

Tourism Product Diversification and Marketing Program

MISSION STATEMENT

The Department of Industry, Tourism and Investment (ITI) provides programs and services that promote and support Northwest Territories (NWT) economic prosperity and community self-reliance. To this end ITI, through this and other programs, may support proposals that:

- (1) Diversify the NWT and community economies;
- (2) Establish or expand northern businesses in support of employment and value added activities;
- (3) Improve business knowledge and capacity; and
- (4) Investigate new Sector business opportunities.

GOAL

ITI will assist the NWT Tourism Industry to increase revenues through the Tourism Product Diversification and Marketing Program (the Program).

OBJECTIVES

The goal of the Program will be achieved by meeting the following objectives:

- (1) To increase the number of tourism products, especially Non-Consumptive Tourism outdoor adventure products;
- (2) To diversify the Tourism Industry in terms of product type and regional distribution;
- (3) To capture greater market share of the Non-Consumptive Tourism outdoor adventure market; and
- (4) To increase the number of clients seeking the products and services of NWT Tourism (NWT) Businesses.

PRINCIPLES

In developing and applying this Program, ITI will be guided by the following principles:

- (1) Government is a partner with industry, and expects industry to assume some financial risk through the form of Equity or debt financing to supplement government contributions toward new investment opportunities;
- (2) Where applicable, funding should be complementary to programs offered by other agencies, rather than replace such funding;
- (3) ITI will support the existing NWT Tourism Industry to expand into new products or markets where there are demonstrable benefits to the NWT economy and its residents;
- (4) Assistance will not be provided where existing local business sustainability in a similar market will be adversely affected;
- (5) Encouraging business diversification and responsiveness to emerging markets and trends is the best overall strategy to ensure enterprise viability over the long term;
- (6) Government will provide financial support based on sound business decisions;
- (7) All requests for financial assistance will be considered in a process that provides for timeliness, objectivity and transparency;
- (8) Program information will be readily available to all residents of the NWT; and
- (9) Government will not provide compensation to businesses for loss of income resulting from changes to a resource base or from shifts in market.

SCOPE

All NWT Businesses, Tourism Operators, and Tourism interests including not-for-profit and Aboriginal organizations currently in the NWT. Specific eligibilities are provided for under individual schedules in this Program.

DEFINITIONS

(1) Destination Marketing Organization

In the NWT, Northwest Territories Tourism (NWTT) is the Destination Marketing Organization tasked with attracting visitors to the NWT.

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- (2) Equity
Means cash, land or any asset with unencumbered residual value contributed to the venture by the owner(s) or shareholder(s).
- (3) Experiential Tourism
Experiential tourism is defined as traveller demand for a range of experiences including culture, nature, heritage, history, local food and arts and crafts.
- (4) High Yield Tourism Market
A market which spends a relatively large amount on vacation or travel; such markets include business travellers, guided or outfitted outdoor adventure, naturalist, angling and hunting.
- (5) ITI
Department of Industry, Tourism and Investment.
- (6) Local Benefits
Local Benefits are those benefits accruing to Residents and NWT Businesses, as measured in full-time equivalent jobs and revenues respectively.
- (7) Market Disruption
Occurs when, in the opinion of the Regional Superintendent or the Regional Superintendents Review Committee, the granting of a contribution will likely adversely and significantly impact the revenue earned by another local business enterprise to the extent that business sustainability may be affected. In the case of the Tourism Industry, the absolute size of the target market and degree to which the Tourism Industry as a whole has penetrated this market will be considered when evaluating a proposal in terms of Market Disruption.
- (8) Minister
Means the Minister of ITI.
- (9) Non-Consumptive Tourism
Traveller demand for Experiential Tourism that does not involve consumer harvest of animals (including fish) as part of the visitor experience and the products which satisfy this demand.
- (10) NWT Business
A business that complies with the legal requirements to carry on business in the NWT, and is:
- (a) a Corporation registered and in good standing under the *NWT Business Corporations Act*;
 - (b) a Co-operative Association in good standing under the *NWT Co-operative Associations Act*; or

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(c) a partnership or sole proprietorship registered and in good standing with the Department of Justice, Legal Registries Division where required, and a holder of a valid NWT municipal business licence where required.

(11) Sector

An economic unit comprising business enterprises that produce goods and services of a similar nature for sale to intermediate suppliers and/or end consumers. Examples in the Tourism Industry include the accommodation sector, the transportation sector, sports fishing outfitters, hunting outfitters, and outdoor adventure outfitters.

(12) Segment

A market for goods and services defined by similar geographic, demographic or demand characteristics. Examples in the Tourism Industry include hunters, anglers, and outdoor adventure enthusiasts.

(13) Sweat Equity

Means the documented value of labour that the applicant contributes to the project, calculated based on the prevailing labour rate where the project is located.

(14) Tourism Business

A business for which 75 percent (seventy-five per cent) of its revenue is derived from travelers, and would likely fail if revenue derived from travelers were not available and which meets the definition of an NWT Business.

(15) Tourism Industry

That portion of the economy which supplies and demands goods and services related to travel. The supply side of this industry primarily comprises the following services: transportation, accommodation, food and beverage, travel services and recreation. The demand side of this industry comprises primarily travelers who journey at least 40 kilometres from their usual place of residence, or spend overnight on a trip.

(16) Tourism Operator

An individual or business who holds a valid Tourism Operator Licence under the *Tourism Act* to provide guided commercial tourism activities in the NWT.

(17) Tourism Product Package

An association or bundling of at least two products or services produced by the Tourism Industry intended to be sold at a single price to the market.

PROVISIONS

Accountability and Authority

(1) Minister

Program Authority

This Program is administered under the authority of the Minister, who is accountable to the Executive Council for operation of the Program.

Market Segment Priorities

The Minister has the authority to designate, from time to time, specific tourism market Segments as being priority for Segment Support funding under this Program.

Operational

The Minister has the authority to prescribe operational guidelines for the Program that includes setting limits on individual contributions, designating Program categories and other procedural matters.

Authority to Delegate

The Minister may, through a letter of instruction, delegate authority to approve contributions, and prescribe operational guidelines for the Program that include setting limits on contributions, to the Deputy Minister (DM) of ITI.

(2) Deputy Minister

The DM of ITI is accountable to the Minister for the administration of the Program and may approve contributions to the levels delegated by the Minister and prescribe operational guidelines for the Program that includes setting limits on contributions, as delegated by the Minister. The DM may delegate authority to approve contributions and is the final authority to rule on appeals on decisions regarding applications declined by the Assistant Deputy Minister (ADM).

(3) Assistant Deputy Minister

The ADM of ITI is accountable to the DM for overseeing the operational aspects of the Program in the NWT and may be delegated approval authority.

(4) Regional Superintendents

Regional Superintendents are accountable to the ADM for the operational aspects of the Program in their respective Regions and may recommend contributions to the levels that may be delegated by the DM.

(5) Director of Tourism and Parks

The Director of Tourism and Parks (TP) is accountable to the ADM for advice on strategic market priorities and may recommend contributions to the levels that may be delegated by the DM.

DUTIES AND RESPONSIBILITIES

(1) Minister

Annual Report

The Minister will table in the Legislative Assembly an annual summary report of contributions, detailing the amount of each contribution, the type of investment or project being supported, the name of the business, the business address, and a definitive statement on the measurement of the economic impacts of the Program against pre-established performance indicator criteria.

(2) Deputy Minister

The DM will:

- (a) Provide the Annual Report to the Minister for tabling in the Legislative Assembly;
- (b) Provide performance indicator criteria for measurement of the economic impacts of the Program;
- (c) Make recommendations to the Minister on strategic Sectors or any other matter relating to changes to this Program;
- (d) Prescribe operational guidelines for the Program that includes setting limits on contributions, as delegated by the Minister; and
- (e) Is the final authority on appeals.

(3) Assistant Deputy Minister

The ADM will:

- (a) Provide direction on the interpretation and clarification of any aspect of this Program to Regional Superintendents;
- (b) Be responsible for maintaining a central registry to collect information required for preparation of the Annual Report;
- (c) Distribute information and promotional material regarding the Program throughout the Territories; and
- (d) Approve Contributions under authority that may be delegated by the DM.

(4) Regional Superintendents

The Regional Superintendents will:

- (a) Distribute information and promotional material regarding the Program to communities in the Region;
- (b) Receive and evaluate applications for assistance under the Program;
- (c) Ensure all administrative processes including contribution agreements, follow-up, and file maintenance, are carried out;
- (d) Compile information relating to applications and required for producing the Annual Report and forward to a central registry;
- (e) Initiate procedures to follow up on Contributions for purposes of financial reporting, results reporting, program monitoring and assessment; and
- (f) Sit on the Regional Superintendents Review Committee.

(5) Director of Tourism and Parks

The Director of TP will:

- (a) Chair the Regional Superintendents Review Committee;
- (b) Ensure all administrative processes including contribution agreements, follow-up, and file maintenance, are carried out;
- (c) Compile information relating to the applications and required for producing the Annual Report and forward to a central registry; and
- (d) Initiate procedures to follow up on Contributions for purposes of financial reporting, results reporting, program monitoring and assessment.

(6) Regional Superintendents Review Committee

The Regional Superintendents Review Committee will:

- (a) Comprise the Regional Superintendents of ITI and the Director of TP;
- (b) Determine and advertise banking days at which time proposals under this Program must be submitted to the Regional Superintendent of the Region in which the main activities of the proposal will be carried out; and
- (c) Recommend to the ADM to approve or decline applications within thirty (30) days of a given banking day in which a proposal was received, including determination of whether or not a proposal may be market disruptive.

PROGRAM ELEMENTS

Overview

The Program offers a menu of schedules to address both short-term and long-term issues faced by Tourism Businesses and Tourism Operators when expanding into new markets or developing new products.

The Schedules address both individual business requirements and broad based marketing efforts that would benefit the entire Tourism Industry.

The Program comprises the following four schedules, which are more fully discussed below:

- Schedule 1: Business Planning and Transition Assistance
- Schedule 2: New Product Development or Enhancement of Existing Product
- Schedule 3: Marketing Assistance for Tourism Businesses

Eligibility:

An applicant is required to meet at least one of the following conditions in order to make an application under this Program:

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- (1) Is an NWT business as defined in this policy;
- (2) Is a society in good standing and registered in the NWT;
- (3) Is an economic development agency operating in the NWT;
- (4) Is an Aboriginal organization in the NWT;
- (5) Intends to start a business in which aboriginal cultural tourism is a significant component;
- (6) Represents a group of separate businesses or operations intending to develop a market ready Tourism Product Package.

Businesses for whom ITI has paid out claims under the Tourism Deposit Assurance Program are specifically precluded from this Program.

Specific proposal requirements and evaluation criteria, funding limits, equity requirements and the purposes to which funding can be applied are described below for each schedule:

Schedule 1: Business Planning and Transition Assistance

Purpose of Funds:

Funds may be applied toward development of business plans intended to enhance existing product or develop new product with the intent of increasing revenues to Tourism Businesses and/or attracting new visitors to the NWT.

Eligible activities could include:

- Costs associated with consulting related to obtaining a Tourism Operator Licence; and
- Consulting fees and costs for development of a business plan.

The business plan must:

- Clearly articulate project goals and objectives and how the business plan will achieve these;
- Describe the purpose to which the funds will be applied
- Demonstrate how the project will attract new visitors to the NWT, and/or increase spending within the NWT by visitors (including markets, such as business travellers, which may be induced to spend on activities not related to their main purpose of travel);
- Identify Local Benefits in terms of jobs created for Residents and revenues flowing to NWT Businesses providing goods and services to the project
- Provide profile(s) of the target market(s)
- Describe the product/market match
- Describe marketing strategy and tactics

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- Provide pro forma financial projections over a 5 – year forecast period, including cash flow projections (these projections must include the volume of expected clients or visitors over the forecast period);
- Identify any spending flows to other NWT Businesses; and
- Identify current project assets the applicant will bring to the project.

Funding Limits:

The maximum available per applicant is \$25,000.

Equity Requirements:

The Equity requirement under this Schedule is 15 percent of eligible project costs, including Sweat Equity.

Proposal Requirements and Evaluation Criteria:

For all purposes, the applicant must indicate which markets and products the plan will target. Priority will be given to applications that target high-yield growth markets for experiential Non-Consumptive Tourism products.

All applications will be evaluated to assess the degree to which, if any, the project will adversely affect currently operating NWT Businesses competing for the same market. The current size of the market and the degree to which the Tourism Industry has penetrated this market will be considered in evaluating proposals for Market Disruption.

Schedule 2: Product Development and Enhancement

Purpose of Funds:

Funds may be applied toward development of new tourism product or enhancement of existing product with the intent of attracting new visitors to the NWT.

Funds may be applied to:

- Start-up costs such as working capital, engineering, and technical feasibility assessments;
- Capital acquisition;
- Skills upgrading;
- Upgrading services or amenities to attract a new market or expand appeal to an existing market;
- Website development; or
- Development costs associated with new Tourism Product Packages (transportation, accommodation and other costs associated with travel to communities to organize package components).

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Funding Limits:

The maximum available per applicant is \$250,000 over a single or multiple years. Once an applicant has received \$250,000 in a single, or over multiple years, the applicant is not eligible to re-apply for this Schedule until five fiscal years (counted from April 1 to March 31) has elapsed from the fiscal year in which the last contribution was received which brings the total granted under this Schedule to \$250,000. The amount of funds for which an applicant is eligible will be determined based on the magnitude of Local Benefits which the project generates.

The following ratios provide a general guideline for determination of funding levels for individual applicants; however, each application will be considered on a case-by-case basis, and factors such as the provision of services critical to the development of the industry as a whole, or regional distribution of benefits will also be considered in evaluation of proposals:

- (1) \$50,000 in contribution assistance for every 100 new visitors the project is likely to attract to the NWT, as projected over a five-year period and measured on a cumulative basis and identified in the business plan, to a maximum of \$150,000; and/or
- (2) \$10,000 in contribution assistance for every \$20,000 which the project is likely to generate in new revenue cumulatively over five years for itself and/or NWT Businesses which provide goods or services to the project or which will realize revenues as a result of activities of the project, to a maximum of \$100,000 in assistance.

Multi-year contribution agreements will be considered.

Equity Requirements:

- The Equity requirement under this Schedule is 15 percent of eligible project costs.
- Up to \$10,000 in existing Equity (capital infrastructure for which no previous contribution funds have been received from the GNWT) and/or Sweat Equity may be applied toward the Equity requirement).

Proposal Requirements and Evaluation Criteria:

Applicants must submit a business plan that addresses specific characteristics of the target market(s) and how the new or enhanced product and the use of funds will appeal to, and attract these markets. The plan must:

- Clearly articulate project goals and objectives and how the business plan will achieve these;
- Describe the purpose to which the funds will be applied;
- Demonstrate how the project will attract new visitors to the NWT, and/or increase spending within the NWT by visitors (including markets, such as

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business travellers, which may be induced to spend on activities not related to their main purpose of travel);

- Identify Local Benefits in terms of jobs created for Residents and revenues flowing to NWT Businesses providing goods and services to the project;
- Provide profile(s) of the target market(s);
- Describe the product/market match;
- Describe marketing strategy and tactics
- Provide pro forma financial projections over a 5 – year forecast period, including cash flow projections (these projections must include the volume of expected clients or visitors over the forecast period);
- Identify any spending flows to other NWT Businesses; and
- Identify current project assets the applicant will bring to the project.

All applications will be evaluated to assess the degree to which, if any, the project will adversely affect currently operating NWT Businesses competing for the same market. The current size of the market and the degree to which the Tourism Industry has penetrated this market will be considered in evaluating proposals for Market Disruption. Priority will be given to plans that:

- Focus on High Yield, Experiential, Non-Consumptive Tourism Markets.
- Demonstrate high levels of Local Benefits.
- Incorporate Aboriginal culture into the product.
- Have benefits that are distributed regionally.
- Incorporate a number of products into market ready packages.
- Are based on sustainable resources and growing markets.
- Show high potential for financial sustainability as demonstrated in the business plan.
- Leverage other sources of investment, including other contribution partners and lending institutions.

While priority will be given to Non-Consumptive products, other business plan elements such as high levels of Local Benefits, package development and a strong financial plan all contribute toward the overall strength of the business plan.

Where other funding sources are available, the applicant must demonstrate that applications have been made for these complementary programs. Examples could include assistance made available through Aboriginal Business Canada, Indian and Northern Affairs Canada, Arctic Energy Alliance, and others.

Schedule 3: Marketing Assistance for Tourism Businesses

Purpose of Funds:

Funds may be applied toward marketing efforts for projects approved in Schedule 1 and 2, consistent with the key markets identified in the marketing strategy of the NWT's Destination Marketing Organization, NWTT. Where sufficient funds exist, assistance may be provided to Tourism Businesses and Tourism Operators who do not have projects approved under Schedule 1 and 2, but who require assistance to promote product that matches the demand identified for the High Yield, Experiential, Non-Consumptive Tourism Markets.

Where their efforts support projects approved in Schedules 1 and 2, or appeal to priority markets but where the applicants did not receive funds under Schedules 1 or 2, applicants may be funded to:

- Attend travel trade and consumer shows;
- Participate in coop marketing programs with Destination Marketing Organizations or industry associations;
- Develop brochures and pamphlets;
- Develop and launch campaigns or tactics targeted at the priority High Yield, Experiential, Non-Consumptive Tourism Markets; or
- Develop or modify websites.

Funding Limits:

- For Tourism Businesses and Tourism Operators, the maximum available per applicant annually is \$10,000; and
- Applicants are eligible to apply for funds each year that the Program is available.

Equity Requirements:

- The Equity requirement under this Schedule is 15 percent of eligible project costs.

Proposal Requirements and Evaluation Criteria:

All applications must identify the target market to which the marketing effort will be applied, the use of the funds, and the expected benefits in terms of the number of new clients and/or new revenue which the marketing effort will generate.

Priority will be given to applications that:

- Focus on High Yield, Experiential, Non-Consumptive Tourism Markets.
- Are consistent with the Marketing Plan for NWT Tourism approved by the Minister of ITI.
- Support projects approved in Schedules 1 and 2 of this Program.

GENERAL CONDITIONS

- (1) The meeting of eligibility criteria for this Program, in and of itself, does not guarantee subsequent approval of financial support. Financial assistance may be provided to those projects deemed as providing the greatest economic benefit to the NWT.
- (2) Applicants must clearly identify the need for funding in terms of being unable to obtain the requested funding through other means or where the terms and conditions on funding are such that the proposed business venture is no longer viable. In the case of capital expansion, economic diversification benefits for the NWT economy will also be taken into account, where funding will be considered as an incentive to development in specific Sectors where the business case is positive but may be marginal.
- (3) Applicants must supply supporting data deemed relevant by the Regional Superintendents Review Committee.
- (4) All recipients of contribution assistance must agree to public disclosure. In addition, recipients are responsible to account for funding received, for demonstrating acceptable results for the project.
- (5) Agents of the GNWT will be granted access to the project site or premises to inspect all books and other financial statements and to obtain any other information necessary to evaluating the success of the project.
- (6) Applicants who fail to meet their commitments, as outlined in the Contribution Agreement, will be required to repay contribution assistance.
- (7) Applicants for assistance who are eligible for Federal or Federal/NWT assistance may be required to provide evidence of the decision reached on funding applications from these programs.

Excluded Costs

Contributions will not be provided to assist with the acquisition or purchase of:

- (1) Assets previously acquired by the applicant, shareholder or partner in the project, or by an associated business;
- (2) The applicant's internal costs not directly related to the project and non-arms length transactions, including payments made to shareholders or members of their immediate family or businesses related by common effective control;
- (3) Raw land for speculative purposes; or

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- (4) Assets previously purchased with the assistance of the GNWT or the Government of Canada, in which case the amount of the previous contribution will be deducted from the fair market value of the asset to arrive at the eligible cost of the asset.

Contribution Agreement

A Contribution Agreement is a legal and binding commitment by the recipient to undertake a specific project within a defined time frame. General terms and conditions for a contribution will be specified within a Contribution Agreement. Specific terms and conditions will vary according to the nature of the contribution and the project or activity being supported and will be attached as a schedule to the Contribution Agreement.

Equity Requirements

For a project to be considered, applicants must contribute 15 percent minimum Equity.

Payment

Any payments made under this Program are conditional on approval of funds in the Main Estimates by the Legislative Assembly, and there being sufficient uncommitted balance in the appropriate activities for the fiscal year for which the funds would be required.

Payment will be provided when:

- (1) The applicant has accepted the terms and conditions for a contribution as detailed in the Contribution Agreement;
- (2) The required Equity is in place (for Sweat Equity, a commitment that the work will be performed);
- (3) The availability of additional financing necessary to complete the project has been confirmed; and
- (4) Necessary approval by regulatory, municipal and other authorities has been confirmed. This may include meeting health and safety standards, environmental standards, acquiring land use approval, support from community or regional councils, or any other approvals deemed necessary for the project to proceed. Applicants with a valid Tourism Operator Licence should be aware that a substantial change in the activities offered relative to their current licence will trigger consultation on the new activities. Approval to offer these new activities is not guaranteed.

Contracting Procedures

Whenever possible the project or activity will use NWT goods, services and construction. The Contribution Agreement will specify that the Business Incentive Policy of the GNWT applies to all goods, service and construction contracts associated with the project as called for in that Policy.

Funding Priorities

Contribution funding is limited. The Minister may from time to time change the priority of markets identified by the Program as the most promising for investment.

Confidentiality

- (1) This provision is subject to the NWT *Access to Information and Protection of Privacy Act*. Except as outlined below in (a), (b), and (c), all information provided by the applicant will be kept confidential unless the applicant agrees in writing to its release:
 - (a) Contributions will be conditional upon the applicant agreeing that the details of the contribution, as required for the preparation of an Annual Report, will be made available to the public.
 - (b) Where market disruption may be a factor the Minister may advertise the proposed contribution and/or solicit interventions from competing businesses.
 - (c) The Minister may, at his or her discretion, publish job creation, income, expenditure and other benefits statistics in aggregate form where, in the opinion of the Minister, publishing such information will not harm a recipient of financial assistance under this Program.
- (2) All information and records, including documents, submitted to the GNWT are in the custody and control of the GNWT and thus subject to applicable legislation with respect to Public Accounts as well as the protection and disclosure provisions of the *Access to Information and Protection of Privacy Act*. This Act allows any person a right of access to the records in the custody or under the control of a public body subject to limited and specific exemptions.

Appeals

In the event that an applicant is not satisfied with the decision of the approving authority regarding the amount, if any, of contribution assistance because:

- (a) New information which materially affects the applicant's demonstrated need, viability or proposed benefits becomes known to the applicant between the date the completed and signed application is forwarded to the approving authority and the date the approving authority reviews the application; or
- (b) The applicant has cause to believe that the provisions of this Program were not fairly and adequately applied;

Then the applicant may appeal to the DM of ITI. Appeals must be in writing and received by the DM no later than 30 (thirty) days following the date that the applicant has received notification of the approving authority's decision. Reasons other than (a) or (b) above will not be considered grounds for appeal.

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Application

Application forms may be obtained from any local office of the Department of ITI. The Department may vary the application process from time to time.

Banking Days

Banking days will be established from time to time as determined necessary by the Regional Superintendents Review Committee. Applications must be received by the regional or area office of ITI no later than 4:00 p.m. of the banking day in order to be eligible for review at the next meeting of the Regional Superintendents Review Committee, which will be held within 30 (thirty) days of the banking day.

Notification

Applicants will be informed in writing whether approval of the application has been granted and what eligible costs have been approved.

Prerogative of the Minister

Nothing in this Program may in any way be construed to limit the prerogative of the Minister to make decisions or to take actions, respecting business contributions, or any other form of business assistance, either direct or indirect, outside the provisions of this Program.