

**A Tourism  
Resource Allocation  
License**

*NOTO*

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With 87% of Ontario's land and water publicly owned, it is not surprising that many businesses depend, in some way, on this vast public resource. The most obvious example is forestry, but mining, trapping, baitfish harvesting and resource-based tourism are also significant users of crown lands and waters.

### **Tourism Licensing History**

Until amended in 1998, the Tourism Act provided for licensing of all tourism accommodation establishments in Ontario. When the act was amended, it continued to license Resource Based Tourism Operators, that is, those who make use of crown resources. The purpose of continuing to licensing these operators was to recognize these businesses as legitimate users of crown resources, and assist in enabling MNR to effectively regulate the allocation of these resources. It is also used to establish eligibility to participate in the development of Resource Stewardship Agreements.

It was anticipated that this system would move from a government operated licensing system to an industry administered certification system. This certification system would likely be managed by an industry lead organization such as NOTO. NOTO has supported this approach since it was first suggested, and remains committed to working with government to bring it about.

It is the position of NOTO that any licensing or certification program should be consistent with current policy direction and designed to provide real benefit to the tourism industry, its customers, and the people of Ontario. There are several key issues such an initiative must address in order to create real added value, and therefore achieve active support from the industry.

The program should be designed to address the follow objectives:

- Enhance the quality and range of resource based tourism offerings in Ontario
- Maximize the economic and social benefit of publicly owned natural resources to the people of Ontario, particularly local communities
- Help insure that visitors to Ontario are offered a high quality tourism experience
- Improve the ability of the tourism industry to attract investment and grow
- Manage the allocation of publicly owned natural resources in a responsible and accountable way

Although these objectives reflect a range of concerns, the major focus of the initiative remains unchanged since the 1996 changes to the act. Resource based tourism licensing exists primarily to facilitate an effective and orderly structure for access to crown lands and waters. This is not surprising, since the viability of the industry is entirely dependent on these allocations, and most of the identified barriers to growth are in these areas.

It is not surprising, then, that the major emphasis is placed on the role of licensing in resource allocation. Indeed, from the standpoint of the resource based tourism industry, it is virtually impossible to talk about licensing in any other way. Orderly, stable, long term access to quality natural resources is the major factor that will define the future of the industry. A comprehensive resource licensing system is the tool to bring stability and growth to the industry and economic benefit to northern communities.

## **Paying for the Resource**

The people of Ontario benefit from the use of these resources in several ways. Users of the resource commonly pay fees in the form of stumpage fees for forestry, fur royalties, lease payments or other license fees. However, a major portion of the public benefit comes through various taxes paid by the businesses and their employees, and the creation of employment and secondary and induced spending. All of these must be considered in evaluating the “value” of these enterprises to the province.

## **Tourism Licensing In Ontario**

Resource-based tourism businesses currently pay a small fee (\$25) to the Ministry of Tourism and Recreation for a Resource Based Tourism License. At present, this license provides little more than a record of the existence of the business. It is generally regarded by the Ministry of Natural Resources as a pre-condition for other licenses and allocations administered through that ministry.

Because MNR is, in effect, the landlord of crown land in Ontario, resource-based tourism operators are licensed in a variety of ways by MNR. They “rent” land in various ways (leases, land use permits, boat caches, water lot leases etc.) and they also receive allocations like moose tags and bear management areas. Generally, MNR determines the terms and conditions for these allocations.

## **The Resource Based Tourism Policy**

The main policy framework for resource-based tourism in Ontario is the *Resource Based Tourism Policy*, a cabinet document signed by the three key ministries responsible for this industry, the Ministry of Tourism and Recreation, the Ministry of Natural Resources, and the Ministry of Northern Development and Mines. This document acknowledges the importance of the industry and its legitimacy on the land base, and mandates MNR to manage for the benefit of this industry, as it does for other industries like forestry. Beyond this general policy, there is very little specific policy or regulation.

The only significant initiative under this policy is the *Memorandum of Understanding on Resource Stewardship Agreements*, which creates a regulatory structure for the signing of Resource Stewardship Agreements between the forestry and tourism industries. It also gives MNR the specific mandate to manage tourism concerns as part of forest management planning, and created the framework for the *Management Guidelines for Forestry and Resource Based Tourism*, one of the referenced sub-manuals under the *Crown Forests Sustainability Act*.

## **A Patchwork of Licenses**

Although MNR licenses or allocates a variety of resources to the tourism industry, virtually every allocation functions under its own set of rules. More importantly, almost none of the allocations provide any degree of security – most carry one-year terms and are not transferable if a business is sold. Land use permits, boat caches, and bear management areas all revert to the crown on sale of a business, although they may be the primary assets of the business. Because they carry a one-year term, and conditions can be unilaterally changed by MNR on renewal, they create a strong disincentive to investment in the infrastructure of the business. This situation also makes it virtually impossible to



borrow money to develop the business, since no lender would loan money to build a building on land that could be taken away on virtually no notice.

### **Few Clear Criteria**

The criteria used to grant allocations are generally unclear and widely inconsistent. For example, MNR has commonly imposed limits on the number of beds at a lodge or outpost built on a land use permit. When clarification is sought on how capacities are determined, the answer almost always given is “sustainability of the resource”. However, data on the resource is almost never available, and considerations of the actual practices of the tourist operator such as catch and release fishing are not used. Furthermore, limits are often arbitrarily imposed on only one of several users of a lake, and almost never imposed on local recreational users. Although these practices are clearly contrary to the intent of the *Resource Based Tourism Policy*, they are the norm, not the exception.

### **The Situation in Other Industries**

Although resource-based tourism is a major industry in northern Ontario, employing almost as many individuals as mining and 2/3 as many as forestry, it is the only one of the recognized industries functioning on crown land that does not have a comprehensive licensing and co-management arrangement with MNR.

The forest industry, not surprisingly, has the most comprehensive arrangement. The Sustainable Forestry License provide for 20-year renewable, secure allocations (with review of specific allocations every 5 years), and significant responsibility for resource management. This arrangement has allowed for the significant capital expenditure necessary for this industry to exist. Would even a single mill been built in Ontario if the forest industry received only single year allocations of timber?

Trappers and baitfish harvesters also enjoy a much more secure and comprehensive licensing arrangement, including significant resource management responsibility and autonomy.

### **Benefits of a Tourism Allocation License**

Enhanced security of allocation and management responsibility would greatly encourage business investment and improvement of quality in the resource-based tourism industry. This, in turn, would increase employment, tax revenue and overall economic development. All of this is consistent with the *Resource Based Tourism Policy*. An added benefit would be improved resource sustainability.

The key to effective use of renewable resources is to maximize the social and economic benefit per unit of resource consumed. Whether we are talking about value added wood products or enhanced tourism offerings, the principle is the same. If tourists pay more, and/or consume less, we have added value. Not only will improvements drive prices up, experience in the industry has clearly demonstrated that as quality and price increase, resource consumption decreases. Quite simply, when you move from marketing fish to marketing a high quality outdoor experience that includes fish, value goes up and consumption goes down.



## **What Should this License Look Like?**

In order to accomplish its policy objectives, a Resource Based Tourism Allocation License would require several key characteristics:

- A single, comprehensive license with a secure, longer term
- Attachment of allocations to the business
- Transferability of allocation assets among licensed businesses
- Clear and appropriate criteria
- Applicability to a wide range of business types
- Clear criteria based on provincial policy
- Effective, accepted dispute resolution mechanism
- Financial and technical resources to help businesses assume greater resource management responsibility
- Transparency and public accountability
- Support and participation of MNR, MTR and MNDM and the tourism industry.

### **Single License**

Consolidation of the range of existing licenses and allocations would simplify administration and reduce errors and confusion. Although not every operator would have all allocations possible on a license, consolidating the licensing structure would greatly streamline the overall process. The key ingredient, however, is a guarantee of long-term allocation and tenure. The 20-year term with essentially automatic renewal that is used for the Sustainable Forestry License makes sense. Specific allocations could be examined and renewed at five-year intervals, as with the SFL.

This change would provide the security that the tourism industry needs in order to plan business operations effectively and attract the necessary capital for growth and expansion.

### **Allocation Attaches to the Business**

One of the most significant assets of any resource-based tourism business is the natural resource environment in which it functions. It is this element, much more than buildings, and facilities that create value in the business. Under the current structure, resource allocations do not automatically transfer to a new owner if a business is sold. Land Use Permits, Bear Management Areas and other allocations revert to the crown, and the new owner must apply for them. Although these transfers are often simple formalities, in a number of cases there have been delays, arbitrary changes to conditions or outright refusal to transfer allocations to new owners.

As in any business enterprise, it is essential that assets of a business attach to the business entity and be automatically transferable during a sale. The terms of any allocations should continue, uninterrupted after a sale.

### **Transferability of Allocations**

Except where there are clear resource management reasons, there should be no restriction on the sale or lease of allocation assets among licensed businesses. For example, a licensed operator who has a Bear



Management Area should be able to sell it to another operator, or lease all or part of it without restriction.

Currently, an operator who has more moose tags than he needs is not permitted to sell them to another operator in the same Wildlife Management unit. There is no valid resource management for this restriction, and it has the effect of limiting economic activity. A further benefit to easy transferability is that it would cause scarce allocations, such as moose tags, to be purchased and used by the operators who will extract the greatest value from them. This is consistent with sound resource management.

### **Clear and Appropriate Criteria**

Where there is competition for a resource allocation, the process and criteria for selection must be clear and consistent with the *Resource Based Tourism Policy* and other high-level policy directions. It is essential that public resources be allocated in a way that maximizes the economic and social benefit of crown resources to the people of Ontario. Employment and other economic benefits to local communities should be key element of the selection process.

### **Applicability to a Range of Business Types**

A resource allocation licensing system should be applicable and provide benefits to the widest possible range of tourism businesses, from traditional hunting and fishing lodges to eco and adventure tourism businesses. Although businesses differ in the types of allocation they require and the relative importance of each allocation, all depend on secure, well-managed access to crown resources. Current resource-based tourism licensing criteria exclude a number of businesses that could benefit greatly from such a licensing structure.

For example, canoe outfitters who do not provide fixed-roof accommodation are not now licensed. Licensing a defined area to operators for their exclusive commercial tourism use would encourage sound self-management of the resource and help preserve a high quality environment and guest experience. Such a scenario would not restrict Ontario residents traveling on their own, but would prevent multiple operators over-utilizing a particular area. This is not unlike the current system of assignment of bear management areas to bear outfitters, which provides exclusive commercial use but does not restrict resident hunters.

### **Clear Licensing Criteria**

The criteria currently used by MNR in granting resource allocations to tourism businesses are generally unclear and widely inconsistent. Although MNR has a mandate to insure sustainable resource management, they have little expertise in tourism or experience with the various business activities in that industry. Furthermore, they are not part of the economic planning process for the area in question.

As a result, proposals regarding appropriate forms of tourism development may receive support and encouragement from ministries like MTR and MNDM, only to be refused allocations by MNR.

Where there are competing interests for a particular allocation, there is often no available set of criteria to guide a decision. This leads to conflict, the perception of a biased and unfair selections process, and reluctance on the part of the tourism industry to invest. Although there are high-level policies, such as



the Resource Based Tourism Policy, there is little evidence of the influence of these policies on actual resource allocation decisions.

### **Accepted Dispute Resolution Mechanism**

Mechanisms for resolving disputes reside almost entirely within MNR, short of resorting to the courts, which happens all too frequently. This results in huge costs to both the tourism industry and government, and leads to delays and lost opportunity. It also erodes public confidence in government institutions.

An effective dispute resolution mechanism must be seen as credible by the industry and the public. Direct involvement of the other key ministries, MTR and MNDM would be an essential first step in developing such a mechanism.

### **Greater Self-management responsibility**

As has been demonstrated in other industries such as forestry, trapping and baitfish harvesting, a resource license provides an opportunity for enhanced management participation by industry. Not only does this reduce administrative costs to government, it encourages sound and sustainable practices on the part of the businesses that depend on the resource for their livelihood.

A key challenge that must be addressed in order to make such a system work is to insure that the tourism industry has the knowledge and technical resources needed to be effective resource managers. The RSA process has clearly demonstrated the value of providing specialized advice and support to the tourism industry. Similar support in a variety of areas, from forestry to fish and wildlife would be necessary to make this approach practical and effective.

### **Public Accountability**

Any partnership arrangement between government and private businesses for use and management of public resources must be based on a system that fosters public trust and accountability. The respective roles of the various ministries and the tourism industry must be carefully and appropriately defined, and effective mechanisms for public review and oversight will enhance trust in the process.

### **Broad Participation**

At a minimum, this undertaking should include the tourism industry, MNDM, MTR and MNR as partners. These three ministries have shared responsibility for resource management and economic development as they affect tourism on public lands and waters.

## **Administrative Structure**

It has been common practice over the past several years for the government of Ontario to assign much of the administrative responsibility for these licensing programs to the industry involved, commonly through industry associations. This approach has the obvious advantages of reducing the burden on government, as well as enhancing industry acceptance and accountability. As the association representing the nature and outdoor tourism industry in Ontario, NOTO is ideally positioned to assume this role. Aside from a more than 76year history of working on behalf of the industry, NOTO has an established track record of helping to develop and deliver effective programs to the industry on behalf of



government. The negotiation and subsequent implementation support for the Memorandum of Understanding on Resource Stewardship Agreements is a clear demonstration of this capability.

### **Funding Structure**

Aside from the direct administrative costs, the cost of providing qualified technical and professional support to the industry must be considered. Success of the program will depend, in part, on the ability of the tourism industry to assume an effective resource management role. The RSA initiative has clearly demonstrated the ability of the industry to act in this fashion when appropriate supports are in place. The arrangement currently in place with the baitfish harvesters has a portion of license fees directed to the baitfish harvesters association to provide professional support in resource management.

It seems appropriate that license fees be shared among the organization administering the program, and the government ministries involved in this arrangement.

### **Quality Assurance**

Stakeholder consultations carried out by the Ministry of Tourism and Recreation have clearly identified the need for Ontario's tourism product to be "quality driven". A licensing system can be an important mechanism for monitoring, maintaining and improving quality. Requiring businesses to comply with a recognized standard as a condition of licensing provides one mechanism toward this end.

In considering the resource based tourism industry, it is important to avoid confusing "standards" with "accommodation rating systems" like AAA or Canada Select. Because the resource based tourism product is primarily experience based, many parameters beside accommodation influence quality. The remoteness of the setting, excitement of the rapids, opportunity to view wildlife, or many other aspects of the experience will determine overall quality.

Qualification and training of personnel such as guides are also important aspects of a quality experience. This aspect of a quality assurance system is made more complex by the fact that there are so many sub-specialties within nature and outdoor tourism. The qualifications and skills of a whitewater rafting guide are decidedly different from those of a fishing guide, for example. In a few cases, there are existing personnel certification programs and standards, but in many cases these do not exist in any widely recognized form.

Once standards are developed and accepted, it is necessary to have an appropriate education mechanism in place to enable individuals and businesses to achieve the required standard. NOTO has an active, ongoing relationship with several community colleges, and is working with the Ontario Tourism Education Corporation to determine whether the current Province of Quebec outdoor guide standards can be implemented in Ontario.

The establishment and administration of standards will be an important component of any licensing system. Because these standards will impact at several levels (personnel qualifications, business practices, accommodation etc.) and across a wide range of business and experience types, the implementation and maintenance of standards will be a significant undertaking.



### **Access to Other Services**

A licensing system, particularly one that also performs a quality assurance function, can be a useful tool in the allocation of other services provided by, or on behalf of, government. For example, it may be desirable to make licensing and certification a requirement for inclusion in directories, promotional brochures and other marketing materials. In designing a licensing system, this issue should be considered when establishing fee structures, for example, since licensing fees may be considered as a mechanism to fund these services.

Licensing may also be useful in establishing access to funding and support programs. Properly licensed businesses should provide a higher probability of success and growth, so licensing as a condition of funding support should help reduce the risk in funding programs.

### **Savings to Government**

The savings to government come in two forms. There is the obvious saving associated with assigning administrative responsibility to an outside organization. However, the greater savings are likely in the consolidation of the current multiple licenses and licensing mechanisms. Not only could this system replace the existing licensing of Land Use Permits, Boat Catches, Bear Management Areas etc., it could also perform tasks now performed by bodies like the Ontario Moose Bear Allocation Advisory Committee.

### **Industry Research**

A single, comprehensive license enhances the ability to collect and maintain data on the resource-based tourism industry. The current inconsistent and overlapping attempts at data gathering leave huge gaps in the information available. This information is needed for both policy and business planning, and is also a required part of the forest management planning process.