continue to review strategies and approaches to destination development and will incorporate additional best practices and strategies into future updates of the guide, funding agreements and business plan requirements, where applicable.

### 4.1.7 Ministry's Tourism Research Data Is Several Years Delayed, so Tourist Trend Information Is Less Useful to Tourism Operators

Many of the tourism statistics that the Ministry reports are based on tourist trend information from several years prior. As a result, this information is not sufficient or useful for tourism operators that require current data to inform their strategic planning and decision-making.

The Ministry publishes tourism statistics such as number of tourists, tourist spending and economic impact of tourism in Ontario, but as of August 2023, its latest data was based on results prior to December 2021. The Ministry relies on several sources of information from Statistics Canada, some of which are released several years after the period the information relates to, such as the National Travel Survey and Visitor Travel Survey, which survey Canadian and international visitors, respectively, for details of their travel expenditures.

Timely research and data are important to support the tourism industry in making informed decisions. For example, stakeholders use tourism data to decide whether to make investments in tourism infrastructure or events. RTOs can also use this information to help their stakeholders (such as municipalities) communicate the economic impact of tourism in their region for attracting future development.

To obtain more timely tourism data, Destination Ontario and the RTOs have conducted their own research. This includes using information sources other than Statistics Canada to gain insight into travel behaviours. Municipalities and tourism operators use this research data, among other purposes, to understand the demographics of individuals interested in their region and in different activities, which they use to make strategic investments in tourism activities. For example, Destination Ontario commissioned research in 2021 to understand the target audiences for 15 categories of tourism experiences, such as spas, museums and food trails. Detailed audience information was compiled for each category, and provided to tourism operators to inform their marketing strategies and optimize their advertising to best reach and appeal to the intended audience.

Of the 11 provincially funded RTOs, seven have paid for access to more timely data from consulting and research firms about the demographics of tourists to specific communities within their region in the past five years (2018/19 to 2022/23). Some of this information can be collected and distributed on a monthly basis, in contrast to the tourist information that the Ministry publishes several years later. In one example, an RTO provided this research to a municipality within its region. This information was used to identify the type of visitor to target for advertising in order to increase the visits during both peak and non-peak periods. During the peak tourism season, understanding the types of individuals that are likely to travel to the region helps design advertising campaigns that attract more visitors with similar interests. Outside of the peak tourism season, the research provided information that can be used to create new experiences to attract different types of tourists to the city.

In our meetings with the executive directors of the RTOs, some have informed us that obtaining additional research is important to tourism operators in their regions and that the operators rely on the RTOs for this. We have found that the types of research RTOs obtain and the amount they spend on it vary significantly. In total, to conduct their own tourism research, about \$0.6 million was collectively spent on average each year from 2018/19 to 2022/23 across the 11 RTOs that receive Ministry funding.

Since it is the responsibility of each RTO to get the research it requires, the research obtained varies by region. The frequency and types of research that RTOs get also vary based on available budget and industry needs. Several of the RTOs use some vendors in common, which represents an opportunity to engage vendors at the provincial level to obtain information that multiple RTOs are seeking out individually.

## RECOMMENDATION 8

To provide additional research to support tourism organizations in a timely manner, we recommend that the Ministry of Tourism, Culture and Sport:

- assess the types of research and statistics that each regional tourism organization (RTO) obtains or would like to obtain;
- identify whether certain types of research data are useful for all regions and if cost savings can be achieved by obtaining access to this data provincially; and
- obtain access to this data at the provincial level and provide it to the RTOs on a regular (such as annual) basis.

## MINISTRY RESPONSE

The Ministry accepts this recommendation and is working with Regional Tourism Organizations (RTOs) on solutions to providing cost-effective and timely research across the province.

For example, in October 2023, the Ministry established a joint Ministry and RTO research working group to review and evaluate data holdings

to seek opportunities for more effective use and cost sharing of data in the immediate and longer term.

## 4.2 Design and Implementation of COVID-19 Tourism Recovery Program Led to Erroneous Payments and Inconsistent Outcomes

### 4.2.1 Approximately \$1.5 Million of COVID-19 Tourism Support Grants Was Paid to Ineligible or Potentially Fraudulent Applicants

Improvements to the design and implementation of the one-time COVID-19 support funding provided through the Ontario Tourism Recovery Program (Tourism Recovery Program; see **Figure 9**) would have distributed its \$98.4 million in grants more effectively to meet the program's original objectives to support the tourism businesses that were significant drivers of tourism in their regions. Additionally, they would have reduced the likelihood of approximately \$1.5 million being paid to potentially fraudulent applicants and ineligible applicants according to the funding guidelines.

Out of the 570 total recipients of the Tourism Recovery Program, we identified six ineligible applicants out of the 90 applications we reviewed that received funding they should not have according to the program and its application guidelines (about \$1.1 million in total). The Ministry identified an additional eight applicants as potentially fraudulent submissions (\$460,000). In total, about \$1.5 million was paid to these 14 companies out of the \$98.4 million total grant program.

Of the six applicants we found that should not have received funding, two applicants were ineligible because they were solely owned by one corporate shareholder that had also applied for funding. According to application guidelines, this ownership structure could apply for the grant only once, on behalf of the entire group. This resulted in a \$200,000 overpayment (\$100,000 was paid to each ineligible company). The other four ineligible applicants did not experience the required 50% decrease in revenue in 2020 or 2021 when compared to 2019. These four companies collectively received approximately \$880,000.

**Figure 9: Ontario Tourism Recovery Program, 2021/22**

Source of data: Ministry of Tourism, Culture and Sport

<b>Purpose of funding program</b>	To support for-profit, historically successful Ontario tourism businesses that helped drive employment and visits in their regions and were hardest hit by the COVID-19 pandemic.
<b>Annual or one-time</b>	One-time
<b>Funding year(s)</b>	2021/22
<b>Total funding paid</b>	\$98.4 million
<b># of funding recipients</b>	570
<b>Eligible recipients</b>	For-profit businesses in the accommodations, attractions and transportation sectors.
<b>Example of a funding recipient</b>	An amusement park located in Vaughan, Ontario, that historically attracted over 3 million visitors annually, and experienced a revenue decrease of almost 100% from 2019 to 2020. The company received \$695,000 to support its operating costs while it was closed and prevented from operating due to COVID-19 pandemic public health restrictions.

For example, one company reported a decrease in revenue of 52% by comparing its 2021 revenue to its 2020 revenue. If this application had been completed correctly, the company would not have been eligible for funding, as its revenue decreased by only 47.63% when comparing 2021 to 2019 results (the required comparable year), and there was no decrease in revenue when comparing 2020 to 2019 as well. The program required 2019 to be the year for comparison because it was the last year not affected by the COVID-19 pandemic. This company received \$695,000 as a result of this error. The Ministry indicated that it considered this applicant to be eligible because its fiscal 2020 revenue (year ended March 31, 2020) was appropriate to demonstrate the pre-COVID-19 pandemic impact. The Ministry's reinterpretation of the eligible revenue decrease in this case was an internal decision made when reviewing businesses' eligibility, and it did not publicly communicate this change in the guideline to other applicants or potential applicants.

In another example, an applicant made an adjustment to its reported revenue that was not consistent for both years being compared. The program guidelines required that total revenue be reduced by non-eligible items such as interest income before calculating whether the revenue decrease reached the 50% threshold. One motel decreased the 2021 revenue it reported in its application by the amount of its food sales to

show a 50.02% decrease compared to 2019, but it did not remove food sales from its 2019 total revenue. According to the Ministry's program guidelines, food sales should not be removed in the revenue calculation for either year compared. If the applicant's food sales had been properly included in 2021 revenue, the applicant would have had only a 41.53% revenue decrease, making it ineligible for funding. In reviewing this application, the Ministry did not identify this difference even though the company's reported total revenue did not match the financial information it submitted, which should have led to additional review. This company received approximately \$66,000 under this funding program despite not meeting the eligibility criteria.

The Ministry informed us that it would further review the ineligible recipients identified and determine whether to seek repayment.

In addition to the six ineligible applicants we identified that received funding from the Tourism Recovery Program, the Ministry flagged eight other submissions as potentially fraudulent. This was determined after the Ministry started an investigation when a business, which the Ministry reached out to as it had been an applicant to the program, informed the Ministry that it had not actually applied to the program. In total, \$460,000 was distributed to the eight companies associated with potentially fraudulent submissions.

These potentially fraudulent applicants were able to receive funding by using incorrect information as part of their applications. While the Ministry had implemented some automated checks, such as comparing the legal business name to the Canada Revenue Agency Business Number, these were not as vigorous as those used in other programs. For example, the federal government's wage subsidy program had automated and manual checks that included comparing employee remuneration information to historical filings with the Canada Revenue Agency. The Ministry has identified this as a best practice for future program design.

## RECOMMENDATION 9

To confirm the accuracy of applications and data reported by businesses for funding programs, we recommend that the Ministry of Tourism, Culture and Sport:

- provide training to staff that review the funding applications, focusing on verifying the accuracy of reported financial information against supporting documents, where eligibility is determined using financial data;
- assess the cost-effectiveness of collecting repayments from ineligible applicants, and collect repayment where appropriate; and
- reduce the potential for fraud by verifying applicant information against additional sources of data, such as tax information obtained from the Canada Revenue Agency, when funding programs require submission of financial data, where applicable.

## MINISTRY RESPONSE

The Ministry accepts this recommendation and will collaborate with its partners to develop and deliver the required financial training for programs where eligibility is determined using financial data. We will also assess the cost-effectiveness of collecting

repayments from ineligible applicants and collect repayment where appropriate.

This recommendation will help further improve the Ministry's delivery of future funding programs, including the development of program criteria, evaluation measures and repayment processes.

The Ministry will consult with the Ministry of Finance regarding the feasibility and applicability of accessing relevant tax data information for program administration.

## 4.2.2 Design of Tourism Recovery Program Did Not Meet Program Objectives

We noted that while the Tourism Recovery Program was designed to support businesses that were historically profitable and employed larger numbers of people, ultimate program funding decisions did not take this into account. Additionally, about one-quarter of the approximately \$98 million in funding that was distributed as part of the Tourism Recovery Program went to 28 groups of companies. This was due to a program design that allowed businesses with multiple owners to receive more funding than similar businesses with only one corporate owner.

### Program Funding Was Awarded to Businesses That Were Not Aligned with the Original Program Objectives

The Tourism Recovery Program was initially designed to support historically successful tourism businesses that drive employment and visits in their regions. The Ministry developed a process to score each applicant based on how well it matched these requirements. However, this score ultimately had no impact on whether an applicant received funding or how much it received. Those that better fit the program objectives ultimately had their potential funding reduced, compared to those that did not fit the original funding objectives as closely.

In the application process, the Tourism Recovery Program was described as a competitive funding program to assist businesses that were significant drivers of their regional tourism economies. Factors that the Ministry considered for determining how a business qualified under this condition included the business's demonstrated historical profitability, the number of jobs generated by the business in Ontario and the number of visitors to the business each year. After the application period closed, the Ministry reviewed the applications and, contrary to how it had publicly described the program, it awarded funding to all eligible applicants (that is, eligible businesses that had a 50% or greater decrease in revenue), regardless of the scores awarded under the previous criteria.

We noted that the assessed scores for the 570 funding recipients ranged from seven to 84 out of 100. For example, for the five businesses that scored the lowest (10 or lower), the applicants had historically received fewer than 300 visitors annually and had few employees (less than \$50,000 in total salaries and wages paid annually). These five companies received about \$120,000 in total but did not meet the original program objectives.

The Ministry informed us that this change in approach from a competitive process was based on

direction from the Minister of Tourism, Culture and Sport (Minister) to award funding to as many eligible businesses that were impacted by the pandemic as possible. With the revised decision to award funding to all applicants that experienced a 50% or greater revenue decrease, more businesses received funding than was initially planned. However, this also resulted in eligible applicants receiving less funding than what they would have received under the original program guidelines, since the Tourism Recovery Program had more eligible applicants than the program's \$100 million budget could support.

As a result of not applying the scoring criteria for funding decisions and receiving more applicants than the program could fund, the Ministry reduced the amount of funding that certain recipients would receive. Recipients were grouped into four tiers based on the size of their business, as defined by their expenditure on salaries and wages in 2019 (see **Figure 10** for details of the tiers and the initial and revised funding formula for each). Businesses that fell into the two largest tiers (Tier 1, with salaries over \$4 million, and Tier 2, with salaries between \$2 million and \$4 million) had their funding reduced by 30.5% compared to the original program design. For these two tiers, instead of applicants receiving funding equal

**Figure 10: Funding Formula for Ontario Tourism Recovery Program**

Source of data: Ministry of Tourism, Culture and Sport

Tier	Initial Funding Amount (lower of)	Revised Final Funding Amount (lower of)
<b>Tier 1:</b> > \$4,000,000 salaries and wages	\$1,000,000	<b>13.9%</b> of revenue loss* (eligible funding reduced by 30.5%)
<b>Tier 2:</b> \$2,000,000–\$4,000,000 salaries and wages	\$500,000	
<b>Tier 3:</b> \$1,300,000–\$1,999,999 salaries and wages	\$250,000	<b>20%</b> of revenue loss* (no change from initial program details)
<b>Tier 4:</b> < \$1,300,000 salaries and wages	\$100,000	\$100,000

\* Revenue loss is calculated by comparing applicants' 2020 or 2021 revenue to their fiscal 2019 revenue.



to 20% of their revenue loss (up to a maximum of \$1 million and \$500,000, respectively), they received 13.9% of their revenue loss (up to a maximum of \$695,000 and \$347,500, respectively). These two tiers of applicants generally scored higher on the assessment criteria (on average, Tier 1 applicants scored 71 and Tier 2 scored 62) than businesses in the other two tiers (on average, Tier 3 applicants scored 58 and Tier 4 applicants scored 39), so the recipients that had their funding reduced were deemed to be those more aligned with the program's funding objectives, as they generally attracted more visitors and contributed to more jobs in Ontario.

## RECOMMENDATION 10

So that funding decisions for any ongoing or future funding programs align with the programs' design and objectives, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- conduct an analysis of existing funding programs to determine whether funding recipients and/or projects have achieved the intended program objectives;
- using the results of the program analysis, develop scoring criteria that can be used to determine which funding recipient is aligned with the program objectives for each competitive funding program that the Ministry is delivering; and
- apply the scoring criteria consistently across all applicants to decide whether funding is awarded to a recipient and the amount of funding awarded.

## MINISTRY RESPONSE

The Ministry accepts this recommendation and will continue to work and ensure that funded projects meet program criteria and are evaluated in a consistent manner.

The Ministry will review its existing funding program evaluation templates to ensure that the scoring method supports stated program objectives and priorities, and make any improvements deemed necessary.

The Ministry will continue to develop training for consistent scoring of applications and provide funding recommendations to support high-scoring applicants.

## Similar Tourism Businesses Received a Different Number of Grants Based on Different Ownership Structures

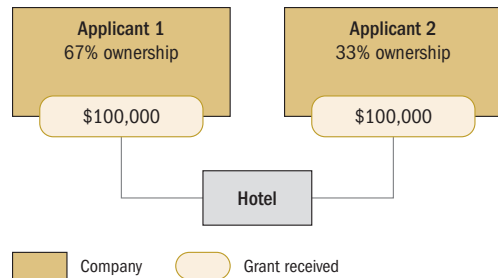
The design of the Tourism Recovery Program and application criteria resulted in similar businesses receiving different amounts of funding based solely on differences in their ownership structures. The Ministry's design of the funding program required all businesses to apply individually, except for businesses that were fully owned (100%) by another corporation, in which case they were required to submit one application as a group. The Ministry considered that the accommodations industry frequently included common ownership structures for multiple distinct companies, and determined that it would accept separate applications from companies structured this way. This meant that if two corporations jointly owned three companies, they could apply for three grants, whereas one corporation that owned three companies could apply for only one.

We found that 94 of the 570 recipients (about 16%) were related to one of 28 distinct groups of companies. Companies within each group shared the same management and/or owners. These 28 groups received \$22.3 million, or about 23% of total approved funding with this program. Common examples of these groups of applicants include hotel operators that owned more than one hotel property, each of which was incorporated as a separate company and which applied for funding individually. Ultimately, the accommodation sector received \$59 million, or 60% of the total funding under the Tourism Recovery Program (see **Appendix 9** for a breakdown of Tourism Recovery Program funding by sector).

We found the following examples of companies that received a different number of grants based on how the application was submitted. Even though all applicants followed the program's rules, the program design resulted in inconsistent funding decisions.

**Figure 11: Pictorial Representation of a Group (Group 1) That Received Total Funding of \$200,000 from the Ontario Tourism Recovery Program**

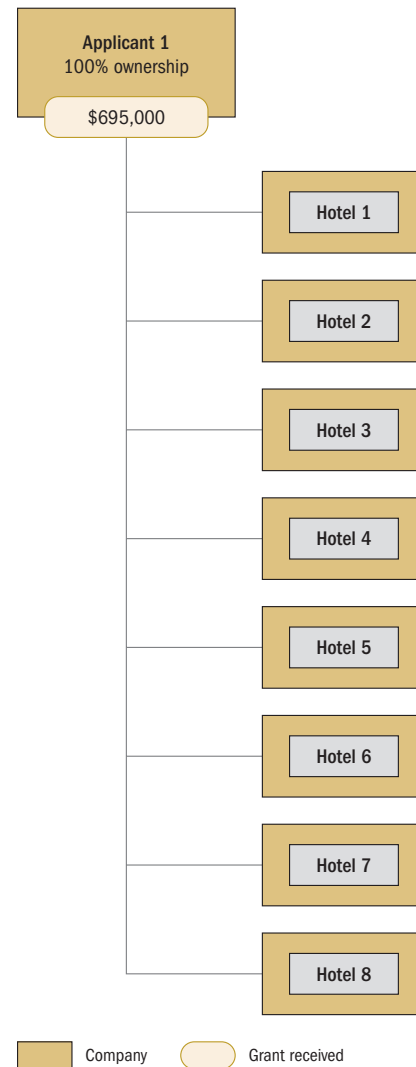
Prepared by the Office of the Auditor General of Ontario



- Group 1 (ownership structure illustrated in **Figure 11**) consists of two companies, each receiving a grant of \$100,000, for \$200,000 in total. These two companies jointly own one hotel property, divided 67% and 33% between them. The first company submitted an application based on its 67% of the hotel's revenue, and was entitled to \$100,000, the maximum amount of funding for a Tier 4 applicant (see **Figure 10**). The second company based its application on its 33% of the same hotel's revenue and similarly was entitled to \$100,000, the maximum funding amount for a Tier 4 applicant. Both companies submitted applications with the identical hotel name, address and historical number of visitors, differing only in each company's financial statement (67% versus 33% of the operations). If the hotel itself had been incorporated or fully owned by one company, as a Tier 4 applicant it would be eligible for \$100,000 of funding, instead of the \$200,000 that was paid to the two companies.
- Group 2 (ownership structure illustrated in **Figure 12**) consists of one company that received the maximum \$695,000 of funding as a Tier 1 applicant. This company fully owned many subsidiaries that operate in the hotel and tourism sector. On behalf of all its subsidiaries, this parent company received one grant for its application that included the operations of over 20 hotels that experienced a revenue decrease of more than 50% combined. If these subsidiaries

**Figure 12: Pictorial Representation of a Group (Group 2) That Received Total Funding of \$695,000 from the Ontario Tourism Recovery Program**

Prepared by the Office of the Auditor General of Ontario



Note: This applicant had more than 20 wholly owned subsidiaries, but only eight have been included for the purposes of this illustration.

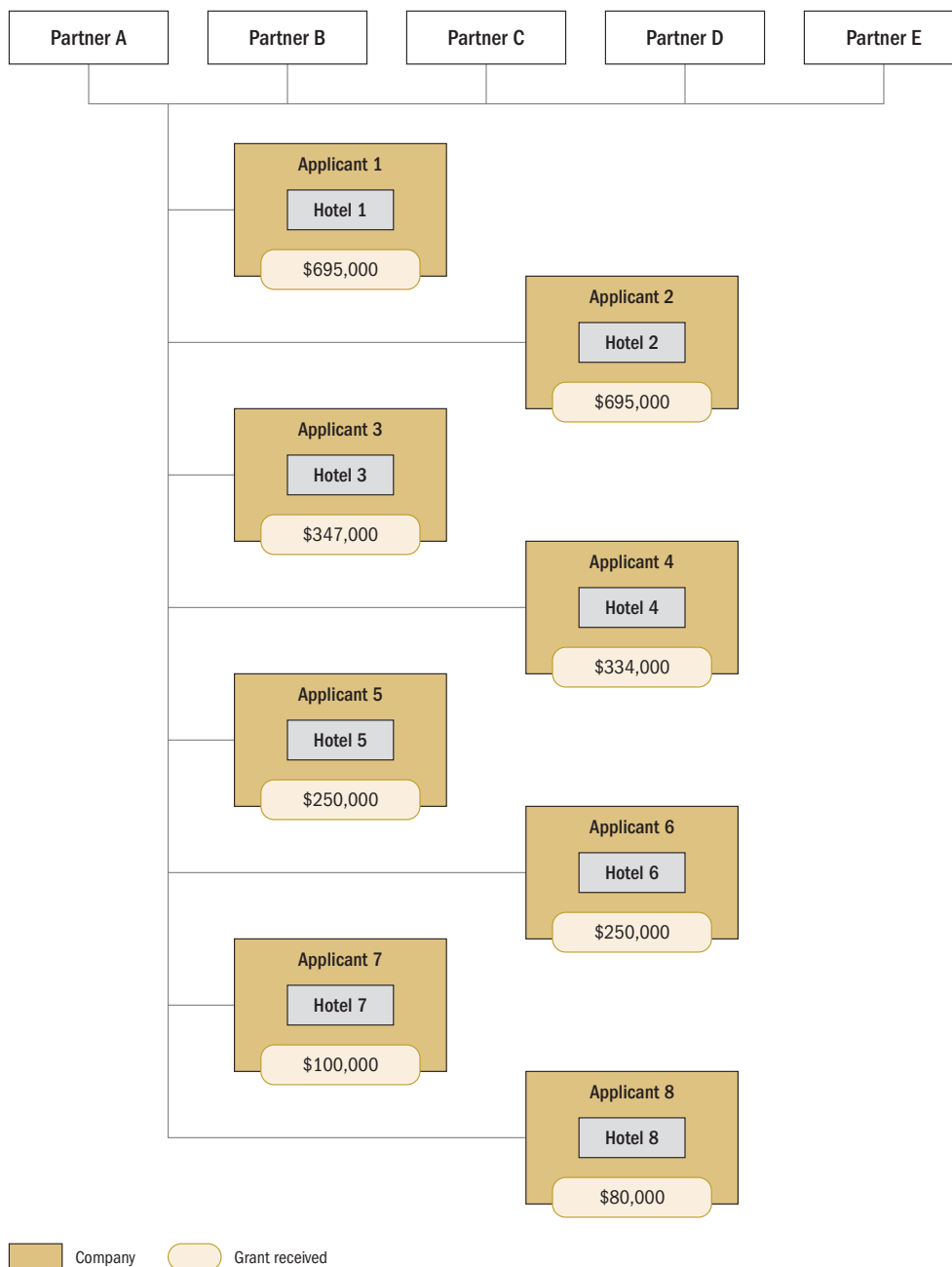
had two shareholders instead of one, they would have been able to apply for separate grants for each of the hotels that operated as separate subsidiaries. While we did not have the individual data of each company, based on information submitted by the group we estimated that at a minimum, the group could have received approximately \$2.8 million in grant funding had its subsidiaries been allowed to apply separately.

- Group 3 (ownership structure illustrated in **Figure 13**) consists of eight companies, each receiving one grant, for a total of approximately \$2.75 million. Each of these companies owned and operated one hotel, eight in total for this

group, with the group of hotels sharing the same senior management. As well, from the financial information provided, these companies had many common owners or partners that controlled the companies as a group. This group

**Figure 13: Pictorial Representation of a Group (Group 3) That Received Total Funding of \$2,751,000 from the Ontario Tourism Recovery Program**

Prepared by the Office of the Auditor General of Ontario



Note: There are more than five common partners in this group and not all had ownership of every applicant, but the group shares common senior management. Only five partners have been included for illustration purposes.

received multiple grants because each hotel applied as a separate corporation rather than as a group, which was allowed under the program design. If this group had one corporate owner rather than several (as with Group 2 shown in **Figure 12**), it would have been eligible for only one grant of \$695,000.

Even though these three groups of companies operate in a sector (hotels) where the businesses are similar, the program design allowed for inconsistency in how they were required to apply. We found that other grant funding programs that provided business support during the pandemic, such as the Ontario Tourism and Travel Small Business Support Grant, considered affiliated companies as one group: eligible applicants could submit only one combined application for the affiliated group. The Ministry informed us that, other than requiring wholly owned companies to apply as one group, it did not require other affiliated companies to make one joint application because the definition of “affiliated” in past funding programs had caused confusion among applicants. By allowing differing grants to companies based solely on whether the business was solely owned or had multiple owners, the Ministry introduced other complexities for the review process and inconsistency in how much funding was provided to each business compared to the program’s original objectives.

Further, as part of applications to the Tourism Recovery Program, the Ministry requested that applicants provide a listing only of shareholders that had over 25% ownership in the company. Other than providing the names of individuals or businesses that owned the company, the applicant did not need to provide important details such as ownership percentage of each owner. Even when the applicant listed only one shareholder, it was not always clear it had only this one shareholder, since the remaining shareholders could have held less than 25% ownership each. Since 100% ownership was a defined criterion in the application form, in order to reduce the risk of fraud or error in the information provided by applicants, the Ministry would have needed to obtain more complete information to facilitate an accurate review of the applications.

Considering that the Tourism Recovery Program was meant to help as many businesses that were significantly impacted by the COVID-19 pandemic as possible, particularly after the program changed from awarding grants to businesses that best fit the Ministry’s assessment criteria (as discussed earlier in **Section 4.2.2**), the program design ultimately led to funding decisions that did not fully match the objectives of this program.

## RECOMMENDATION 11

To establish and verify funding programs’ eligibility criteria so that the criteria better meet the Ministry of Tourism, Culture and Sport’s (Ministry) program objectives, particularly where funding for organizations may differ based on ownership and/or management structure, we recommend that the Ministry:

- consider whether it is appropriate for any funding programs’ criteria to allow for different funding to be awarded to applicants based solely on their ownership and/or management structure, and document the rationale where it is deemed appropriate; and
- where the funding programs’ criteria incorporate different funding to organizations based on their ownership and/or management structure, review whether the Ministry’s process for assessing applications has included adequate verification of the information submitted on corporate structures and ownership, and improve the verification process where necessary (such as by requiring applicants to report detailed director and shareholder information and provide corporate documents to verify this information, or by using tax information from the Canada Revenue Agency to verify affiliated corporations).

## MINISTRY RESPONSE

The Ministry accepts this recommendation and will work to clarify program criteria to ensure that ownership structures are effectively addressed and

verified when designing programs and reviewing applications going forward.

### 4.3 Two Similar Annual Funding Programs Do Not Have Clear Objectives, Leading to Duplication of Effort and Ineffective Distribution of Funding

The Ministry has two annual funding programs—the Tourism Economic Development and Recovery Fund (Economic Development and Recovery Fund) and the Pan-Regional Fund—that fund a broad range of tourism projects. Details of the funds are summarized in **Figure 14** and **Figure 15**, respectively. The Economic Development and Recovery Fund’s purpose is to support innovative tourism projects and investment, or build the capacity of Ontario’s tourism industry. This can include funding the cost of developing

strategic and marketing plans, and advancing specific tourism ideas, projects and programs. Similarly, the Pan-Regional Fund is intended to fund tourism and destination development projects that benefit more than one region within Ontario. This can include funding tourism organizations to develop new tourism products and experiences.

Our audit reviewed 21 (out of 65) Economic Development and Recovery Fund recipients and three (out of 14) Pan-Regional Fund recipients between 2020/21 and 2022/23. The Economic Development and Recovery Fund and Pan-Regional Fund have overlapping program objectives, and also overlap with the responsibilities of the provincially funded RTOs. Yet projects are approved on a project-by-project basis without consideration for projects already funded by the other fund, or whether certain projects could be better supported in partnership with the RTOs and the existing funding that other organizations received or receive. As

**Figure 14: Tourism Economic Development and Recovery Fund, 2020/21–2022/23**

Source of data: Ministry of Tourism, Culture and Sport

<b>Purpose of funding program</b>	To support non-capital projects that encourage the development of new tourism products and tourism investment, or build the capacity of Ontario’s tourism industry.
<b>Annual or one-time</b>	Annual
<b>Funding year(s)</b>	2020/21–2022/23
<b>Total funding paid</b>	<ul style="list-style-type: none"> <li>• Ranged from \$0.4 million to \$1.5 million annually.</li> <li>• \$2.4 million of total funding, 2020/21–2022/23.</li> </ul>
<b># of projects funded</b>	<ul style="list-style-type: none"> <li>• Ranged from 18 to 28 annually.</li> <li>• 65 projects funded in total, 2020/21–2022/23.</li> </ul>
<b>Eligible recipients</b>	Municipalities and destination marketing organizations, Indigenous organizations, Ontario tourism industry associations, not-for-profit organizations with a clear tourism focus, and for-profit tourism organizations.
<b>Example of a funding recipient</b>	Funding to a for-profit tourism business to build a new sugar shack facility and develop an agri-tourism experience to attract tourists. Funding was used for wages, landscape design, development and implementation of the new tourism experience, and retail and supply chain development.

Note: The Tourism Economic Development and Recovery Fund started in 2020/21, but was based on a previous funding program (Tourism Development Fund) that began in 2008. The program objectives are similar, but eligible organizations and project types were expanded for the Tourism Economic Development and Recovery Fund. The program closed in August 2022, and in August 2023, was replaced by the Tourism Development Fund. Program eligibility was modified for the 2023/24 funding year.



**Figure 15: Pan-Regional Fund, 2013/14–Present**

Source of data: Ministry of Tourism, Culture and Sport

<b>Purpose of funding program</b>	To support tourism and experience development that benefit more than one region in Ontario (pan-regional).
<b>Annual or one-time</b>	Annual
<b>Funding year(s)</b>	2013/14–present (continuing)
<b>Total funding paid</b>	<ul style="list-style-type: none"> <li>• Ranged from \$0.5 million to \$1.1 million annually.</li> <li>• \$6.6 million of total funding, 2013/14–2022/23.</li> </ul>
<b># of projects funded</b>	<ul style="list-style-type: none"> <li>• Ranged from 2 to 5 annually.</li> <li>• 32 projects funded in total, 2013/14–2022/23.</li> </ul>
<b>Eligible recipients</b>	No specific guidelines available,* but historically has provided funding to tourism associations and not-for-profit tourism organizations.
<b>Example of a funding recipient</b>	Funding to an Indigenous tourism association to develop culturally authentic tourism products and experiences, build strategic partnerships across the province, and conduct a campaign to promote tourism as a career for Indigenous youth.

\* While specific guidelines for the funding program were not created, the broad guidelines for the Pan-Regional Fund contained in the 2013 approval note for the program include the following:

- Funding agreements are one-time and are not meant to be year-over-year, and the projects should provide benefits to multiple regions or across the province.
- RTOs are expected to fund pan-regional projects out of their current business plans and allocations.

a result, the funding recipients are not required to work together on complementary projects or projects with similar objectives, although this would promote greater collaboration and more efficient use of program funds.

We noted examples where funding from these two programs was given to sector associations in the tourism industry to partner with organizations to create new tourism experiences. At the same time, tourism operators that were part of those associations applied for and received separate Ministry funding to develop tourism experiences without being required to collaborate with these associations. (See **Appendix 13** for a summary of the examples we identified.) Greater collaboration would have promoted the pooling of resources and knowledge so that funding could be used more effectively by the tourism operators to complete their projects.

When the Ministry completed an internal review of these two funding programs in 2022, it identified the overlap between the two programs and with other Ministry funding as an area for improvement. Following

this review, the Ministry made some changes to the programs for 2023/24 (such as a better defined application process), but further improvements can be made to improve the effectiveness of the funding programs by reducing the overlap between the funding programs and promoting more collaboration between recipients.

### **Cultural and Historic Itineraries: Indigenous Tourism Experiences**

One tourism association, Indigenous Tourism Ontario, received \$1.6 million from the Pan-Regional Fund between 2016/17 and 2022/23. Indigenous Tourism Ontario is a non-profit, membership-based organization that supports the growth of Indigenous tourism by providing advocacy as well as support and expertise directly to operators. With this funding, Indigenous Tourism Ontario was expected to develop partnerships, including partnerships with RTOs and Indigenous businesses, to create new itineraries centred on Indigenous experiences.

During the same funding period, in 2022/23, a tourism business applied to the Economic Development and Recovery Fund to start an Indigenous cultural and historic experiences bus tour. The application indicated no confirmed financial support from Indigenous Tourism Ontario or the RTO in the region where it operates. The tour operator received \$10,000 from the Ministry for research, product development and project management to develop its idea. The recipient was not required to start a new tourism experience with this funding, as its idea was only in the exploratory phase, so the Ministry's investment may not result in any growth in tourism businesses or number of tourists.

In the funding agreement, the Ministry also did not require the tour operator to work with Indigenous Tourism Ontario or an RTO on this idea. Both of these organizations regularly work with other tourism businesses on new ideas to grow tourism and even receive Ministry funding to create similar partnerships to develop new experiences to attract visitors. Partnerships would have provided the tour operator with more expertise and guidance, in addition to the financial support that it received.

### **Route Champlain/Eastern Ontario: Francophone Tourism Experiences**

Another tourism association, La Société Économique de l'Ontario (SÉO), also received Ministry funding through the Pan-Regional Fund. SÉO is a not-for-profit organization that promotes economic development in Ontario's Francophone communities. SÉO received \$1.1 million in total funding from 2015/16 to 2022/23. Most of this funding was for the development of Route Champlain and to create tourism products around this area, which is located in eastern Ontario near the Ontario-Quebec border and attracts a Francophone community.

In 2021/22, a Francophone tourism not-for-profit organization also received \$20,000 from the Economic Development and Recovery Fund. The funding was to support the completion of a feasibility study for the development of a Francophone theme park in the Prescott and Russell area, which is located close to Route

Champlain. The feasibility study looked at other publicly available experiences related to Franco-Ontarian heritage and pioneer villages, and concluded that the development of the theme park would attract a new audience and benefit tourism in the underdeveloped Prescott and Russell area. It would also provide benefits to other nearby well-developed tourism hubs, such as Route Champlain, as it would increase the number of new visitors to the area. The study recommended that this project should move forward. In the funding agreement, the Ministry did not require the organization to collaborate with SÉO in conducting this study, even though SÉO has received funding for developing similar Francophone tourism experiences in recent years.

The recipients of the Pan-Regional Fund, such as Indigenous Tourism Ontario and SÉO, are not required to report back on the outcomes of their partnership activities and stakeholder engagement during the year, such as how these contributed to tourism activities, and the growth in the number of visitors or visitor spending in Ontario (also discussed further in **Section 4.1.3**). In contrast, RTOs, which receive annual funding from the Ministry, are required to report a list of all the partners they have supported in the year, the funding the RTO contributed along with the matched partner funding, and a description of the activities supported or developed with the partnership funds. This specific reporting of partnership activities undertaken in the year outlines to the Ministry how its funding was used and which stakeholders were engaged in the year. These are not made clear in the current reports by Pan-Regional Fund recipients.

### **More Effective Support for Early-Stage Tourism Projects Delivered by Other Organizations**

In addition to funding from the RTOs, businesses and not-for-profit organizations in the tourism sector have other alternatives to the Ministry's Economic Development and Recovery Fund to obtain support to develop their early-stage tourism projects and businesses. For example, the Tourism Innovation Lab is a not-for-profit initiative that receives funding through government grants and also through partnerships with RTOs, DMOs

and other organizations, to help successful applicants start up their new tourism ideas and businesses. The Tourism Innovation Lab provides start-up funding, often \$3,000 to \$5,000, to successful applicants. This is less than some of the Ministry's Economic Development and Recovery Fund grants, but the Tourism Innovation Lab also provides mentorship to participating individuals and businesses to develop their ideas and connects them to experienced tourism operators, industry experts and other business support resources. This is in contrast to the Economic Development and Recovery Fund, which provides one-time funding that can range from \$5,000 to \$70,000, but with which the Ministry provides no further mentoring or advice to ensure the project's success. For some of the tourism development projects that the Economic Development and Recovery Fund has supported, other funding and support options may be more suitable, such as through the Tourism Innovation Lab or partnerships with RTOs, so that the fund could use its limited resources to make a greater impact in other ways, such as having more funding available to attract private investment to the tourism sector (as discussed in **Section 4.1.5**).

## RECOMMENDATION 12

So that funding decisions made by the Ministry of Tourism, Culture and Sport (Ministry) take into consideration other similar organizations that have already received Ministry funding for similar projects, and to improve collaboration in the tourism sector, we recommend that the Ministry:

- assess whether it has previously funded similar projects when reviewing applications for funding, and require funding recipients to collaborate with others that have similar objectives;
- require sector associations that receive Ministry funding to provide detailed reports on their stakeholder engagement, including details of partnerships similar to the partnership attestations completed by regional tourism organizations (RTOs), with detailed information on how these activities contributed to the growth of tourism in the province; and

- assess how early-stage tourism projects and businesses can be more effectively supported, such as through a province-wide program similar to the Tourism Innovation Lab or through the RTOs, and determine if changes are needed to funding program eligibility criteria to assist these tourism projects.

## MINISTRY RESPONSE

The Ministry accepts this recommendation and will continue to work to reduce overlap and inefficiencies in program application and delivery. The Ministry will consider opportunities when reviewing funding applications to promote collaboration with other projects that have similar objectives, and improve reporting requirements from tourism sector associations that are expected to develop partnerships with the Ministry funding they receive. The Ministry will assess opportunities to better support the development of new tourism products.

### 4.3.1 Pan-Regional Fund Is Not Publicly Advertised, and Awarded Projects Do Not Meet the Original Program Criteria, Resulting in Duplication with Other Funding Programs

The Pan-Regional Fund was established in 2013/14 with \$1.5 million of funding allocated to support tourism projects that benefit more than one region in Ontario. More than half of the projects that have received its funding since 2013/14 did not meet one of the program's original criteria for funding, as they were funded for consecutive years, even though the fund was intended to provide funding for only one year. Since it was established, the funding program has not been publicly advertised and there is no formal application process.

RTOs were made aware of this funding in 2013 when the fund was first established and they were provided with broad information on the types of projects that would qualify. Information about the program is not available on the Ministry's website or Transfer Payment Ontario (Ontario's grant system) website,

and announcements are generally not made regarding applications being open or which recipients are awarded funding.

Since 2013, tourism stakeholders may have become aware of this funding program through the RTOs or the Ministry. Stakeholders send their proposals for tourism projects to the Ministry to be reviewed by Ministry staff, who then determine whether to award funding. Once a funding decision is made, a recommendation is submitted to the Minister for final approval. However, without a formal application process, there are no defined criteria that the Ministry uses to evaluate the applications. Aside from the Ministry's approval note in 2013 when the funding program was first established, there is no program guide outlining its objectives and mandate, unlike the Ministry's other annual funding programs.

The broad guidelines for the Pan-Regional Fund contained in the 2013 approval note include the following:

- Funding agreements are one-time and are not meant to be year-over-year, and the projects should provide benefits to multiple regions or across the province.
- RTOs are expected to fund pan-regional projects out of their current business plans and allocations.

Since its inception, the Pan-Regional Fund has supported projects that do not align with the purpose of this program. Some of these overlap with the RTOs' original purpose and current annual funding allocations. For example, in 2021/22, one RTO received \$130,000 under the fund to create an Ontario-wide LGBTQ+ tourism product and experience development strategy, and another \$160,000 in 2022/23 to deliver this strategy and provide training, partnerships and marketing, in collaboration with four other RTOs. All other RTOs were already expected to collaborate with regions across the province as part of their mandate and through their annual Ministry funding. This was recognized in the initial design of the Pan-Regional Fund, where the Ministry had explicitly indicated that RTOs were expected to continue to fund pan-regional

projects out of their business plans and annual RTO funding allocations. However, this RTO was given \$290,000 in total to accomplish the purpose for which it is already funded.

Between 2013/14 and 2022/23, 21 of the fund's 32 approvals were to organizations that received funding in consecutive years. This is contrary to the original purpose and program design that specified that the Pan-Regional Fund was for one-time funding agreements. **Appendix 14** lists all funded organizations since 2013, including those that received funding for consecutive years.

The Ministry's internal review of this funding program in 2022 also identified as areas of improvement the lack of a public announcement to open the program for applications, the overlap in scope with RTOs, and the multi-year projects funded. The Ministry is considering potential changes to this funding program in the future.

### RECOMMENDATION 13

To improve the effectiveness of the Pan-Regional Fund and establish objectives and outcomes for it, we recommend that the Ministry of Tourism, Culture and Sport:

- develop and publish a program guide for the Pan-Regional Fund that includes the purpose of the funding, expected program outcomes, eligible organizations, application instructions and performance measures; and
- establish a process for receiving applications and apply standard criteria for reviewing the applications to make funding decisions.

### MINISTRY RESPONSE

The Ministry accepts this recommendation and is working to implement new approaches for funding key projects in the tourism sector in the next fiscal year. It will include public program guides, eligibility requirements, performance measures and standardized processes for decisions.

### 4.3.2 Economic Development and Recovery Fund Performance Measures Are Not Specific to Individual Projects and the Reporting Process Is Inadequate to Properly Assess Results after the First Year of the Project

The Ministry has established standard performance measures for all funding recipients of the Economic Development and Recovery Fund to report the results achieved. However, since the Ministry funds a broad range of projects through this one program, the standard performance measures are not always suitable to the type of project. As well, some funded projects may not achieve measurable results for attracting more tourists within the required reporting time frame, usually about one year after funding was provided. See **Figure 16** for a summary of projects funded through the Economic Development and Recovery Fund between 2020/21 and 2022/23.

The Ministry's standard performance measures are:

- increase in number of visitors from over 40 kilometres away (those travelling over 40 kilometres are considered tourists and not locals);

- increase in visitor spending;
- number of jobs created or retained;
- number of businesses/individuals who received training or information; and
- number of new products created or experiences created.

Funding recipients are required to report on these performance measures in their final report to the Ministry to demonstrate how they used the funding and what results they achieved. The final report is generally required to be submitted within one year of the funding agreement being signed, or at most within 18 months.

Some of the projects that received funding include research on new tourism experiences, development of a strategic plan to grow tourism in specific cities, and developing engineering and design plans for a new attraction. These recipients do not have results to report on many of the standard performance measures—such as the number of tourists or tourist spending, jobs and products created—since no new tourism experience has been developed at the time of reporting. Therefore, the Ministry does not obtain

**Figure 16: Projects Funded through the Tourism Economic Development and Recovery Fund, 2020/21–2022/23**

Source of data: Ministry of Tourism, Culture and Sport

	2020/21 <sup>1</sup>		2021/22 <sup>2</sup>		2022/23	
	# of approved projects	Total funding for approved projects (\$)	# of approved projects	Total funding for approved projects (\$)	# of approved projects	Total funding for approved projects (\$)
Specific tourism projects and programs	11	453,185	8	158,670	6	156,000
Association conference fees	–	–	3	101,000	5	120,000
Strategic plans	–	–	5	150,900	4	70,000
Association workshops	–	–	–	–	1	50,000
Feasibility studies	6	221,875	1	20,000	1	25,000
Marketing plans	–	–	–	–	1	7,500
Association membership fees	11	776,427	2	125,000	–	–
<b>Total</b>	<b>28</b>	<b>1,451,487</b>	<b>19</b>	<b>555,570</b>	<b>18</b>	<b>428,500</b>

1. In 2020/21, included in the total projects and funding are multi-year projects that have funding paid over two years. This includes five projects with \$200,500 of funding paid in 2020/21, relating to approvals from 2019/20. Another six multi-year projects were approved in 2020/21 and paid in 2020/21 and 2021/22, representing \$131,300 and \$161,000, respectively.

2. In 2021/22, five of the 19 approved projects are multi-year projects (\$196,000) with funds distributed in 2021/22 (\$106,000) and 2022/23 (\$90,000).



appropriate information in the final report to assess the outcomes of the strategic plan, feasibility study or the development of other tourism experiences that it helped fund, or an understanding of how these activities contributed to the tourism activity in the region or province.

In the agreements with recipients of this fund, the Ministry states that it can, at its discretion, follow up with the recipient at two years and five years after project completion to collect data on the performance measures. However, since the program began in 2020/21, the Ministry informed us that two-year performance data had not been requested from any of the nine recipients with longer-term projects (out of 28 total recipients) that were funded in 2020/21 and thus could have been followed up with. The Ministry followed up with the nine recipients in July 2023 for their two-year performance measures, after our Office requested this information.

The projects that we requested additional information for were those relating to strategic plans, feasibility studies or the development of tourism experiences. These types of projects would be expected to have tourism outcomes beyond the initial funding period, such as the number of new visitors once the tourism experience was established and operating, or after the development and implementation of a strategic plan. The Ministry noted the following reasons why a two-year follow-up was not initially completed:

- One of the funded projects was delayed, so the two-year mark was not considered the appropriate time to collect performance results; the Ministry plans to follow up at a later date.
- For eight projects, the Ministry determined that the recipient had provided adequate information in its final report so no follow-up was required. However, we noted three examples where the final report did not include the results of all the performance measures required in its funding agreement with the Ministry. For example, funding was provided to a municipality to create a tourism sector and marketing strategic plan, which includes creating new tourism experiences. At the end of the funding period, the municipality reported that no new

tourism products and experiences were created. The Ministry did not request an update from this municipality at the two-year mark to assess further progress on the strategic plan until July 2023, subsequent to our Office requesting the information.

Going forward, to conduct two- and five-year follow-ups of funded projects, the Ministry indicated that it would reach out to recipients to obtain reports as needed, and Ministry staff planned to track the future reporting dates in a calendar. During our audit, in July 2023, the Ministry started to implement a process in Transfer Payment Ontario, the Province's grant funding system, to track projects that require a follow-up and to send out automatic system messages to recipients requesting updated performance measures.

## RECOMMENDATION 14

To improve tracking of performance measures, outcomes and impact on tourism and the economy of projects funded through the Tourism Development Fund (formerly called the Tourism Economic Development and Recovery Fund), we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- review performance measures required from new funding recipients to ensure that they are relevant to the type of project being funded and the outcomes expected; and
- develop formal criteria to determine the types of projects where the Ministry requires two- and five-year follow-ups and specify this information in the application guide and funding agreements, along with the recently added process of sending automated messages in the Transfer Payment Ontario system.

## MINISTRY RESPONSE

The Ministry accepts this recommendation and remains focused on aligning performance measurements with the program objectives for the Tourism Development Fund.

The Ministry will continue to work to improve processes for recipients and provide more guidance on performance measurements and report-back requirements. Through these improvements, the Ministry will aim to collect better data to assess the impacts of its funding program.

## 4.4 Delay in Funding Decisions Hampered the Operations of Tourism Organizations and Effectiveness of Funding Delivered

### 4.4.1 Late Funding Approvals by Ministry Led to Cancelled Festivals and Events

The Ministry receives applications for its Reconnect Ontario program (see **Figure 17** for a description of the program, now known as Experience Ontario) annually, but does not deliver its funding notifications in time for all the successful applicants to go ahead with their events. With the 2022/23 Reconnect Ontario program (events held between April 1, 2022 and March 31, 2023), organizers cancelled seven events because they received notification from the Ministry

that they were approved for funding too late to hold the event. These organizers did not receive their approved Ministry funding as they were unable to plan their events without earlier confirmed Ministry support.

Of the 823 total applications for Reconnect Ontario in 2022/23, 29 event organizers withdrew from the program. We reviewed these applications and found that seven applicants cancelled their events because funding notification came too late. This includes one event that had applied in February 2022 for an event planned for May 2022. This event was expected to generate \$1.3 million in tourist spending. This organizer did not receive notification of approval for the \$185,000 requested until July 2022, too late to hold this seasonal event. An additional three event organizers did not cancel their events but instead planned them on a smaller scale than originally intended, assuming that the delay meant they would not receive the support requested. As a result of not being notified in a timely manner, they withdrew from the program. This includes one organizer who said that it was no longer possible to stage the event at the size originally planned once the funding announcement finally arrived.

**Figure 17: Reconnect Ontario<sup>1</sup> and Marquee Event Fund Programs, 2019/20–Present**

Source of data: Ministry of Tourism, Culture and Sport

<b>Purpose of funding program</b>	To support festivals and events to attract visitors to Ontario with local experiences and generate increased tourism spending.
<b>Annual or one-time</b>	Annual
<b>Funding year(s)</b>	2007–present (continuing)
<b>Total funding paid<sup>2</sup></b>	<ul style="list-style-type: none"> <li>• Ranged from \$15.1 million to \$39.0 million annually for 2019/20–2022/23.</li> <li>• \$112.4 million of total funding, 2019/20–2022/23.</li> </ul>
<b># of events and festivals funded<sup>2</sup></b>	<ul style="list-style-type: none"> <li>• Ranged from 265 to 522 events annually for 2019/20–2022/23.</li> <li>• 1,549 events and festivals funded in total, 2019/20–2022/23.</li> </ul>
<b>Eligible recipients</b>	<p>Ontario-based entities that have been in existence since January of the year prior to the start of the funding period. For example, for the April 1, 2022 to March 31, 2023 funding period, the entity must have been incorporated since January 1, 2021 or before.</p> <p>Sole proprietors and partnerships are not eligible, as well as federal or provincial governments and/or their agencies.</p>
<b>Example of a funding recipient</b>	Funding to a not-for-profit organization to hold a Pride Festival that attracts visitors locally and abroad, with activities such as performances, panels, exhibitions, street fair, and a parade.

1. Program was called Celebrate Ontario until mid-2020/21, then changed to Reconnect Festival and Event Program, and in 2022/23 became Reconnect Ontario. For 2023/24, the program name changed to Experience Ontario. Minor changes to the program occurred over these years to fit the changing needs of events and festivals, such as funding criteria to address the impact of the COVID-19 pandemic.

2. Includes those funded as Marquee Events, which are major (national or international) festivals or events with larger operating budgets (over \$1 million) that do not occur on an annual or bi-annual basis. For example, the 2023 Tim Hortons Brier (Canadian men's curling championship) received Marquee Events funding and was held in London, Ontario.

Applications for the 2022/23 Reconnect Ontario program were open to the public from January 6, 2022 to February 2, 2022. The Ministry notified applicants of its funding decisions after it had completed its review of all applications received, rather than prioritizing reviews and approvals for events with an earlier start date. We noted that three of the affected applicants that had to cancel their events had planned them early in the Ministry's funding year, which began April 1, 2022. Of the 10 event organizers that withdrew from the program due to late notification from the Ministry, six (including the three who cancelled events) had planned their events to start earlier than the funding announcement on July 28, 2022, which came more than five months after the application period closed. These events were planned to start between May 2022 and July 1, 2022.

The late approvals impacted tourism operators when they were organizing events and festivals to attract tourists to their regions. The Ministry identified the delay in providing funding notifications to applicants as an area of improvement in its 2022 internal efficiency review of Reconnect Ontario. It noted that many events do not have the capacity to proceed without assured funding, and smaller and not-for-profit event organizers need to know if they have been granted funding before they can proceed with their planning. After this internal review, however, the 2023/24 Experience Ontario program still had similar funding notification delays, with recipients receiving funding letters on July 28, 2023, three months after the application period closed on April 28, 2023.

### RECOMMENDATION 15

So that Experience Ontario (formerly Reconnect Ontario) funding program notifications are communicated to event organizers prior to the date of their events, we recommend that the Ministry of Tourism, Culture and Sport prioritize application reviews and approvals based on event dates and, in particular, prioritize events held in the first quarter of the fiscal year funding is being sought for.

### MINISTRY RESPONSE

The Ministry accepts this recommendation and will work to prioritize and negotiate transfer payment agreements based on when events are taking place.

#### 4.4.2 Delay in Tourism Development Funding Does Not Allow Enough Time for Recipients to Properly Complete Projects

The Ministry's grant programs generally require the recipients to use the funding for eligible expenditures by March 31, the Ministry's fiscal year-end, regardless of when funding was approved and communicated to recipients. This is applicable to the Ministry's Tourism Economic Development and Recovery Fund (available between 2020/21 and 2022/23), which became the Tourism Development Fund starting in 2023/24 (see **Figure 14** for a description of the program). Common projects funded include the development of specific tourism experiences and strategic plans (see **Figure 16** for examples of projects funded through the Economic Development and Recovery Fund). With many of these projects, the recipients (often municipalities or not-for-profit organizations) require adequate time to plan, procure and execute on their ideas. By the time that the Ministry accepts applications and approves projects, not enough time is provided for recipients to complete their projects by March 31, the end of the funding period.

In October 2020, a municipality submitted an application to improve its harbourfront to attract more tourists. Four months later, in January 2021, the Ministry informed the municipality that it was approved for funding in 2020/21 (to be used by March 31, 2021). The municipality notified the Ministry that it could not use this funding in time, as it would require approvals from other funding partners to complete the project, and so could not complete this project in time. The Ministry and the municipality subsequently agreed to funding in 2021/22 for this project.

In August 2023, the Ministry began accepting applications for the Tourism Development Fund.

Stakeholders expressed concerns to us that the timing was not feasible to properly complete their projects. One municipality expressed interest in the funding program, as it was looking to create an action plan to grow tourism at its waterfront. The municipality would need to follow its required procurement processes with this project by engaging a consultant, which typically takes six weeks. After that, it could engage with the community and stakeholders for proper planning to finally develop its action plan. Given that the application period was scheduled to close in September 2023, and funding decisions are often communicated four months after the application period (as with the prior years of the funding program), the municipality expressed concerns that it would not be able to properly complete the project by March 31, 2024, and chose not to apply for the funding.

With this tourism development funding, the Ministry's goal is to support projects that increase tourist visits and spending by creating new tourism experiences, increasing private-sector investment and supporting the tourism industry in new investment. Potential applicants require more time to effectively complete these projects than the Ministry's funding schedule allows, especially to follow the processes required by the municipality and their stakeholders.

## RECOMMENDATION 16

So that the Tourism Development Fund provides interested applicants with more time to complete their proposed projects, we recommend that the Ministry of Tourism, Culture and Sport accept applications for the funding program earlier, such as prior to the beginning of the funding period.

## MINISTRY RESPONSE

The Ministry accepts this recommendation and will continue to work toward informing applicants of decisions and updates in a timely manner.

In 2023, the Tourism Development Fund adopted a set intake and deadline period versus the

previous continuous intake, allowing the Ministry to review applications by a specified deadline.

For future versions of the Tourism Development Fund programs, the Ministry is striving to accept funding applications earlier by aiming to release the program in February or March (which is prior to the funding period) so that successful applicants have the optimum time to complete their projects within the fiscal allotment in the following year (from April to March).

### 4.4.3 Ministry's Tourism Recovery Program Took over a Year to Deliver Funding to Tourism Businesses

The Tourism Recovery Program (see **Figure 9** for a description of the program) was originally announced in March 2021 as part of the government's 2021/22 Budget and was to provide \$100 million of funding to tourism businesses that had experienced significant revenue losses from the COVID-19 pandemic. However, applications did not open until October 2021 and funding recipients were not notified whether their applications were approved until March 31, 2022. This was the last day that they could use the funding, since the funding program required that eligible expenses be incurred between April 1, 2021 and March 31, 2022. No extension was made to the period in which the funding could be used.

This timing contrasts with British Columbia's Major Anchor Attraction Program, which provided one-time funding to major anchor attractions and tour bus companies that service tourism attractions, to help them operate at minimal levels until it was safer to travel and gather again. This funding was first announced in BC's Budget 2021 in April 2021 (similar to Ontario's initial announcement in the 2021 Budget). Eligible tourism organizations could apply between May and June 2021, with a total of \$36.8 million in funding provided to grant recipients in July 2021—within two months of the initial announcement. In contrast, Ontario made its announcement in March 2021, opened applications

in October 2021, communicated funding decisions in March 2022, and ultimately paid out funding starting in May 2022—14 months after the initial announcement.

The Ministry informed us that after the initial program announcement, it had to design the eligibility criteria and application requirements, including a website that was used to accept applications through Transfer Payment Ontario (the grant payment website). At the same time, the Ministry reviewed other COVID-19 support programs that were being released by the federal and provincial governments to determine which ones applied to the tourism sector. It then designed the Tourism Recovery Program to include businesses that were significantly impacted by the pandemic but were not eligible for other grant programs. This caused some of the delay, resulting in the Ministry finally accepting applications starting in October 2021. After the application period closed in November 2021, the Ministry learned that there were more applicants than the program had budgeted for, which required further changes to the funding decisions and amounts (see **Section 4.2.2** and **Figure 10**); this caused further delays, with funding notifications being sent to successful applicants on March 31, 2022. In our discussions

with tourism stakeholders, we were told that the delay in notification impacted tourism businesses' operating decisions during the pandemic. Some seasonal businesses were not able to fully use the funds by March 31, 2022, and some businesses cancelled or scaled down their planned special events, as they were unsure the funding would be available to support their costs.

## RECOMMENDATION 17

So that the timing of tourism program funding is made clear to applicants to these programs, we recommend that the Ministry of Tourism, Culture and Sport:

- inform applicants of when funding decisions are expected to be made as part of the application process; and
- communicate updates when established timelines have not been met.

## MINISTRY RESPONSE

The Ministry accepts this recommendation and will continue to work toward informing applicants of funding decisions and provide updates in a timely manner.



## Appendix 1: Number of Tourists to Ontario and Tourist Receipts Annually by Place of Origin, 2011–2021

Source of data: Ministry of Tourism, Culture and Sport

Year	Place of Origin									
	Ontario			Rest of Canada			United States			Total
	# of Tourists (million)	\$ Tourist Receipts <sup>1</sup> (\$ billion)	# of Tourists (million)	\$ Tourist Receipts (\$ billion)	# of Tourists (million)	\$ Tourist Receipts (\$ billion)	# of Tourists (million)	\$ Tourist Receipts (\$ billion)	# of Tourists (million)	
<b>2011</b>	118.3	18.3	7.0	2.2	11.5	3.1	2.2	2.9	139.0	26.5
<b>2012</b>	120.6	19.5	6.7	2.4	11.7	3.3	2.2	2.9	141.2	28.1
<b>2013</b>	<b>122.1</b>	19.2	6.1	2.2	10.6	3.1	2.0	4.0	140.8	28.5
<b>2014</b>	120.7	19.2	6.0	2.1	10.4	3.3	2.4	5.2	139.5	29.8
<b>2015</b>	121.4	20.4	6.5	2.4	11.4	3.7	2.6	5.8	141.9	32.3
<b>2016</b>	121.9	21.0	7.1	2.5	12.4	4.6	2.7	6.0	<b>144.1</b>	34.1
<b>2017</b>	120.2	21.7	<b>7.4</b>	2.8	12.3	4.8	3.0	<b>6.8</b>	142.9	36.1
<b>2018<sup>2</sup></b>	109.0	23.1	7.0	<b>3.3</b>	12.6	5.0	3.2	5.3	131.8	36.7
<b>2019</b>	108.0	<b>23.6</b>	7.2	3.2	<b>12.9</b>	<b>5.2</b>	<b>3.7</b>	6.0	131.8	<b>38.0</b>
<b>2020<sup>3</sup></b>	72.7	11.1	2.9	0.9	2.1	0.7	0.5	0.9	78.2	13.6
<b>2021<sup>3</sup></b>	73.4	13.0	3.5	1.7	1.8	0.8	0.5	0.9	79.2	16.4

Note: **Bolded** numbers represent greatest amount for the place of origin between the years presented.

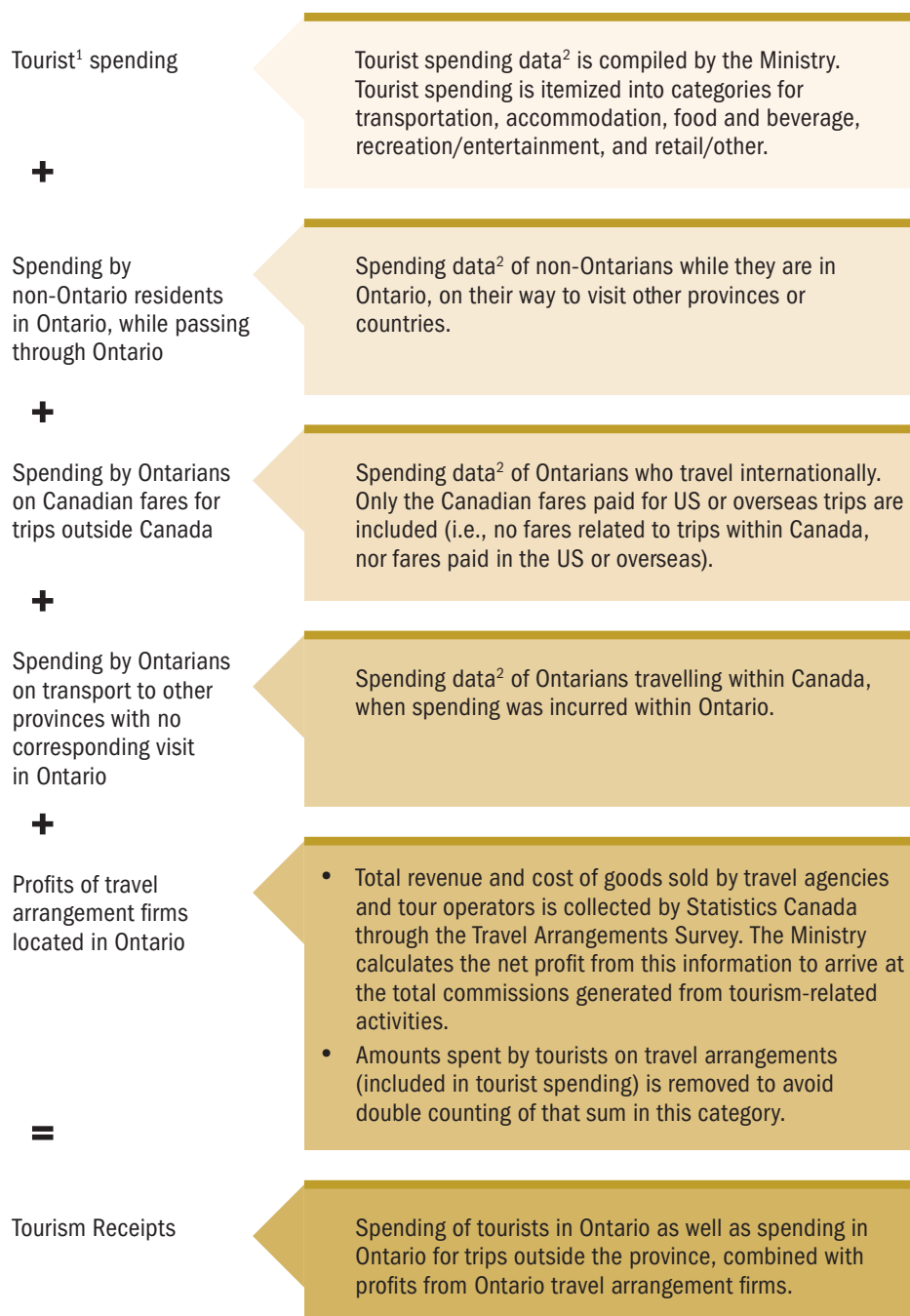
1. See **Appendix 2** for a complete explanation of how tourist receipts are calculated (includes all spending by tourists in Ontario).

2. In 2018, there was a change in methodology of how the travel surveys were conducted by Statistics Canada to collect tourism data. For example, to collect domestic tourism data, a new online survey was started to ask Canadians about their travel spending in the year, as opposed to the prior telephone travel survey that respondents were invited to complete following a different telephone survey of their participation in the workforce. This impacted the reach and response rate of the survey, so the data prior to 2018 is not comparable to data for the years after.

3. The COVID-19 pandemic interrupted Statistics Canada's travel survey collection operations, and therefore data for 2020 and 2021 includes travel estimates produced by Statistics Canada.

## Appendix 2: Calculation of Tourism Receipts in Ontario

Source of data: Ministry of Tourism, Culture and Sport (Ministry)



1. A tourist is defined as anyone who travels 40 km or more to a destination for anything other than work or school, going to appointments, or shopping as part of regular activity.

2. Tourism spending data is collected by Statistics Canada through the National Travel Survey and the Visitor Travel Survey. Canadian residents (through the National Travel Survey) and international visitors to Canada (through the Visitor Travel Survey) are surveyed for details of their travel, including amount incurred on different types of expenditures.

### Appendix 3: Gross Domestic Product (GDP) and Employment Generated by Tourism in Canada

Source of data: Statistics Canada

	2014 <sup>1</sup>					2017					2019					Change from 2014 to 2019 <sup>2</sup>	
	Tourism GDP <sup>3</sup> (\$ million)	% of Total GDP	Tourism Jobs (000)	% of Total Jobs	Tourism GDP (\$ million)	% of Total GDP	Tourism Jobs (000)	% of Total Jobs	Tourism GDP (\$ million)	% of Total GDP	Tourism Jobs (000)	% of Total Jobs	Tourism GDP (\$ million)	% of Total GDP	Tourism Jobs (000)	% Growth in GDP	% Growth in Jobs
<b>ON</b>	12,155	2	220	3	14,112	2	229	3	15,273	2	247	3				26	12
<b>BC</b>	6,503	3	117	5	8,699	3	136	5	9,281	3	141	5				<b>43</b>	<b>21</b>
<b>QC</b>	7,211	2	142	4	7,922	2	140	3	8,164	2	136	3				13	(4)
<b>AB</b>	5,284	1	76	3	5,935	2	85	4	5,907	2	86	4				12	<b>14</b>
<b>MB</b>	975	2	17	3	1,133	2	17	3	1,178	2	18	3				21	6
<b>SK</b>	995	1	19	3	1,088	1	20	3	1,044	1	22	4				5	<b>16</b>
<b>NS</b>	829	2	18	4	936	2	19	4	998	2	21	4				20	<b>15</b>
<b>NB</b>	499	2	12	3	588	2	13	4	677	2	15	4				<b>36</b>	<b>28</b>
<b>NL</b>	417	1	8	3	527	2	8	4	547	2	9	4				<b>31</b>	<b>17</b>
<b>PE</b>	160	3	5	6	217	4	5	7	221	3	5	7				<b>38</b>	<b>16</b>
<b>YK</b>	73	3	1	5	99	4	2	7	110	4	2	6				<b>52</b>	<b>42</b>
<b>NT</b>	83	2	1	5	101	2	1	4	106	2	1	4				<b>27</b>	(8)
<b>NU</b>	28	1	<1	2	42	1	1	3	52	1	1	4				<b>82</b>	<b>100</b>
<b>Canada</b>	<b>35,211</b>	<b>2</b>	<b>634</b>	<b>4</b>	<b>41,398</b>	<b>2</b>	<b>678</b>	<b>4</b>	<b>43,556</b>	<b>2</b>	<b>704</b>	<b>4</b>				<b>24</b>	<b>11</b>

■ - percentage growth in GDP and/or percentage growth in jobs between 2014 and 2019 was larger than Ontario's over the same time period.

1. Statistics Canada does not release the provincial and territorial tourism data annually.

2. Percent change is based on actual numbers, not the rounded numbers that appear in the table.

3. Only the direct GDP impact is included in this figure. This differs from the total GDP impact that Ontario estimates tourism contributes to the provincial economy (\$36.8 billion in 2019), which includes the indirect and induced impact of re-spending within the economy.

## Appendix 4: Ontario Travel Information Centre Locations, August 2023\*

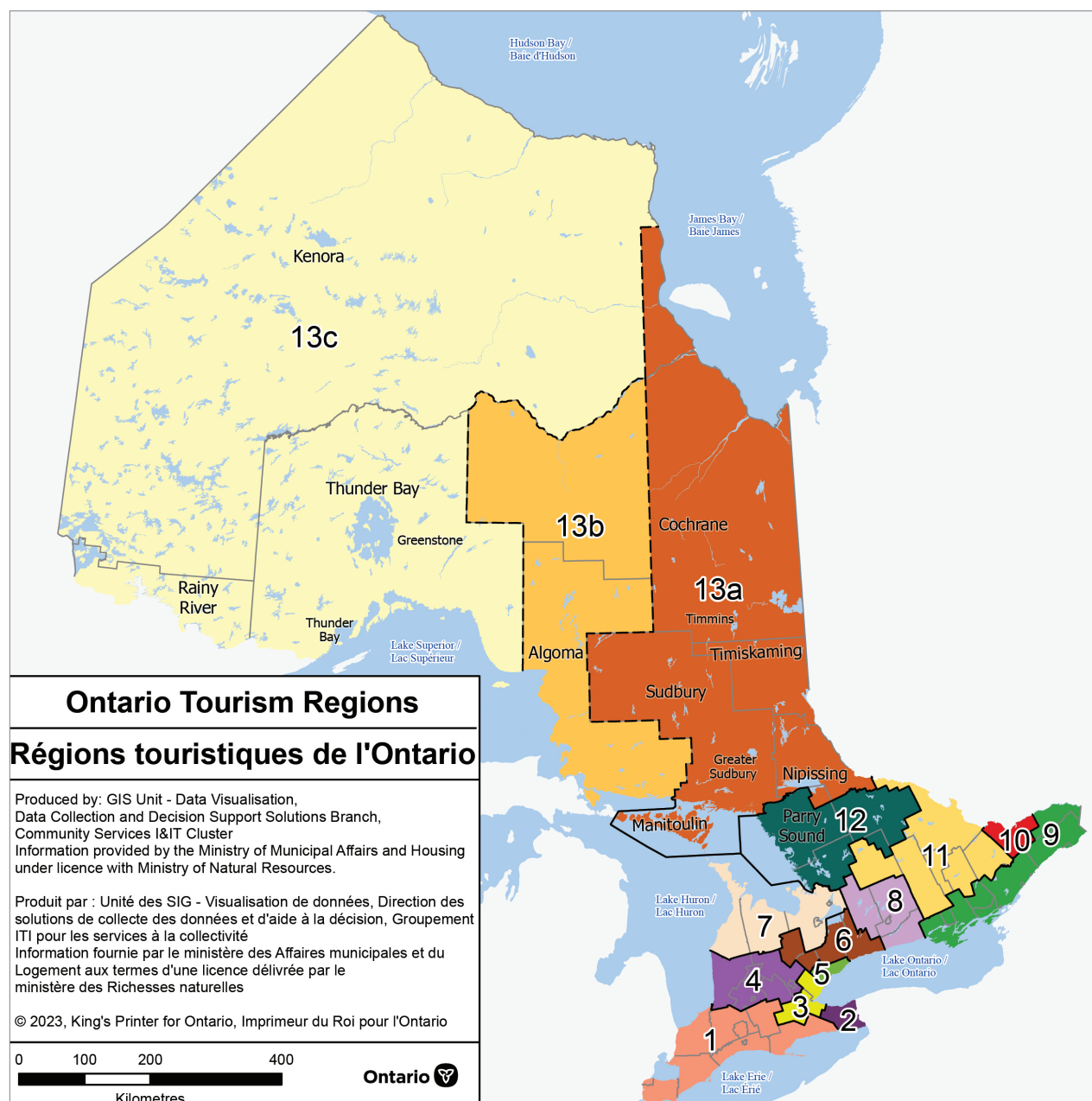
Source of data: Destination Ontario



\* In October 2021, the Travel Information Centre in St. Catharines was closed, and in April 2023, the Sarnia location was closed. Both centres operated on a year-round basis.

## Appendix 5a: Ontario Tourism Regions

Source of data: Ministry of Tourism, Culture and Sport



Region 1: Southwest Ontario

Region 2: Niagara Canada

Region 3: Hamilton, Halton and Brant

Region 4: Huron, Perth, Waterloo and Wellington

Region 5: Greater Toronto Area

Region 6: York, Durham and Headwaters

Region 7: Bruce Peninsula, Southern Georgian Bay and Lake Simcoe

Region 8: Kawartha Northumberland

Region 9: Southeastern Ontario

Region 10: Ottawa and countryside

Region 11: Haliburton Highlands to Ottawa Valley

Region 12: Muskoka, Parry Sound and Algonquin Park

Region 13a\*: Northeastern Ontario

Region 13b\*: Sault Ste. Marie - Algoma

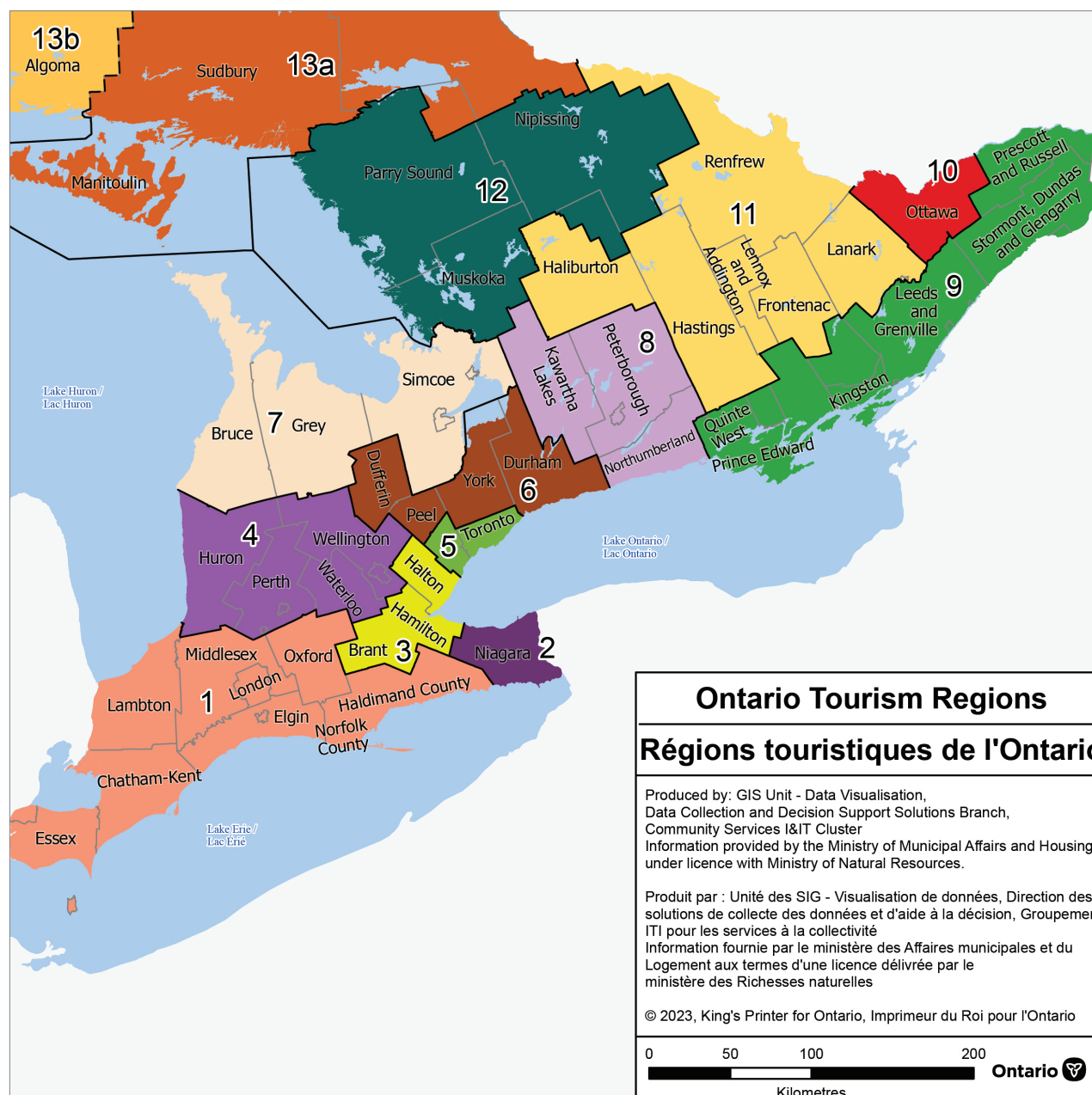
Region 13c\*: Northwest Ontario

\* Region 13 is split into three sub-regions due to its large geographic area. Each sub-region receives its own base funding, but all three sub-regions are managed by one regional tourism organization.



## Appendix 5b: Ontario Tourism Regions (Southern Ontario)

Source of data: Ministry of Tourism, Culture and Sport



Region 1: Southwest Ontario  
 Region 2: Niagara Canada  
 Region 3: Hamilton, Halton and Brant  
 Region 4: Huron, Perth, Waterloo and Wellington  
 Region 5: Greater Toronto Area  
 Region 6: York, Durham and Headwaters  
 Region 7: Bruce Peninsula, Southern Georgian Bay and Lake Simcoe  
 Region 8: Kawartha Northumberland

Region 9: Southeastern Ontario  
 Region 10: Ottawa and countryside  
 Region 11: Haliburton Highlands to Ottawa Valley  
 Region 12: Muskoka, Parry Sound and Algonquin Park  
 Region 13a\*: Northeastern Ontario  
 Region 13b\*: Sault St. Marie – Algoma  
 Region 13c\*: Northwest Ontario

\* Region 13 is split into three sub-regions due to its large geographic area. Each sub-region receives its own base funding, but all three sub-regions are managed by one regional tourism organization.

## Appendix 6: Ministry of Tourism, Culture and Sport's Funding to Regional Tourism Organizations, 2018/19–2022/23 (\$ million)

Source of data: Ministry of Tourism, Culture and Sport

Region	2018/19	2019/20	2020/21	2021/22	2022/23
<b>1 Southwest Ontario</b>	1.9	1.5	1.5	1.5	1.5
<b>2 Niagara Canada</b>	4.0	3.2	3.2	3.2	3.2
<b>3 Hamilton, Halton and Brant</b>	1.3	1.1	1.1	1.1	1.1
<b>4 Huron, Perth, Waterloo and Wellington</b>	1.4	1.2	1.2	1.2	1.2
<b>5 Greater Toronto Area</b>	9.5	3.9	–	9.0	–
<b>6 York, Durham and Headwaters</b>	2.6	2.1	2.1	2.1	2.1
<b>7 Bruce Peninsula, Southern Georgian Bay and Lake Simcoe</b>	2.4	1.9	1.9	1.9	1.9
<b>8 Kawartha Northumberland</b>	1.1	0.9	0.9	0.9	0.9
<b>9 Southeastern Ontario</b>	1.7	1.4	1.4	1.4	1.4
<b>10 Ottawa and countryside</b>	3.4	–	–	6.0	–
<b>11 Haliburton Highlands to Ottawa Valley</b>	1.0	0.8	0.8	0.8	0.8
<b>12 Muskoka, Parry Sound and Algonquin Park</b>	1.4	1.1	1.1	1.1	1.1
<b>13* Northeastern Ontario, Sault Ste. Marie – Algoma, Northwest Ontario</b>	4.9	3.9	3.9	3.9	3.9
<b>Total</b>	<b>36.6</b>	<b>23.0</b>	<b>19.1</b>	<b>34.1</b>	<b>19.1</b>

\* Region 13 is split into three sub-regions due to its large geographic area. Each sub-region receives its own base funding, but all three sub-regions are managed by one regional tourism organization. Total funding to all three sub-regions is presented together.

## Appendix 7: Ministry of Tourism, Culture and Sport's (Ministry's) Action Plan for Economic and Social Recovery, December 2020

Source of data: Ministry of Tourism, Culture and Sport

#	Recommended Action Item	Description
1.	<b>Redevelop Ontario Place as a world-class, year-round destination</b>	To encourage investment and attract visitors, redevelop Ontario Place to include sport and entertainment landmarks, public spaces and parks, recreational facilities and trails.
2.	<b>Build back stronger in our communities</b>	Invest in the Ontario Trillium Foundation to support community tourism, heritage and culture not-for-profits to sustain short-term operations and create new attractions and events, and to fund municipalities and other not-for-profit organizations to make infrastructure investments in sport and recreation facilities to meet local community needs.
3.	<b>Recognize the contributions of Ontarians</b>	Make changes to the Ontario Volunteer Service Award to recognize volunteer contributions of Ontarians.
4.	<b>Broaden Ontario's volunteer base</b>	Work with the volunteer sector to support the whole-of-government approach in creating a Provincial Emergency Volunteer Unit to recruit volunteers from diverse backgrounds that can help during an emergency.
5.	<b>Promote safety and excellence in sport</b>	Support amateur sport partners in key opportunities and instill confidence in parents of a safe-to-play environment for children and youths to be active in sports.
6.	<b>Restore confidence and strengthen inclusivity in sport, culture, volunteerism and tourism</b>	Work with sport organizations, arts and cultural institutions and tourism operators to ensure training for staff to deliver safe and quality experiences is available to ultimately deliver unique, authentic tourism experiences and restore confidence in Ontarians to resume these activities.
7.	<b>Compete for global festivals, events and conferences</b>	Make strategic investment in festivals, celebrations and sport hosting events, including increasing the capacity for sport hosting to expand the types of events that Ontario attracts.
8.	<b>Strengthen Ontario's commitment to the creative industries</b>	Invest in Canadian content, increase film-friendly locations, support the development of crews and talent, and maintain the stability of the cultural media tax credits provided by the Ministry.
9.	<b>Create regional equity in film and television production</b>	Work with the film sector to develop a strategy to identify film-friendly locations and build incentives for productions in the underrepresented eastern and southwestern Ontario regions.
10.	<b>Develop/redevelop skills in creative, tourism and hospitality industries</b>	Work with the Ministry of Labour, Training and Skills Development and Ministry of Colleges and Universities to reskill those with tourism jobs that were impacted by the pandemic and create training opportunities for growth.
11.	<b>Capitalize on emerging creative industries markets</b>	Engage with the digital media and video game sector to help tourism and culture industries enhance their capacity and provide digital experiences to audiences and customers.

#	Recommended Action Item	Description
12.	<b>Protect Ontario's core cultural institutions</b>	Provide one-time funding support to the Ontario Arts Council to cover operating losses during the COVID-19 pandemic and prepare for resumption of full programming.
13.	<b>Reconnect Ontarians</b>	Offer a travel incentive to Ontarians to encourage local tourism to connect Ontarians to each other and their communities.
14.	<b>Develop a year-round, globally competitive suite of products</b>	Led by Destination Ontario and the regional tourism organizations, work with tourism operators to create new experiences that lead to year-round tourism in Ontario.
15.	<b>Open Ontario up for business and visitors</b>	Work with Metro Toronto Convention Centre and Ottawa Convention Centre (Shaw Centre) to attract business travel and conventions to Ontario, and modernize the Ontario Travel Information Centres to promote tourism to customers.

## Appendix 8: The 10 Recommendations of the Tourism Economic Recovery Ministerial Task Force, June 2021

Source of data: Ministry of Tourism, Culture and Sport

#	Recommendation	Description
1.	<b>Emphasize safety in everything we do</b>	When safe to travel, have government and public health officials change messaging from “stay home” to “safe to travel” to instill consumer confidence.
2.	<b>Give Ontarians an incentive to get out of the home and make new local memories</b>	Provide a travel incentive to encourage Ontarians to support local businesses in their community with a simultaneous “year of the staycation” campaign.
3.	<b>Encourage and excite Ontarians to experience Ontario through New “Yours to Discover” days</b>	Inspire a co-ordinated effort from the whole industry to generate excitement and incent travel on select days to discover Ontario.
4.	<b>Provide increased stability and opportunities to tourism businesses and organizations</b>	Introduce multi-year operating funding programs, or expand existing festival and event programs, to assist operators of attractions, sporting events, cultural events and festivals with economic recovery and drive tourism in the medium to long term.
5.	<b>Bring back conventions and business events to Ontario</b>	Establish a multi-year Conventions and Business Events Support Fund to support and remain competitive in the business and leisure travel market.
6.	<b>Make it easier for people to find the packages, products and destinations that suit their budgets, schedules and needs</b>	Provide direct industry support to create products, attractions and experiences that appeal to everyone and are accessible to all travellers.
7.	<b>Reduce the amount of time tourism businesses spend on red tape so they can spend more time delivering unforgettable experiences</b>	Take a cross-ministry approach to collaborate with other ministries to responsibly loosen alcohol laws and review the Municipal Accommodation Tax to optimize revenue generation for the tourism industry.
8.	<b>Make nature and outdoor experiences part of the province’s solution to physical and mental health challenges</b>	Promote outdoor activities and connect this to the physical and mental benefits that individuals can gain, especially from the increased interest in connecting with the outdoors and nature during the pandemic.
9.	<b>Create “bite-sized” mobile and scalable experiences during the transition period to a full reopening</b>	Before Ontario fully reopens, support scalable, mobile experiences, festivals and events (such as roadshow events) before full-scale events can resume.
10.	<b>Showcase the best of Ontario through packaged itineraries and trails</b>	Using research and analytics, create well-branded itineraries of existing trails (such as nature, culinary, cycling) to generate interest in new markets and encourage travel across all regions in Ontario.



## Appendix 9: Ontario Tourism Recovery Program Funding Recipients by Sector

Source of data: Ministry of Tourism, Culture and Sport

Sector and Business Type	# of Recipients	Total Paid (\$)	% of Total Paid
<b>Accommodations</b>			
Hotels, motels, inns and lodges	169	47,732,432	48
Hunting and fishing camps or lodges	130	7,651,533	8
Resorts	18	3,633,620	4
Cottages and cabins	8	331,216	<1
Bed and breakfasts	4	99,768	<1
Campgrounds and recreational vehicle parks	2	28,530	<1
<b>Total</b>	<b>331</b>	<b>59,477,099</b>	<b>61</b>
<b>Attractions</b>			
Convention and conference centres	18	4,648,541	5
Wineries, breweries and cideries	24	3,943,563	4
Performing arts, music and entertainment venues	28	3,088,938	3
Amusement parks, theme parks, water parks and midway operators	13	2,933,295	3
Indoor and outdoor recreational attractions	40	2,866,255	3
Boat tours	21	2,613,812	3
Cinemas (motion picture and video exhibition)	12	2,515,044	3
Zoos, botanical gardens, aquariums and eco- and nature centres	7	1,920,000	2
Ski and snow attractions	5	1,897,500	2
Scenic/sightseeing tours	24	1,883,427	2
Destination spas	3	271,360	<1
Museums, historic and heritage attractions	4	209,076	<1
Farm-based tourist attractions	3	141,000	<1
<b>Total</b>	<b>202</b>	<b>28,931,811</b>	<b>29</b>
<b>Transportation</b>			
Motor coach	32	7,813,524	8
Commercial passenger airlines	5	2,210,870	2
<b>Total</b>	<b>37</b>	<b>10,024,394</b>	<b>10</b>
<b>Total</b>	<b>570</b>	<b>98,433,304</b>	<b>100</b>

## Appendix 10: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

- 
1. The Ministry of Tourism, Culture and Sport's (Ministry's) long-term strategy and supports for the tourism industry are clear, measurable and effective in achieving economic benefits for Ontario.
  2. The Ministry, Destination Ontario and regional tourism organizations work together effectively to support the tourism industry through their mandate, roles and responsibilities, information sharing and co-ordination with each other and stakeholders.
  3. Funding program eligibility criteria were clearly designed and consistently applied to achieve the programs' objectives.
  4. Funding was distributed to eligible recipients in a timely manner.
  5. Reporting requirements from funding recipients were appropriate for the Ministry to conduct an evaluation of the program's impact and outcomes in achieving the objectives, and the evaluation was completed in a timely manner.
  6. Meaningful tourism research and statistics are reported by the Ministry to support the tourism industry in developing strategic and operating decisions and to inform the public.
-

## Appendix 11: Ministry of Tourism, Culture and Sport's (Ministry's) 2016 Tourism Action Plan

Source of data: Ministry of Tourism, Culture and Sport (Ministry)

#	Action Area	Ministry's Planned Actions
1.	<b>Product and Experience Development</b>	Work across government and with partners to develop new lead-generation strategies and a targeted global outreach approach to sell Ontario as a place to invest in tourism.
2.		Use Ontario's attractions to strengthen Ontario's value proposition and strategically target new investment.
3.		Work with the economic development community and across government to explore a business retention and expansion service for the tourism industry.
4.	<b>Tourism Workforce Development</b>	Support the Tourism Industry Association of Ontario's campaign to promote tourism as a career, and encourage stakeholders to work together to implement industry recommendations from the Ontario Tourism Workforce Development Strategy developed by the Tourism Industry Association of Ontario and Ontario Tourism Education Corporation.
5.	<b>Marketing Strategically</b>	Continue to engage with stakeholders to encourage collaboration in marketing decisions to enhance consistency of branding and messaging, and avoid duplication.
6.	<b>Advancing the Tourism Sector</b>	Host an annual Minister's Forum in different regions of the province with tourism industry leaders, operators and stakeholders to provide an opportunity to share progress, innovative ideas and research, and build partnerships.
7.		Review the Ministry's funding programs (including festivals and events grant program, tourism development funding, and regional tourism organizations) to streamline applications and improve alignment to better support communities.
8.		Identify opportunities to advance multicultural, Francophone and Indigenous-led tourism in Ontario by collaborating across government and with industry partners.
9.		Improve regulatory environment for the tourism sector by working across government to address regulatory burdens.
10.	<b>Making Evidence-Based Decisions</b>	Partner with government departments across Canada to share tools and information relating to tourism data collection, evaluation and modelling, and pilot a new survey to collect data from international travellers.
11.		Establish a tourism research community of practice to increase access to and understanding of tourism-related data.
12.		Update the Tourism Regional Economic Impact Model platform to enhance the user experience and develop a more efficient process for updating information to support more evidence-based decision-making.

## Appendix 12: Number of Tourists by Region, 2013–2020

Source of data: Ministry of Tourism, Culture and Sport

Region	2013	2014	2015	2016	2017	2013–17 Change	2018 <sup>1</sup>	2019	2020
<b>1 Southwest Ontario</b>	# visitors (million)	17.8	16.9	15.9	16.5	16.9	16.1	14.6	5.3
	change (%)		(5)	(6)	4	2	n/a <sup>1</sup>	(9)	(64)
<b>2 Niagara Falls</b>	# visitors (million)	12.2	12.7	13.3	13.7	14.2	13.2	12.9	3.5
	change (%)		4	5	3	4	n/a	(2)	(73)
<b>3 Hamilton, Halton and Brant</b>	# visitors (million)	9.8	10.4	11.1	11.1	11.3	9.8	9.8	4.5
	change (%)		6	7	-	2	n/a	-	(54)
<b>4 Huron, Perth, Waterloo and Wellington</b>	# visitors (million)	11.0	10.8	11.2	10.9	10.7	10.6	11.0	3.9
	change (%)		(2)	4	(3)	(2)	n/a	4	(65)
<b>5 Greater Toronto Area</b>	# visitors (million)	27.9	28.0	28.8	30.1	29.5	28.4	30.2	7.9
	change (%)		-	3	5	(2)	n/a	6	(74)
<b>6 York, Durham, Hills of Headwaters</b>	# visitors (million)	12.4	11.9	11.4	11.4	9.8	9.3	9.6	5.2
	change (%)		(4)	(4)	-	(14)	n/a	3	(46)
<b>7 Bruce Peninsula, Southern Georgian Bay and Lake Simcoe</b>	# visitors (million)	12.6	12.8	12.6	11.7	11.1	12.1	11.6	7.0
	change (%)		2	(2)	(7)	(5)	n/a	(4)	(40)
<b>8 Kawartha and Northumberland</b>	# visitors (million)	5.7	5.6	5.7	6.0	6.3	5.2	4.9	4.3
	change (%)		(2)	2	5	5	n/a	(6)	(12)
<b>9 Southeastern Ontario</b>	# visitors (million)	8.8	8.0	8.1	8.4	8.8	7.9	7.6	5.8
	change (%)		(9)	1	4	5	n/a	(4)	(24)
<b>10 Ottawa and countryside</b>	# visitors (million)	9.1	9.0	9.4	9.7	10.2	9.4	9.5	4.0
	change (%)		(1)	4	3	5	n/a	1	(58)

Region	2013	2014	2015	2016	2017	2013-17 Change	2018 <sup>1</sup>	2019	2020
<b>11 Haliburton Highlands to the Ottawa Valley</b>									
# visitors (million)	5.1	4.8	5.5	6.0	6.0	<b>0.9</b>	4.4	4.5	3.2
change (%)		(6)	15	9	-	<b>18</b>	n/a	2	(29)
<b>12 Muskoka, Parry Sound and Algonquin Park</b>									
# visitors (million)	4.3	4.3	4.5	4.9	4.7	<b>0.4</b>	3.9	4.5	2.9
change (%)		-	5	9	(4)	<b>9</b>	n/a	15	(36)
<b>13 Northern Ontario</b>									
# visitors (million)	8.0	8.3	9.1	8.7	8.5	<b>0.5</b>	6.1	5.9	2.3
change (%)		4	10	(4)	(2)	<b>6</b>	n/a	(3)	(61)
<b>Total<sup>2</sup></b>									
# visitors (million)	<b>144.7</b>	<b>143.5</b>	<b>146.6</b>	<b>149.1</b>	<b>148.0</b>	<b>3.3</b>	<b>136.4</b>	<b>136.6</b>	<b>59.8<sup>3</sup></b>
change (%)		(1)	2	2	(1)	<b>2</b>	n/a	<1	(56)

— years a decrease in visitors compared to the prior year.

1. In 2018, there was a change in methodology of how the travel surveys were conducted by Statistics Canada to collect tourism data. For example, to collect domestic tourism data, a new online survey was started to ask Canadians about their travel spending in the year, as opposed to the prior telephone travel survey that respondents were invited to complete following a different telephone survey of their participation in the workforce. This impacted the reach and response rate of the survey, so the data prior to 2018 is not comparable to data for the years after.
2. Total number of visitors by region is different from the total number of visitors to Ontario (**Appendix 1**). This is because a visitor to Ontario may visit multiple regions, which results in the total number of visitors by region being higher than the total number of visitors to Ontario.
3. In 2020, the number of visitors by region was lower than the total visitors in Ontario (about 78 million; see **Appendix 1**) because regional survey data was not collected from March to June 2020 when the National Travel Survey was suspended during the COVID-19 pandemic. Additionally, the 2020 number of visitors includes only domestic visitors. The Visitor Travel Survey (surveying international visitors) was suspended for the year as a result of the COVID-19 pandemic.



## Appendix 13: Examples of Projects with Similar Aims That Received Separate Ministry of Tourism, Culture and Sport (Ministry) Funding with No Collaboration Required\*

Prepared by the Office of the Auditor General of Ontario

Cultural and Historic Itineraries: Indigenous Tourism Experiences		
	Tourism Association	Tourism Business
<b>Organization type</b>	Not-for-profit, membership-based tourism association supporting growth of Indigenous tourism in Ontario.	For-profit tour operator (for example, providing bus tours).
<b>Funding program</b>	Pan-Regional Fund	Tourism Economic Development and Recovery Fund
<b>Funding awarded</b>	\$1.6 million from 2016/17 to 2022/23.	\$10,000 in 2022/23.
<b>Description of project funded</b>	Develop partnerships, including with regional tourism organizations (RTOs) and its association members, to develop new tourism products and experiences. For example, in 2022/23, this specifically included partnerships to create new itineraries centred on Indigenous experiences.	Research, product development and project management for the development of a new Indigenous Cultural and Historic Experiences bus tour.
<b>Required partnerships</b>	Regional tourism organizations, Indigenous businesses, industry associations.	None.
Route Champlain/Eastern Ontario: Francophone Tourism Experiences		
	Tourism Association	Tourism Business
<b>Organization type</b>	Not-for-profit tourism association supporting economic development in Francophone communities.	Not-for-profit Francophone tourism organization.
<b>Funding program</b>	Pan-Regional Fund	Tourism Economic Development and Recovery Fund
<b>Funding awarded</b>	\$1.1 million from 2015/16 to 2022/23.	\$20,000 in 2021/22.
<b>Description of project funded</b>	Development of Route Champlain (located between Ontario and Quebec) to attract tourism for the large Francophone community in the area. This includes funding to develop a strategic plan and business model, establish partnerships between Route Champlain and nearby tourism organizations, create bilingual tourism products and itineraries, and partnerships with stakeholders such as RTOs.	Conduct a feasibility study for the development of a Francophone theme park in the Prescott and Russell area (located in eastern Ontario, bordering Quebec and close to Route Champlain). Study looked at other publicly available experiences related to Franco-Ontario heritage and pioneer villages and concluded that the development of the theme park would attract a new audience and benefit tourism in the underdeveloped Prescott and Russell area, but also benefit other nearby well-developed tourism hubs (such as Route Champlain), as it would increase new visitors to the area.
<b>Required partnerships</b>	Tourism operators located near Route Champlain, regional tourism organizations and destination marketing organizations, industry associations.	None.

\* The tourism associations that received Ministry grants had an expectation to develop partnerships, but the Ministry provided separate funding to tourism organizations to develop similar tourism experiences without requiring collaboration between the two entities.

## Appendix 14: Organizations That Received Pan-Regional Fund, 2013/14-2022/23 (\$ million)

Source of data: Ministry of Tourism, Culture and Sport

Organizations	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Indigenous Tourism Ontario	-	-	-	0.25	-	0.10	0.30	0.30	0.30	0.30	1.55
Société Économique de l'Ontario (SÉO)	-	-	0.14	0.30	0.25	0.10	0.10	0.15	-	0.10	1.14
Ontario Federation of Snowmobile Clubs	-	-	1.00	-	-	-	-	-	-	-	1.00
Direction Ontario	0.30	0.25	-	-	-	-	-	-	-	-	0.55
Ontario Restaurant Hotel and Motel Association	-	0.40	-	-	-	-	-	-	-	-	0.40
Waterfront Regeneration Trust	-	-	-	0.03	0.16	0.10	0.08	-	-	-	0.37
Tourism Industry Association Ontario*	0.17	-	-	-	0.18	-	-	-	-	-	0.35
Destination Northern Ontario (RTO 13)	-	-	-	-	-	-	-	-	0.13	0.16	0.29
Cruise Ship Industry Group (Midland)	-	-	-	-	0.05	0.20	-	-	-	-	0.25
Culinary Tourism Alliance	-	-	-	-	-	-	-	-	0.20	-	0.20
Ontario Trails Council	-	-	-	-	-	-	-	-	-	0.16	0.16
Shaftesbury Films Inc.	-	0.15	-	-	-	-	-	-	-	-	0.15
Ontario Tourism Education Corporation	-	-	-	-	-	-	-	-	0.14	-	0.14
Festivals and Events Ontario	-	-	-	-	-	-	-	-	-	0.03	0.03
<b>Total</b>	<b>0.47</b>	<b>0.80</b>	<b>1.14</b>	<b>0.58</b>	<b>0.64</b>	<b>0.50</b>	<b>0.48</b>	<b>0.45</b>	<b>0.77</b>	<b>0.75</b>	<b>6.58</b>

- funding provided to an organization for consecutive years, which should have made the application ineligible according to the original program design.

\* In 2013/14, the Tourism Industry Association of Ontario was approved for a total of \$170,000 over two years (2013/14 and 2014/15).





## Office of the Auditor General of Ontario

20 Dundas Street West, Suite 1530  
Toronto, Ontario  
M5G 2C2  
[www.auditor.on.ca](http://www.auditor.on.ca)