



The Innkeepers Guild

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24 April 2008

Mr. Rodney MacDonald
Premier, Province of Nova Scotia
One Government Place
Halifax, N.S. B3J 2T3

Premier: **Tourism Accommodations Act**

We recommend your Government defer the decision to repeal the 1995 Tourism Accommodations Act. This repeal is supposed to solve an economic problem, it does not; it may just make the problem worse. There should have been and needs to be a financial assessment to weigh the financial damage to the industry and loss of revenue to all levels of government caused by the estimated 500 or more unlicensed properties.

As the MLA for Inverness, you see these family tourism businesses when you travel the Ceilidh and Cabot Trail, or visit Baddeck, all in the rural and coastal communities, the “image” of Nova Scotia. These are seasonal family owned businesses struggling in a softening tourist market. They do not have the advantage of access to the business traveller, the one that buys rooms in the Halifax metro, where sales at the hotels continue to increase. The “unlicensed” property in the tourist area has a much more direct impact on the licensed owner in that same area, especially when they are practically competing side by side.

You are also well aware that of the 1100 or so “owners” in Nova Scotia, these divide along two lines. There are approximately 60 hotels and 10 resorts, and maybe 100 chain motels, in the more urban and prime locations, owned by multi-national investors, and which do not suffer financially. The 65 motels, 88 Inns, 414 B&B's and 344 Cottage properties owners located along every Trail are primarily impacted. These family businesses have a far greater personal investment at stake compared to a shareholder of a multi-national. Room sales visitation to Cape Breton has dropped for the last 6-7 years. Destination Cape Breton identified over 65 of these unlicensed properties a year ago and most are renting in prime season, in the prime locations, many owned by non-residents.

Ask the Oran to show you the many ads that run in May and June. In 2007, the Department of Tourism was shown a new twist, namely ads of Real Estate agents who were now advertising such rentals.

In July 2006, your Minister Goucher and the President of TIANS, *BOTH* said in a press release that the growth in unlicensed properties (up to 500 from 250 in 2004) was having an impact on “sustainability” ,(the economics) of the industry. If this “illegal” trade doubled in 3 years, then why in 2008 does the government believe the problem will be resolved by a repeal?

This was and is an economic problem. This issue began as the legal small businesses started to complain about the growth of the illegal businesses, and as we say, over the last 3 years the size of the problem has doubled. The licensed owners and several associations complained because they see the illegal and unlicensed affecting their revenue but also a bigger picture, they see that HST is not collected. They see that Commercial taxes are not being paid. They assume income tax is not paid, as many are non-residents.

500 properties renting for only 30 days a year is 15000 room nights at \$100.00, meaning a \$1,500,000 loss of business and a proportionate \$195,000 loss in HST, ANNUALLY, and this is a conservative estimate as many rent for \$200+ a day. Then, factor in that many of these properties are “summer homes”, their assessed values far exceed the average value, a further loss in municipal taxes. Why should the legal businesses absorb these indirect costs and the province help market these properties?



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Six months after a Press Release recognizing the problem, a review of the Act was started in January 2007. The Minister proposed four options. Only Eight so-called “Stakeholders” were initially asked to participate in a “consultation process”. Initially the 1100 “owners” were excluded from this process. The industry was then confined to a 6-week deadline to make their recommendations to a Consultant (not the Department). The Consultant’s report (May 2007) did not document the choice of the eight stakeholders. We believe four, maybe five of the stakeholders, and one or two of the Regional Tourism Associations did ask that the licensing stay in place, the Act be enforced, contrary to what was stated in the House last fall.

From May until November 2007 there was basically no communication with the owners or the associations. This would suggest Minister Dooks “decision” on November 27, 2007 to repeal the current Act was made based on internal discussions, with the exception of TIANS, a signatory to the Press Release. This repeal decision also includes a decision to outsource inspections to a third party, which no one knew was on the table, yet the owners (who were excluded from the discussion) are told they’ll pay the costs. The Minister’s letter of April 9, 2008 to justify the repeal makes no mention of the economic benefits of the decision to the industry.

So, we suggest that what we had in 2006 and still have in 2008 is the same economic problem. The 500 or so unlicensed properties that were there in 2006 are still here in 2008. These 500 “illegals” compete on almost a 1 to 1 ratio with the “legals” in some communities. The plan to repeal the Act actually improves the ability of the “illegal” to compete, still avoid paying sales and property taxes. They can now erect road signs, advertise in the local papers and buy websites without any restriction. Almost like an amnesty.

Unfortunately, this repeal also means the Minister will eliminate the legislated regulations that were the standards for the buildings, the rooms, the housekeeping in favour of a Third Party system that has no legal penalty. The reason many wanted the Act enforced was because loosing the license was a deterrent. Now there will be no such deterrent. These 500 can now operate and also they have the choice to be inspected or not.

To summarize, this plan to repeal the Act should not proceed. The “consultation” process basically broke down once the owners and their associations were left out of the discussions from May 2007 until November 2007. The Department never shared its research after staff travelled to other jurisdictions, even that of our competition in other Atlantic provinces.

The Minister can easily test his decision without a repeal of the Act. After all in 10 years, there has never been one owner of an unlicensed property every served a legal action or taken to court, so what happened to all the complaints?

We represent a group of almost 200 accommodations property owners and investors. We asked for a level playing field and enforcement. We asked Minister Goucher in March 2007 to have the Justice Department explain what was needed to solve the purported legal problem of enforcement. No response. We suggest you ask your Minister of Tourism, Culture and Heritage, of Finance, Economic Development and of Justice to reassess the legal, financial and economic impact on the industry before taking the basically irreversible step of repealing the existing Act.

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cc Opposition Leaders MacNeil, and Dexter