



Tourism Support Programs

2023 Value-for-Money Audit

Why we did this audit

- Almost 132 million visitors explored Ontario in 2019, which represented about \$37 billion, or 4%, of the province's gross domestic product (GDP), and 396,000 jobs, or 5%, of total employment. The COVID-19 pandemic and the resulting public health restrictions significantly restricted travel, leading to a 41% decrease in the number of visitors in 2020 to about 78 million, and a 65% decline in contributions to the GDP to about \$13 billion.
- To support the tourism industry during the pandemic, one-time funding was directly provided to tourism operators, totalling about \$132 million in 2021/22. This was in addition to over \$40 million in annual funding programs, and about \$67 million paid to organizations to help promote tourism in Ontario (Destination Ontario and 13 regional tourism organizations).

Why it matters

- Tourism impacts a number of different sectors within the province, including the transportation, accommodation, and food and beverage sectors. As well, many tourism-related ventures are small businesses, with 90% employing fewer than 20 employees.
- Attracting tourists and tourist spending contributes to economic growth in the province. The tourism industry promotes local culture, and infrastructure and experiences built for visitors also benefit local residents.

What we found

No Long-Term Strategy for Tourism after the COVID-19 Pandemic

- The Ministry of Tourism, Culture and Sport (Ministry) has not released a long-term strategic plan for tourism since 2016. In that year, it established a five-year plan and set a goal to grow tourism at an average annual rate of 3.3%, but this target was not reached.
- British Columbia, Alberta and Quebec released multi-year strategies between 2021 and 2023 to grow their tourism industries after the pandemic. The strategies included elements such as their provincial objectives, strategic investments and related performance measures and targets. In contrast, Ontario has not developed a strategy on how it plans to support its tourism sector.

RECOMMENDATION 1

Tourist Visits Can Be Increased with More Strategic Marketing Investment

- Destination Ontario, a provincially funded agency, has a mandate to market Ontario as a travel destination to tourists within Ontario, throughout Canada and internationally. Each year, it allocates a portion of its budget toward promoting these markets. Eleven regional tourism organizations (RTOs) also receive provincial funding to promote tourism in the province to Ontarians.
- Destination Ontario's analysis shows that marketing Ontario tourism in the United States provides better value for money than if the same amount is spent on marketing to Ontarians. We estimated that in 2022/23, Ontario could have seen an estimated 86,000 more tourist visits and an associated \$38 million increase in spending if it had reallocated \$2 million of what it spent promoting tourism within Ontario to attracting tourists from the United States.

RECOMMENDATION 2

Ministry Does Not Collect Necessary Information to Assess the Impact of RTOs

- As part of their funding agreements, RTOs are required to report to the Ministry annually on their goals and progress. From our review of the RTOs' 2022/23 business plans, seven of the 11 Ministry-funded RTOs did not set targets for all their identified performance measures, so the Ministry could not determine whether the RTOs achieved all of their planned activities.
- The RTOs are not required to report back on tourist trends for their regions to show what impact their activities have on promoting tourism. From 2013 to 2017, four of the 13 tourism regions saw a decrease in tourists, but the Ministry did not collect data that could explain this trend.

RECOMMENDATIONS 4

Limited Funding to Attract Private Investment to the Tourism Sector

- The Ministry's mandate includes attracting private investment to the tourism sector. While the Province spent \$19 million to attract tourism-sector investment between 2012/13 and 2017/18, it has not invested in this in the past five years. In contrast, British Columbia and Alberta have established funding programs to develop tourism experiences, which in turn attract private investment to the tourism sector.

RECOMMENDATION 6

COVID-19 Funding Program Gave Ineligible Applicants Funding and Provided Inconsistent Funding to Similar Applicants

- Approximately \$1.1 million went to applicants who were not eligible for payments under the Ontario Tourism Recovery Program, which provided support to tourism businesses during the COVID-19 pandemic. We tested 90 of the 570 applicants that were funded and found that six were ineligible for funding based on the program's eligibility criteria.
- 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 example, eight businesses, each with multiple owners that shared the same senior management, applied for eight grants (one for each company), totalling \$2.75 million. In contrast, over 20 companies, all of which were owned by a single corporate owner, were eligible to receive only one grant for the group totalling \$695,000, the maximum grant available.

RECOMMENDATIONS 10 and 11

Late Funding Approvals Led to Cancelled Festivals and Events

- Delays in notifying recipients of their approved funding under the Reconnect Ontario program—an annual funding program that supports festivals and events—have led to events being cancelled, including seven in 2022/23.

RECOMMENDATION 15

Conclusions

- The Ministry has not developed and executed on a long-term strategic plan since its 2016 five-year plan to grow Ontario's tourism industry and maximize its contribution to the economic growth of the province.
- The Ministry's funding programs could be designed and delivered more efficiently and effectively to support the tourism industry.
- The Ministry has not collected information to evaluate the effectiveness of provincial tourism supports in growing the tourism industry, and it has not reported the results to the public or tourism stakeholders.

Read the report at www.auditor.on.ca