



ANNUAL  
**SERVICE PLAN**  
REPORT

**2013/14**

Destination  
British Columbia™

# MESSAGE FROM THE BOARD CHAIR AND ACCOUNTABILITY STATEMENT

**To the Honourable Shirley Bond, Minister of Jobs, Tourism and Skills Training and Minister Responsible for Labour:**

On behalf of the Board of Directors of Destination British Columbia (Destination BC), I am pleased to present our 2013/14 Annual Service Plan Report that outlines our achievements during fiscal 2013-2014, Destination BC's first year of operations.

Destination BC was established on November 2, 2012 under the British Columbia *Business Corporations Act* as the province's new provincial tourism marketing organization, meeting the Provincial government's commitment to create an accountable, responsible, industry-led and formula-funded provincial tourism marketing agency. The *Destination BC Corp. Act* was brought into force in March 2013, continuing Destination BC as a Provincial Crown corporation. Destination BC began operations on April 1, 2013 with the transfer of staff, assets and programs from the Tourism Division of the Ministry of Jobs, Tourism and Skills Training.

Tourism is a booming industry and is forecast to grow rapidly during the next 20 years world-wide. While British Columbia may have a very small share of the global tourism market, we can ride this wave and capture more than our fair share of the growth – the opportunity is tremendous. BC and Canada remain highly-rated tourism destinations because of our incredible natural assets, awe-inspiring geography, solid infrastructure, a growing collection of unique experiences and a high level of customer service.

Tourism is a key sector driving economic growth and job creation for BC's economy. The sector contributed \$7.1 billion in GDP to the provincial economy in 2012 and provided employment for more than 127,000 British Columbians. Tourism is a sustainable industry for BC, and a thriving tourism industry can provide an enduring and stable source of revenue and jobs for our communities and the provincial economy.

British Columbia's tourism industry experienced strong growth in 2013, with a 4.6% increase in international visitor arrivals and strong increases in accommodation occupancy and daily accommodation room rates. Destination BC played an important role in this success,

marketing British Columbia domestically, nationally and internationally as a coveted tourist destination while promoting the development, enhancement and growth of the tourism industry throughout the province.

Destination BC is focused on achieving results — growing the sector through high impact, innovative and creative marketing, enhancing the visitor experience, developing and maintaining strong relationships with the tourism industry and managing the Corporation with accountability, efficiency and effectiveness. Some of Destination BC's key achievements in our first year include:

- Hired our President and CEO Marsha Walden, after a world-wide search;
- Appointed, and held meetings with, the Tourism Marketing Committee and its sub-committees to consult with the tourism industry on our marketing direction;
- Initiated the development of Destination BC's first corporate strategy and marketing plan, set for implementation in early 2014/15;
- Generated a 16% increase (to 8.5 million) in visits to **HelloBC.com**, Destination BC's consumer website and main vehicle for connecting potential visitors to the compelling experiences and products of BC's tourism industry;
- Partnered with BC's 13 destination ski resorts in our successful 2013/14 ski campaign, generating over 175,000 website visits and over 56,000 visitor connections to the resorts;
- Deployed over 4.3 million customized direct marketing emails to over 540,000 travellers in our database who expressed an interest in visiting British Columbia;
- Supported the publication of over 9,000 articles on travel in British Columbia, in the North America travel media (print and online) in 2013/14;
- Raised \$6.9 million from the private sector and other governments for joint marketing initiatives;

- Consulted with over 1,000 industry stakeholders and conducted consumer research in our key markets around the world to inform our destination brand revitalization work currently underway.

Going forward, the major risks and uncertainties that could impact tourism industry performance are related to potential changes in economic conditions in our key markets, changes in the relative value of the Canadian dollar and increasing global competition for our tourism dollars. However, continued growth in international travel, increased air capacity to BC from key markets and emerging British Columbian tourism products create on-going opportunities for the industry.

From the Corporation's perspective, the opportunity we are most excited about is the implementation of Destination BC's first corporate strategy and marketing plan in 2014/15. The strategy is being developed by staff, under the guidance of the Board, and consultation with the tourism industry through meetings with the Tourism Marketing Committee and over 200 industry stakeholders. When fully implemented, the strategy will result in stronger alignment and collaboration within the industry, more impactful marketing and will significantly accelerate tourism industry growth.

Destination BC's financial position is sound, with an operating surplus of \$209,000 in our first year of operations. Funding from the Provincial government of \$48.890 million was supplemented by revenue of \$3.321 million, generated by the Corporation. While revenue generated by Destination BC fell short of our forecast, largely due to lower than expected subscription and advertising revenue for BC Magazine, the shortfall was managed internally through efficiency gains.

The Board of Directors is responsible for all the content of this report and the methods for reporting it. The Board is also responsible for the internal controls that ensure the information contained within this report is consistent with the mandate and goals of the organization, is measured and reported accurately and completely in a timely manner, and aligns with Government's priorities.

The content of this report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the *BC Reporting Principles*. It reflects Destination BC's performance for the 12 months ended March 31, 2014, against the goals and targets identified in our 2013/14–2015/16 Service Plan.

All significant decisions and changes to Destination BC's strategies, measures, targets or data reliability are identified within the report. Significant assumptions, events and identified risks, as of May 30, 2014, also have been considered in the preparation of the report. The report contains estimates and interpretive information that represent the best judgment of management.

On behalf of the Board of Directors, I would like to thank management and staff for their contribution to the organization and its success. I would also like to thank the Minister of Jobs, Tourism and Skills Training, the Minister of State for Small Business and Tourism and their staff for giving on-going support to our organization during our first year of operations.



**Andrea Shaw**  
Chair, Board of Directors

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# ORGANIZATIONAL OVERVIEW

## WHO WE ARE

Established on November 2, 2012 under the *Business Corporations Act* and continuing as a statutory Crown corporation pursuant to the *Destination BC Corp. Act*, Destination BC Corp. is wholly owned by the Province of British Columbia and commenced operations on April 1, 2013.

Operating as Destination British Columbia (Destination BC), the Crown corporation works collaboratively with tourism stakeholders across the province to coordinate tourism marketing at the international, provincial, regional and local levels.

Destination BC is responsible for executing key components of *Gaining the Edge*, the Provincial government's tourism strategy. During 2013/14 work began on Destination BC's first three

year corporate strategy and marketing plan. Destination BC's new vision, mission and values will be articulated as part of its first corporate strategy.

## MANDATE

Destination BC has a mandate to:

- Market British Columbia domestically, nationally and internationally as a tourist destination;
- Promote the development and growth of the tourism industry in British Columbia to increase revenue and employment in, and the economic benefits generated by, the industry, including, without limitation, by:
  - Providing support for regional, sectoral and community tourism marketing;
  - Providing industry leadership in tourism marketing;
  - Promoting training and development in relation to tourism marketing;
  - Providing support for visitor centres; and
  - Conducting tourism-related market research;
- Provide advice and recommendations to the minister on tourism-related matters;
- Enhance public awareness of tourism and its economic value to British Columbia; and
- Administer and perform agreements assigned to it by the Minister.



Revelstoke

## ORGANIZATIONAL STRUCTURE

In 2013/14 the organization was structured in three functional areas of Tourism Marketing, Tourism Partnerships, and Research, Planning and Evaluation. Destination BC has approximately 130 staff positions, primarily based in BC (Vancouver and Victoria), which were transferred to the organization on April 1, 2013 from the Ministry of Jobs, Tourism and Skills Training. The organization is multi-national, with in-market representation in the United Kingdom, Germany, Japan, Korea, China, and Australia. Offices in Japan and the United Kingdom are staffed with locally engaged employees; Destination BC contracts with in-market representatives in the other international offices.

### Tourism Marketing

Operating in an aggressive global marketplace of sophisticated, well-funded competitors, the Tourism Marketing team deploys a combination of consumer-direct and travel trade marketing and media relations worldwide to motivate travel to British Columbia, increase provincial tourism revenues and encourage the geographic and seasonal distribution of visitors to and within British Columbia. Activities are designed to help move the consumer through the vacation planning and purchase process (from awareness, interest and purchase, to recommendations and repeat purchase) with the goal of increasing demand for British Columbia as a preferred travel destination. The team includes staff dedicated to consumer and trade marketing, travel media relations, eMarketing and marketing communications targeting North American and Overseas markets.

### Tourism Partnerships

The Tourism Partnerships team focuses on supporting tourism businesses throughout British Columbia and works to improve overall marketing effectiveness through strategic alignment, operational cooperation, co-op funding, and collaborative relationships with industry stakeholders. In 2013/14, program areas included partnerships with tourism organizations representing regions, cities and communities, sectors and Aboriginal tourism. These units work to leverage tourism investments and seek to encourage coordination and integration between industry-led marketing and Destination BC tourism marketing programs.

The team also includes Visitor Services and Tourism Product Management staff, who connect visitors to travel information and



Montague Harbour

individual tourism businesses, motivating visitors to extend their stay and travel to all regions of the province. In addition, **WorldHost®** Training Services and Quality Assurance help to increase industry professionalism in British Columbia's tourism workforce. The Tourism Partnerships team is also responsible for publishing *British Columbia Magazine*, which highlights tourism experiences in BC.

### Research, Planning and Evaluation

The Research, Planning and Evaluation team works to build a knowledge base that supports research driven decision-making and program evaluation by Destination BC, community and sector organizations, tourism businesses and government. This includes analyzing tourism performance indicators, tracking tourism industry performance and communicating information on

industry performance and trends to stakeholders, and to the general public to raise awareness of the economic value of tourism. In addition, the team leads a variety of consumer-focused research studies to provide market insights to the organization and its many partners in the BC tourism industry.

The team partners with other federal, provincial and local agencies (the Canadian Tourism Commission (CTC), Parks Canada, Canadian Heritage, and other provincial and territorial destination marketing organizations) on national and international visitor surveys.

Additional information about Destination BC can be found on its website at [DestinationBC.ca](http://DestinationBC.ca).

### Regional Destination Marketing

The six Regional Destination Marketing Organizations (RDMOs) support local and regional tourism in the province. Destination BC provides funding to these organizations to fulfill this role through formal contracts between the corporation and the RDMOs. These contracts are published on Destination BC's [website](#).



Sea-to-Sky Highway

# CORPORATE GOVERNANCE

Destination BC reports to the Minister of Jobs, Tourism and Skills Training and is governed by a Board of Directors comprised of nine private sector Directors appointed by the Lieutenant Governor in Council, based on recommendations provided by the Board to the Minister. Of the nine members, only four may be currently involved in the tourism sector.

The Directors are chosen on the basis of their business experience and the expertise required on the Board, against a well-defined board skills matrix. The Board is responsible for providing leadership and strategic direction to Destination BC, in accordance with Destination BC's mandate, Government's strategic direction, *Gaining the Edge*, and Government's Letter of Expectations, as well as overseeing management in the conduct of the organization's business. This includes to:

- Set vision and strategic direction and empowering management to pursue them;
- Ensure appropriate fiscal and management policies, controls and accountabilities are in place;
- Approve the annual budget and fiscal plan;
- Ensure appropriate risk-management measures are in place;
- Hold management accountable for defined performance measurements;
- Ensure effective use of resources;
- Develop strategies to engage and partner with key stakeholders in the marketing of tourism; and
- Report to government, stakeholders and the public.

As a Crown corporation, Destination BC and the Board are guided by, and comply with, the standards, principles and disclosure requirements included in the Provincial Government's *Best Practice Guidelines: BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations*.

## TOURISM MARKETING COMMITTEE

The *Destination BC Corp Act* directs the Board to establish the Tourism Marketing Committee, the members of which represent regional tourism interests, to provide advice to the Board and the Chief Executive Officer (CEO) on all of the following:

- (a) tourism marketing strategies;
- (b) annual and 3-year tourism marketing priorities and outcomes;



Khutzeymateen Valley



- (c) tourism performance indicators;
- (d) matters specified in resolutions of the board; and
- (e) matters prescribed by the Lieutenant Governor in Council.

The Tourism Marketing Committee was established in July 2013. During 2013/14 the Committee was tasked with providing strategic advice to the Destination BC Board and CEO related to:

- Marketing strategy for the organization;
- Performance metrics to track the success of the organization’s tourism marketing activities, and the performance of the tourism sector;
- Strategies to enhance collaboration and alignment within the industry; and
- Ways to use Destination BC funds to leverage private and public sector tourism marketing funds.



Invermere

**CHAIR:** Marsha Walden, President & CEO of Destination BC.

**MEMBERS:** The Tourism Marketing Committee is comprised of representatives nominated by each of the six Regional Destination Marketing Organizations, two Destination BC Board members (Loring Phinney and Gordon Fitzpatrick) and Marsha Walden, CEO of Destination BC. A complete list of current Tourism Marketing Committee members can be found [here](#).

### Board Governance Disclosure

Destination BC adheres to the disclosure requirements of the Best Practice Guidelines on Governance and Disclosure published by the Board Resourcing and Development Office. This includes terms of reference for the Board and its committees, Director biographies, director attendance records, and the number of board and committee meetings held during the year which can be found [here](#). Compliance will be completed with the approval of Destination BC’s Governance manual by the Board in Fall 2014.

The Chair is responsible for the effective leadership and performance of the Board and is the liaison between the Board and the Minister responsible for tourism. The Chair works with the CEO to ensure effective relations with tourism stakeholders and government.

Directors have a fiduciary duty to act in the best interests of Destination BC. They are guided in fulfilling their mandate by Destination BC’s partners and stakeholders and, in particular, British Columbia’s tourism industry.

## Board Of Directors

- Andrea Shaw (Chair)
- Laird M. Miller (Vice-Chair)
- Susan Doi
- Gordon Fitzpatrick
- Chief Clarence Louie
- Matt Mosteller
- Loring Phinney
- Robert Pratt
- Alan Raine

Individual biographies of the Board Chair and Directors can be found [here](#).

The Board Chair is an ex-officio member of all committees and each Director serves on one or more of three standing committees:

### 1. Finance and Audit Committee

**COMMITTEE ROLE:** The Finance and Audit Committee assists the Board in fulfilling its oversight responsibilities related to internal controls, audit processes, compliance with laws, regulations and policies, risk management and other related financial management matters. The committee ensures that all necessary reporting is carried out in a timely manner.

**CHAIR:** Laird Miller

**MEMBERS:** Gordon Fitzpatrick and Robert Pratt

### 2. Human Resources Committee

**COMMITTEE ROLE:** The Human Resource Committee assists the Board in fulfilling its obligations relating to human resource and compensation issues. The committee maintains a focus on the performance and development

of the CEO and on key strategic human resource priorities.

**CHAIR:** Robert Pratt

**MEMBERS:** Susan Doi, Gordon Fitzpatrick, Chief Clarence Louie, Matt Mosteller and Loring Phinney

### 3. Governance Committee

**COMMITTEE ROLE:** The Governance Committee is responsible for ensuring that Destination BC and its Board develop and implement an effective approach to corporate governance. This will enable the business and affairs of the organization to be carried out, directed and managed with the objective of ensuring compliance with governance practices and sound ethical principles.

**CHAIR:** Susan Doi

**MEMBERS:** Chief Clarence Louie, Laird Miller, Matt Mosteller and Alan Raine



Okanagan Falls

The Board has developed a Terms of Reference for each committee that can be viewed [here](#).

The Board met monthly during the first year of operations, 2013/14, and will meet at least quarterly during 2014/15.

## GOVERNANCE PRINCIPLES

Destination BC's governance principles are:

- Directors are independent of both government and Destination BC management;
- Terms of Reference clearly define Chair and Director committee responsibilities;
- Oversight of management is meaningful;
- Board and employees follow a rigorous code of conduct;
- Governance improves continuously through professional development of directors and annual Board assessments; and
- Governance practices are transparent.



Gwaii Haanas National Park Reserve

## EXECUTIVE MANAGEMENT

Responsibility for day-to-day management of Destination BC is delegated to the CEO. The CEO leads the organization in achieving the corporate goals and priorities set by the Board, establishes standards for organizational conduct and recommends new initiatives to the Board. After a global search, conducted by a leading executive search firm, Marsha Walden was appointed as Destination BC's first permanent President and CEO in October 2013, with a formal start date of November 25, 2013.

## ACCOUNTABILITY AND TRANSPARENCY

As a Crown corporation, Destination BC is accountable to the taxpayers of British Columbia and operates in a manner consistent with the policies and directives of the Provincial Government. An annual *Government's Letter of Expectations* between Destination BC and the Provincial government outlines these expectations. More information on the Government's Letter of Expectations for fiscal 2013/14 can be found [here](#). See [page 27](#) for a summary of Destination BC's actions during 2013/14 to meet these expectations.

Destination BC is also accountable to industry. As a first step, the Corporation established the Tourism Marketing Committee in 2013/14. The Tourism Marketing Committee provides input to the Board and the CEO on the development of the tourism marketing strategy, tourism performance indicators, and on ways to increase alignment and encourage joint funding of marketing activities.



# REPORT ON PERFORMANCE

Tourism is a critical sector within BC's economy. In 2012, the tourism industry generated \$13.5 billion in revenue, an increase of 2.5 per cent from 2011 and a 43 per cent increase since 2001. The industry contributed \$7.1 billion in GDP and \$3.2 billion in export revenues and employed over 127,000 people with total tourism wages and salaries of \$4.3 billion.<sup>1</sup>

In addition, the industry generates social, cultural and environmental benefits that improve the quality of life for all British Columbians. Tourism helps to support the viability of BC's infrastructure such as museums and galleries, festivals and sports events, air/highway/coastal transportation, culinary and wine sector development, parks and recreational facilities, forest and wildlife management practices, among other benefits. Research indicates that tourism and tourism marketing actively contribute to international perceptions of a destination among potential investors, immigrants and students as well as visitors.<sup>2</sup>

## TOURISM INDUSTRY PERFORMANCE

While Destination BC does not produce or sell tourism products and services directly to tourists itself, it plays a critical role in maximizing long-term industry growth. Over the long run, the growth of tourism industry revenue is the key indicator of the success of the Provincial government's tourism strategy and of Destination BC.

On a year-to-year basis, there are many factors that affect tourism industry performance, such as the economic performance of key tourism markets, exchange rate fluctuations, health or safety issues, unanticipated disruptions in access and weather conditions, to name a few. In executing the province's tourism marketing strategy, Destination BC must take these factors into account. Because of these factors, measures of total tourism industry performance alone are not sufficient to evaluate the corporation's overall performance. Hence, measures of corporate performance, reported in a later section, focus on outcomes that are more directly attributable to the activities of Destination BC on a year to year basis.



Mount Robson Provincial Park

<sup>1</sup> Source: BC Stats

<sup>2</sup> Passport to Growth: How International Arrivals Stimulate Canadian Exports, Deloitte (2013)

*Gaining the Edge* sets targets for tourism industry revenue and tourism industry employment for 2012 to 2016. As key markets such as the USA and the United Kingdom emerge from the lingering effects of the world financial crisis of 2008, British Columbia has begun to see a rebound of revenue growth and visitor volumes. Actual 2013 tourism industry revenue will be available from BC Stats in September 2014 however, two of the most reliable indicators available are reported in the table on the following page:

- a) the number of overnight visitors and
- b) accommodation industry performance.

Performance indicators for 2013 show strong growth during the year. Visitation from international markets was up 4.6% (4.3% from

the USA, BC's largest international market, and 5.4% from overseas markets). Provincial occupancy rose 1.6 points – a 2.7% increase in the occupancy rate, while the average room rate increased 2.6%. These indicators suggest that growth in tourism industry revenue was in the range of 4% to 6% during 2013 and export revenue likely grew by more than 5%.

It should be noted that BC's tourism industry out-performed Canada as a whole in 2013, which saw an increase in international visitation of 1.5%, compared to 4.6% for BC. A broader set of monthly and annual tourism industry performance measures and indicators, including regional indicators, are available in Destination BC's [Value of Tourism](#) and [Tourism Indicators](#) publications.

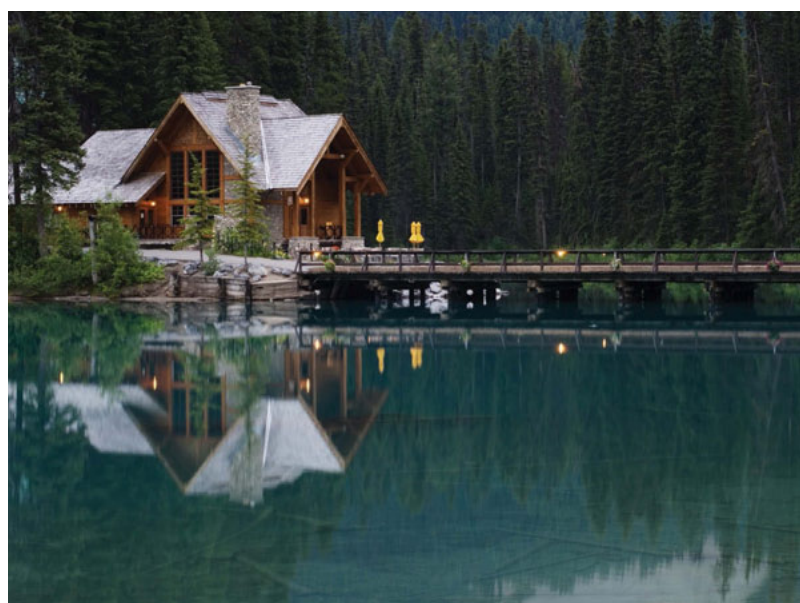


Pacific Rim National Park

**Table 1: Tourism Industry Performance 2009 - 2013** (See Appendix 1 for data sources)

Performance Measure or Indicator	2009	2010	2011	2012	2013 <sup>3</sup>
Tourism Industry Revenue	\$12.4 B (-5.7%)	\$12.9 B (+4.3%)	\$13.1 B (+1.6%)	\$13.5 B (+2.5%)	TBD
Tourism Industry Employment	128,000 (-1.6%)	126,900 (-0.9%)	126,500 (-0.3%)	127,300 (+0.6%)	TBD
<b>Overnight Visitors From:</b>					
Canada (incl. BC)	N/A	N/A	13,443,000	13,624,000	TBD
USA	2,899,000	2,955,000	2,904,000	2,941,000	3,067,000 (+4.3%)
Overseas Markets	1,276,000	1,409,000	1,359,000	1,341,000	1,413,000 (+5.4%)
Prov. Accommodation Occupancy Rate	58.8%	60.0%	59.4%	59.6%	61.1% (+1.6 pts)
Prov. Accommodation Daily Room Rate	\$130	\$138	\$131	\$131	\$134 (+2.6%)

<sup>3</sup> Data is not yet available for 2013 tourism industry revenue and employment (available September 2014) or overnight visitors from Canada (available November 2014). 2013 USA and overseas overnight visitors was estimated based on growth in overnight customs entries during 2013.



Emerald Lake Lodge

## DESTINATION BC PERFORMANCE 2013/14

This Annual Service Plan Report outlines Destination BC's goals for the 2013/14 fiscal year, strategies employed to reach those goals and the results achieved. As 2013/14 was the first year of operation for Destination BC most of the results from prior years are not applicable and thus not included in this Report.

Destination BC's goals, objectives, strategies, measures and data sources will be refined as the new three year corporate strategy and marketing plan is developed under the direction of its Board and CEO during 2014/15. This will include working with the Province to confirm or replace key performance measures to ensure performance measures reflect the Corporation's operating performance and the new corporate strategy and marketing plan.

The Provincial Tourism Strategy, *Gaining the Edge*, provides important context for Destination

BC's short and long-term tourism marketing strategies and decisions. This includes the key goals of *Gaining the Edge* of increasing tourism industry revenue and ensuring that all tourism regions of the province experience growth.

The strategies of *Gaining the Edge* are grouped under four themes:

1. Leadership through Partnership and Coordination;
2. Focused Marketing;
3. Quality Visitor Experiences; and
4. Removing Barriers to Industry Growth.

The Corporation's goals and strategies are designed to support the industry to achieve target growth rates and generate economic and social benefits for all British Columbians. Destination BC works to:

- a) Create awareness and interest in British Columbia as a tourism destination and link prospective visitors to the products and experiences the province has to offer, facilitating the sale of British Columbian tourism experiences to visitors;
- b) Assist tourism businesses to provide an excellent and uniformly high level of customer experience, leading to greater repeat visitation and recommendations of British Columbia through word of mouth and social media;
- c) Align efforts of all industry and government stakeholders in order to present a consistent, highly appealing image of British Columbia as a tourism destination to the world, and ensuring that marketing investments of different industry stakeholders are as complementary as possible;



Bowron Lake Provincial Park

d) Lead strategic planning and performance tracking for British Columbia's tourism industry; and

e) Measure and communicate the economic value of the tourism industry to British Columbia.

## **DESTINATION BC'S CORPORATE GOALS FOR 2013/14 WERE:<sup>4</sup>**

### **Goal 1 – Industry Growth: Increase tourism revenue<sup>5</sup>**

Assist industry to increase tourism revenue by attracting more visitors.

### **Goal 2 – Remarkable Guest Experiences**

Assist industry to develop, deliver and maintain a consistent world-class guest experience.

### **Goal 3 – Strong Relationships**

Engage, align and collaborate with key industry stakeholders, partners and governments to focus collective tourism marketing efforts.

### **Goal 4 – Business Efficiency**

Conduct our business effectively and efficiently in a changing environment.

### **Goal 5 – Talented, Motivated People**

Develop and empower a team that is engaged, strategic, responsive and innovative.



Whistler Village

<sup>4</sup> Note that the wording of the goals has been simplified since the publication of the Revised 2013/14 – 2015/16 Service Plan to achieve greater clarity and focus. The change in wording has not changed the meaning or intent of the goals.

<sup>5</sup> Goal 1 was changed to Attract Visitors in the Revised 2013/14 – 2015/16 Service Plan and all subsequent documents.



## GOAL 1 – Industry Growth: Increase tourism revenue by attracting more visitors

STRATEGIES	PERFORMANCE MEASURE	2013/14 TARGET	2013/14 RESULT	2014/15 TARGET	2015/16 TARGET	2016/17 TARGET
Deploy a combination of media relations, travel trade and consumer direct marketing activities to connect consumers to travel information and products through the channel of their choice	Number of visits to Destination BC consumer websites	7.4 Million	8.5 Million (Target Exceeded)	8.3 Million	8.6 Million	8.9 Million

Data Source: Destination BC



Robson Bight Ecological Reserve

### Discussion

To attract more visitors and contribute to the Province’s goal of increasing tourism revenue, Destination BC works to increase the awareness, interest and urgency of potential visitors to visit British Columbia then facilitates purchase by connecting visitors directly, or through tour operators, to British Columbia’s tourism products and services. The number of visitors to Destination BC’s consumer websites – including **HelloBC.com** and all the international language sites – is a key measure of the success of a range of marketing activities designed to move consumers down the path to purchasing a trip to British Columbia by connecting them to BC tourism products and experiences through the consumer websites. Research indicates that over 90% of leisure travellers plan their vacations using

online resources. Providing online content which supports both inspiration and information is crucial to enabling potential tourists to make plans to visit the province. The websites are designed to make it easy for consumers to explore BC's many tourism products and services, connect with tourism businesses and finally, to make the decision to visit. As part of development of a new corporate strategy and marketing plan in 2014, Destination BC will likely develop additional measures of the impact of strategies designed to attract more visitors for inclusion in the 2015/16 – 2017/18 Service Plan.

In 2013/14 the number of visitors to Destination BC's consumer websites increased 16%, exceeding the target of 7.4 million visitors by 14.9%. Factors in this success included: improvements in content management, information architecture and implementation of a mobile responsive website to leverage the increased use of mobile devices by potential visitors to access information. These improvements led to marketing activities driving potential visitors to Destination BC's consumer websites to be more effective.

2013/14 marketing results highlights include:

- Driving over 900,000 referrals from Destination BC's consumer websites to tourism businesses across British Columbia;
- Generating unpaid travel media coverage for BC in key markets across the globe – over 9,000 articles about BC travel were

published in North American outlets alone in 2013;

- Driving over 175,000 visits to the 2013/14 North America ski campaign microsite; and
- Developing 130 marketing promotions with key international tour operators bringing travel groups to British Columbia.



Lower Silver Springs Lake

## GOAL 2 – Remarkable Guest Experiences: Assist industry to develop, deliver and maintain a world-class guest experience.

STRATEGIES	PERFORMANCE MEASURE	2013/14 TARGET	2013/14 RESULT	2014/15 TARGET	2015/16 TARGET	2016/17 TARGET
Improve the guest experience through integrated visitor information services	Visitor Centre Network satisfaction with programs and services	Establish Baseline	97% rate either good, very good or excellent	97%	97%	97%
Assist tourism businesses to meet and exceed guest needs and expectations	<b>WorldHost</b> program participants*	Establish Baseline	13,348	13,000	14,000	15,000

Data Source: Destination BC and third party independent research firm.

\*Note that this performance measure has been narrowed to WorldHost participants. This is the program designed to assist businesses that can be most effectively tracked and tied to Destination BC performance.



Apex Mountain Resort

### Discussion

The delivery of outstanding experiences for guests from anywhere in the world is critical to achieving higher revenues through increased spending and longer stays, and the responsibility for this lies largely with tourism businesses, supported by Visitor Centres. Destination BC contributes by providing tools, education and training programs, such as **WorldHost**, to enhance the overall quality of the guest experience throughout the province. As part of development of a new corporate strategy and marketing plan in 2014, Destination BC will develop direct measures of the quality of guest experiences for inclusion in the 2015/16 – 2017/18 Service Plan.

In 2013/14, Visitors Centres participating in Destination BC's Visitor Centre Network provided information and travel counseling to over 2.6 million visitors. Among Visitor Centre Network participants, 97% rated Destination BC's programs and support to them as good, very good or excellent. While BC's Visitor Centres provide excellent service, use of visitor centres by tourists has been declining (down 5.8% in 2013). More and more, information is made available and accessed through other convenient channels, including mobile devices such as tablets and smartphones. As part of the new corporate strategy, Destination BC will develop a modernized visitor servicing strategy to ensure that visitors have access to the information they need to optimize their experience in BC through their preferred channel, whether it is a visitor centre, mobile device or other means.

**WorldHost** launched two new online training courses on providing remarkable service in the age of social media, creating leading edge support for BC's tourism industry and delivering services through a medium that is more convenient for many business participants. The program saw a significant increase in participants trained in 2013/14 and Destination BC entered into an agreement to provide customer service training to support Prince George in hosting the 2015 Canada Winter Games.



Victoria's Inner Harbour

### GOAL 3 – Strong Relationships: Engage and collaborate with key industry stakeholders, partners and governments to align and focus collective tourism marketing efforts.

STRATEGIES	PERFORMANCE MEASURE	2013/14 TARGET	2013/14 RESULT	2014/15 TARGET	2015/16 TARGET	2016/17 TARGET
Increase the amount of private sector and government funding contributed to joint marketing initiatives between the BC industry and Destination BC	Private sector and community funds leveraged by Destination BC co-operative marketing programs	Establish baseline	\$6.9 Million*	\$7.25 M	\$7.60 M	\$8.0 M
Strengthen relationships with key industry stakeholders and cross-government partners	Tourism businesses' satisfaction with Destination BC programs and services*	Establish baseline	6.09 (out of 10)	Maintain or improve over baseline	Maintain or improve over baseline	Maintain or improve over baseline

Data Sources: Destination BC and third party independent research firm.

\*Note: This measure has been refined since the publication of the Revised 2013/2014-2015/2016 Service Plan by replacing "Stakeholder" satisfaction with "Tourism businesses" satisfaction.

#### Discussion

A key objective of Destination BC is to increase collaboration and coordination in marketing across the BC tourism industry. One approach that Destination BC takes towards this end is to use its marketing funds to leverage private and public sector funding.

In 2013/14, Destination BC leveraged private sector funding through the Tourism Partners and Experiences BC programs, and funding provided by other governments through Community Tourism Opportunities, Aboriginal Cultural Tourism and Tourism North.

Destination BC and its predecessors have provided funding to Aboriginal Tourism BC (AtBC), leveraged against Federal Government funding, since 2006 to implement Aboriginal Cultural Tourism Blueprint Strategy to develop and market Aboriginal cultural tourism in BC. Between 2006 and 2012 the program led to a 215% growth in revenue for Aboriginal cultural tourism businesses in BC and an estimated increase of 400 full-time jobs<sup>6</sup>, as well as providing economic, cultural and social benefits for BC's Aboriginal community and all British Columbians. The implementation of the Blueprint Strategy has been recognized as a

<sup>6</sup> Between 2006 and 2010.

world-wide best practice and Destination BC continues to leverage Federal Government funding to implement Phase 2 of the Blueprint Strategy. More details on the Blueprint Strategy can be found [here](#).

In 2013/14, to assess how effectively Destination BC's delivery of programs and activities provide value for tourism stakeholders, the first annual independent third-party survey of industry stakeholders was conducted in May 2014. This survey established a baseline to benchmark Destination BC's performance and has provided information necessary to improve the value and effectiveness of Destination BC's programs.

The 2013/14 Destination BC Stakeholder Satisfaction Survey was conducted by R.A. Malatest & Associates Ltd, an independent market research firm. The population for the stakeholder survey included all tourism businesses (including accommodations, attractions and other businesses) in Destination BC's databases, Regional and City/Community Destination Marketing Organizations, Sector Associations, Visitor Centres and WorldHost delivery organizations. Surveys were completed by 822 of 2,526 stakeholders contacted, about 33%. This response rate is comparable to that achieved by DMOs in Canada on stakeholder surveys.

Destination BC uses the average response by **tourism businesses** to the question: 'On a scale of 1 to 10, where 1 means poor and 10 means excellent, please provide your rating for the overall performance of Destination BC' as the key performance measure (KPI) for stakeholder

satisfaction. For 2013/14 the stakeholder satisfaction score was 6.09 out of 10. Given that 2013/14 was Destination BC's first year of operations and it did not have a corporate strategy and marketing plan in place, it is understandable that stakeholders are reserving judgment about the corporation.

Key strategies to improve stakeholder satisfaction during 2014/15 include:

1. Completing and implementing Destination BC's first corporate strategy and marketing plan with tourism industry guidance through the Tourism Marketing Committee and direct consultation;
2. Revitalizing the destination brand which will engender deeper collaboration with tourism businesses;
3. Launching new programs to support businesses in providing remarkable guest experiences; and
4. Developing a marketing network across the tourism industry to develop and share market and consumer insights, marketing tools and analytics, and professional practises, with a goal to enhance the competitiveness of all tourism businesses in BC.

## GOAL 4 – Business Efficiency: Conduct our business efficiently in a changing environment.

STRATEGIES	PERFORMANCE MEASURE	2013/14 TARGET	2013/14 RESULT	2014/15 TARGET	2015/16 TARGET	2016/17 TARGET
Ensure cost-effective provision of support services that meet business requirements	Percentage of Destination British Columbia funds allocated to support services	15%	4.6%	< 10%*	< 10%	< 10%

Data Source: Destination BC Annual Financial Statements.

\*The increase from 2013/14 to 2014/15 is due to the shift of the budget related to facilities and technology services to Destination BC from Shared Services BC, as described on [page 34](#).

\*Support services costs for 2013/14 equal Corporate Services ([shown on page 31](#)) less Corporate Communications costs.



Kicking Horse River

### Discussion

Destination BC must maximize the tourism marketing funds available to support industry through the careful management of its resources. The annual evaluation of corporate support costs by the Board of Directors is an important indicator of cost-effective performance and contributes to overall transparency. Support services costs include accounting operations, professional services, administration, support-related human resources, the CEO's office, and Board expenses, and will be measured as a percentage of total annual expenditures. In 2014/15 external benchmarks will be established to evaluate efficiency and cost effectiveness.

## GOAL 5 – Our People: Develop and empower a team that is engaged, strategic, responsive and innovative.

STRATEGIES	PERFORMANCE MEASURE	2013/14 TARGET	2013/14 RESULT	2014/15 TARGET	2015/16 TARGET	2016/17 TARGET
Attract, retain and develop highly skilled and engaged people	Employee engagement	Baseline to be established	3.53 (out of 5)	Maintain or improve on baseline	Maintain or improve on baseline	Maintain or improve on baseline

Data Source: Annual Employee Engagement Survey executed by an independent third party research firm. The first survey took place in May 2014.

### Discussion

Destination BC is pitched in an aggressive global battle for visitors and the strength of its leadership and employee talent is a critical factor in its ability to compete effectively and drive industry growth. The long-term success of Destination BC and the BC tourism industry will depend on engaged employees dedicated to the success of the organization and its goals. The annual evaluation of employee satisfaction and engagement help the Board of Directors and senior management identify opportunities to create the right workplace culture and to make progressive decisions that reflect the value of a thriving work environment.

Destination BC's first annual employee engagement and satisfaction survey was conducted between May 12, 2014 and May 26, 2014 by an independent market research firm, NRG Research Group. While necessarily a snapshot at a point in time, the survey was designed to reflect the experience of employees

during fiscal year 2013/14. Most questions used a 1 – 5 scale with 1 reflecting strong disagreement with a statement, 3 neither agreement nor disagreement, and 5 indicating strong agreement.

The response rate was strong with 92% of Destination BC's employees completing the survey. Although many facets of the work environment are assessed, employee engagement is measured as the overall average score for eight questions on the survey that measure different aspects of employee engagement. See Appendix 1 for the questions.

Destination BC's overall 2013/14 employee engagement score was 3.53 (out of 5). On average, 55% of employees agreed or strongly agreed with each of the eight statements included in the employee engagement measure.

The 2013/14 score of 3.53 establishes a baseline to measure improvements in employee



engagement over the coming years. While the score is understandable given the transition and uncertainty that employees experienced during 2013/14, significant improvement is necessary to achieve Destination BC's goals. The key engagement issues that staff identified in the survey were related to the fact that Destination BC did not have a corporate strategy and marketing plan in place during 2013/14. Without a clear corporate strategy, vision, mission and goals, staff were understandably challenged to see how their work advanced Destination BC's goals and to develop innovative solutions to achieve those goals. The completion of Destination BC's first corporate strategy, together with a corporate performance measurement system and personal achievement and development plans for each employee are the key strategies to improve employee empowerment and engagement during 2014/15.

## **TARGETS AND BENCHMARKS**

2013/14 was Destination BC's first year of operation as a Crown corporation and it is in the process of establishing baselines for many performance measures. In addition, the Board and new CEO are leading the development of a new corporate strategy and new marketing plan that will be complete in early 2014/15. Once the corporate strategy is in place, the corporation will establish baseline performance measures and will be able to set meaningful targets for future years.

Every provincial or state Destination Marketing Organization (DMO) has somewhat different responsibilities and strategies and operates in different environments, making it difficult to find true comparators. In Appendix 1 the performance measures for which there may be useful comparators have been identified. During 2014/15, Destination BC, with advice from the Tourism Marketing Committee, will establish external benchmarks for corporate performance measures, where appropriate.

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## **RISKS AND OPPORTUNITIES**

Destination BC will develop a formal risk management program during 2014/15, with ongoing evaluation of risks, development of action plans for all significant risks identified, and quarterly reporting to the Board of identified risks and action plans. Currently, preparation of annual program area and divisional operating plans includes a review of existing risks and identification of any potential new business risks. Economic and environmental scanning are key components in this process. They assist in identifying global factors which may affect the business or industry and aid planning to mitigate these risks.

Major risks and opportunities that impacted corporate performance during 2013/14 are outlined in the table on the next page.

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
<b>ACCESS</b>		
<p><b>Opportunity:</b> Increased air capacity from China.</p> <p>Increased air capacity from Germany.</p>	<p>Adequate air capacity is key to increased visitation from overseas markets.</p>	<p>During 2013/14 Destination BC and government worked with airlines, tour operators and the Canadian Tourism Commission to promote and take advantage of growing air capacity from China. Entries from China increased 26.1% during 2013.</p> <p>Destination BC worked with tour operators to take advantage of increased air capacity from Germany; entries from Germany increased 7.6% in 2013.</p>
<p><b>Risk:</b> Higher air access costs, which are passed on to ticket prices, and limited air capacity from some markets puts BC at a competitive disadvantage relative to competitors, particularly the USA.</p>	<p>The higher cost of flying to Vancouver relative to Seattle and Denver puts BC at a competitive disadvantage in the cruise and ski sectors, respectively, as well as other sectors of the tourism industry.</p>	<p>Destination BC worked with the Ministries of Jobs, Tourism and Skills Training and Transportation and Infrastructure and other agencies to encourage the Federal Government to create cost parity for BC airports compared to US competitors.</p>

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
<b>ECONOMY</b>		
<p><b>Opportunity:</b> Recovering economy in the US.</p> <p>Strengthening of US dollar starting in October 2013.</p>	<p>Tourism is both income elastic and price sensitive. Economic growth leads to an increased ability for consumers to travel, while a strengthening currency decreases the cost of foreign travel.</p>	<p>Destination BC took advantage of the strengthening US dollar by increasing investment in ski marketing in Washington State in late 2013/14 and will increase marketing investment in the USA in 2014/15 to capitalize on improving economic conditions.</p>

## RISKS AND OPPORTUNITIES, continued

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
<b>INDUSTRY ALIGNMENT</b>		
<p><b>Opportunity:</b> Provincial government funding of city and community tourism marketing and development through the 2% Municipal and Regional District Tax and the Resort Municipality Initiative creates on-going opportunities for coordination and collaboration with Destination BC.</p> <p>Shared interests between Destination BC and its provincial and federal counterparts create opportunities for greater collaboration.</p>	<p>Well coordinated tourism marketing by cities and communities complements marketing by Destination BC and the Regional Destination Marketing Organizations, increasing the impact of investments in tourism marketing and increasing revenue growth of the BC tourism industry.</p> <p>Greater strategic alignment and role differentiation between Destination Marketing Organizations at all levels can enhance the impact of marketing investments and reduce costs.</p>	<p>Destination BC worked with cities and communities to encourage complementary marketing investments, travel trade and media familiarization trips and other activities.</p> <p>The Tourism Marketing Committee (TMC) created a sub-committee to identify ways to improve stakeholder collaboration and alignment in BC and will provide advice to Destination BC in early 2014/15.</p> <p>Strengthening stakeholder collaboration and alignment will be an important part of Destination BC's new tourism marketing strategy.</p>

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
<b>WORLD-CLASS TOURISM PRODUCTS AND EXPERIENCES</b>		
<p><b>Opportunity:</b> Development of Aboriginal cultural tourism.</p> <p>Strong reputations for existing products (such as fly/drive touring, sports fishing, golf, cruising, and ski resorts) as well as greater interest in emerging products such as wine-touring, outdoor adventure and world-class ski resorts beyond Whistler.</p>	<p>Aboriginal cultural tourism provides social, cultural and economic benefits to BC's Aboriginal communities and adds richness and diversity to BC's tourism experiences. Indigenous cultural tourism is of great interest to many international markets and one of British Columbia's key tourism opportunities.</p> <p>Outstanding niche products motivate high yield visitors.</p>	<p>In 2013/14 Destination BC supported development and marketing of Aboriginal cultural tourism experiences by working with, and providing funding to, Aboriginal Tourism BC. Aboriginal cultural tourism revenue rose 215% between 2006 and 2012.</p> <p>Destination BC invested in marketing wine-touring, outdoor adventure and BC's destination ski resorts in 2013/14.</p>

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
<b>FINANCIAL PERFORMANCE</b>		
<p><b>Risk:</b> Self-generated revenue may continue to decline (i.e., WorldHost, BC Magazine, reservations, etc).</p>	<p>Revenue shortfalls may impact Destination BC's ability to fund core marketing functions.</p>	<p>A revenue shortfall of \$287,000 occurred in 2013/14, as described on <a href="#">page 32</a>. This was offset by savings in salary costs and had no impact on marketing activities during 2013/14.</p>

A more detailed discussion of future risks and opportunities can be found in Destination BC's three year Service Plan [here](#).

## OPERATIONAL CAPACITY

Organizational capacity plays a key role in the success of the Corporation. Current and future needs require sound, responsive and adaptive business processes and technology, and a highly skilled and motivated workforce with sufficient capacity. Destination BC is developing its first corporate strategy, including a new marketing plan, as directed by legislation and its 2013/14 Government's Letter of Expectations (GLE). On completion, Destination BC will align its workforce, capital and technology strategies, and business processes with the new corporate strategy, and utilize our financial, capital and human resources as effectively as possible within Government guidelines.



Vancouver



# GOVERNMENT'S LETTER OF EXPECTATIONS

Government's Letter of Expectations (GLE) is an annual letter of direction from Government to Destination BC that reinforces the corporation's mandate and identifies strategic priorities that form the cornerstone of the corporation's governance framework. The letter is intended to establish the basis for a positive and collaborative working relationship between the Government and Destination BC through the clear articulation of the responsibilities and expectations of both parties.

A summary of how Destination BC worked to fulfill the expectations expressed in the 2013/14 GLE is below; the full 2013/14 GLE can be found [here](#).

GOVERNMENT DIRECTION	DESTINATION BC ACTIONS
<p>Establish a Tourism Marketing Committee comprised of up to three representatives nominated by each of the six Regional Destination Marketing Organizations in BC. The Board will establish a Tourism Marketing Committee to provide input on marketing priorities and tourism-related performance indicators.</p>	<p><b>Completed:</b> The Tourism Marketing Committee was appointed in July 2013 using nomination processes developed by the Regional Destination Marketing Organizations. Since then, the full Tourism Marketing Committee has met five times: September 16/17, 2013; November 14, 2014; February 28, 2014; April 8, 2014 and June 2, 2014. In addition, three sub-committees created on September 17, 2013 held meetings a number of times during 2013/14 to address specific initiatives.</p>
<p>Develop a three-year marketing plan aligned with <i>Gaining the Edge – A Five-year Strategy for Tourism in British Columbia</i> through consultation with the Tourism Marketing Committee and report to the Minister responsible on progress by September 30, 2013.</p>	<p><b>Underway:</b> The development of a new three year marketing plan was initiated with the arrival of Destination BC's first permanent CEO, Marsha Walden, on November 25, 2013. Consultation with the Tourism Marketing Committee occurred on February 28, April 8, and June 2, 2014. The new corporate strategy will be completed in early summer 2014 and the new marketing plan will be presented to industry in fall 2014.</p>
<p>Leverage private sector and other government (e.g. federal and local) funds through the use of provincial funds to develop joint marketing campaigns that are co-funded by the private sector and/or other governments.</p>	<p><b>Completed:</b> Destination BC leveraged private sector and other government funds through regional and sector marketing programs. In 2013/14 \$6.9 million was leveraged from the private sector and other governments.</p>

GOVERNMENT DIRECTION	DESTINATION BC ACTIONS
<p>Work with government to develop key performance indicators that reflect the Corporation's performance.</p>	<p><b>Underway:</b> 2013/14 was Destination BC's first year of operation as a Crown corporation and it is in the process of establishing baselines for many performance measures. In addition, the Board and new CEO are leading the development of a new corporate strategy and marketing plan that will be complete in early 2014/15. Once the first year of operations is complete and the new corporate strategy is in place, the corporation will have baseline performance measures and will be able to set meaningful targets for future years.</p>
<p>Work with industry to develop performance measures and indicators that reflect tourism industry performance and report to the Minister responsible on progress in establishing measures by September 2013.</p>	<p><b>Completed:</b> In September 2013 the Tourism Marketing Committee created a sub-committee to review and provide advice on tourism industry performance measures and indicators. The sub-committee's recommendations were approved by the Tourism Marketing Committee on April 8, 2014 and shared with the Board of Directors at its April 22, 2014 meeting. Destination BC will report to the Ministers and start implementation of new measures of tourism industry performance during 2014/15.</p>
<p>Develop and publish contracts with Regional Destination Marketing Organizations (RDMOs) that include clearly specified deliverables and performance measures upon which funding is predicated.</p>	<p><b>Completed:</b> Destination BC published the 2013/14 contracts with the Regional Destination Marketing Organizations in June 2013. The 2013/14 contracts can be found <a href="#">here</a>.</p>
<p>Receive corporate and legal services for 2013/14 exclusively from the Ministry responsible, the BC Public Service Agency, Legal Services Branch of the Ministry of Justice and Shared Services BC under Service Level Agreements with the Ministry responsible and Legal Services Branch.</p>	<p><b>Completed:</b> Service Level Agreements were implemented during 2013/14.</p>
<p>Review the Corporation's corporate and legal services requirements during 2013/14 to identify and present to the Ministry responsible, by November 2013, efficient, effective and cost effective options for the provision of these services in future years.</p>	<p><b>Completed:</b> In December 2013, Destination BC provided a business case to the Minister with recommendations regarding the effective and efficient provision of corporate and legal services. In 2014/15 Destination BC will implement direction received from the Minister.</p>

GOVERNMENT DIRECTION	DESTINATION BC ACTIONS
<p>Comply with Government’s requirements to be carbon neutral under the <i>Greenhouse Gas Reduction Targets Act</i>, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from the Corporation’s operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in the Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of the Corporation’s scope of operations.</p>	<p><b>Completed:</b> Please see the discussion below.</p>

## ADDRESSING CLIMATE CHANGE AND ENVIRONMENTAL STABILITY

Destination BC is committed to supporting efforts to achieve environmental sustainability and carbon neutrality through responsible and conscientious business practices. British Columbia’s natural environment is one of our tourism industry’s key competitive advantages and Destination BC is committed to environmental stewardship.

Destination BC’s first year of operations 2013/14, established a baseline measure of the corporation’s environmental impact. Over the next three years we will continue to improve our environmental performance by reducing our operational footprint. In 2014/15 the corporation will reduce the office space utilized in its Vancouver location and will work toward co-locating overseas offices with the Canadian Tourism Commission and/or the tourism marketing organizations of other Canadian provinces to further reduce its global footprint.

In 2013/14 the corporation reviewed the use of printed travel guides by our visitors, and

will reduce the number and volume of guides printed in the province over the next three years. Reinforcing underlying consumer trends, visitors will be provided with enhanced online resources for their travel information needs as an alternative or supplement to printed guides. To facilitate this process, in 2013/14 Destination BC upgraded its consumer websites to feature responsive design, allowing greater ease of access to travelers using tablets, smartphones and other mobile devices while travelling in the province.

Destination BC will work to reduce travel by employees where possible through greater use of video- and tele-conferencing, use of online webinars rather than face-to-face workshops, and use of **WorldHost’s** new online learning modules.

Destination BC has a paper and waste recycling program in place and encourages employees to make sustainable choices inside and outside the workplace.



# FINANCIAL REPORT

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis section reviews the financial condition and results of operation of Destination BC for the fiscal year ended March 31, 2014 and management's perspective on the future financial outlook. This section should be read in conjunction with the corporation's audited financial statements.

2013/14 was the first year of operations for Destination BC. As such, financial information from previous years is not available for analysis of trends or comparison.

## **SUBSIDIARIES**

Destination BC does not have any active or inactive subsidiaries.

## Financial Results for the year ended March 31, 2014

	2013/14 SERVICE PLAN BUDGET (\$M)	2013/14 REVISED BUDGET (\$M)	2013/14 ACTUAL RESULTS (\$M)	VARIANCE ACTUAL VS. REVISED BUDGET (\$M)
<b>Revenue</b>				
Government transfers	48.890	48.890	48.890	0.000
Deferred government contributions	0.500	0.500	0.406	(0.094)
Other revenue	3.540	3.540	3.347	(0.193)
<b>Total Revenue</b>	<b>52.930</b>	<b>52.930</b>	<b>52.643</b>	<b>(0.287)</b>
<b>Expenditures</b>				
Tourism Marketing	27.555	26.783	25.844	(0.939)
Tourism Partnerships	21.820	21.485	22.220	0.735
Research, Planning and Evaluation	1.355	1.452	1.152	(0.300)
Corporate Services	1.700	2.710	2.812	0.102
Amortization	0.500	0.500	0.406	(0.094)
<b>Total Expenditures</b>	<b>52.930</b>	<b>52.930</b>	<b>52.434</b>	<b>(0.496)</b>
<b>Net Income</b>	0.000	0.000	0.209	0.209
<b>Total Debt</b>	0.000	0.000	0.000	0.000
<b>Retained Earnings</b>	0.000	0.000	0.209	0.209
<b>Capital Expenditures</b>	<b>1.800</b>	<b>1.800</b>	<b>2.314</b>	<b>(0.514)</b>

## ANALYSIS OF 2013/14 BUDGET VARIANCES

### Operations

Net income for the year ending March 31, 2014 was \$0.209 million. Budgets were reallocated among the core business areas during the year to better achieve corporate goals and objectives and to fund the priority initiatives required during Destination BC's first year of operations.

Revenue was \$0.287 million below budget, mainly due to reduced sales of BC Magazine and lower than expected reservations and listings revenue. Declining circulation is impacting the sales of most consumer magazines globally and has the added consequence of a reduction in revenue from display advertising. The lower reservations and listings revenue reflects changing consumer preferences regarding trip planning and the increased use of on-line travel agencies. Expenditures were \$0.496 million below budget, which was generally the result of staffing vacancies. Surpluses were reallocated across programs to support their operations, including an additional transfer of funds to the Regional Destination Marketing Organizations.

### Capital Expenditures

At the commencement of operations, Destination BC acquired capital assets from the Ministry of Jobs, Tourism and Skills Training of just under \$2 million. During the year the corporation incurred website development costs and purchased additional office equipment.

## Future Financial Outlook

### Financial Overview: 2014/15 to 2016/17

	2014/15 BUDGET (\$M)	2015/16 BUDGET (\$M)	2016/17 BUDGET (\$M)
<b>Revenue (1)</b>			
Government transfers	50.974	50.974	50.974
Deferred government contributions	0.760	0.760	0.760
Other revenue	3.052	3.052	3.052
<b>Total Revenue</b>	<b>54.786</b>	<b>54.786</b>	<b>54.786</b>
<b>Expenditures (1)</b>			
Tourism Marketing	26.213	26.213	26.213
Tourism Partnerships	21.211	21.211	21.211
Research, Planning and Evaluation	1.381	1.381	1.381
Corporate Services	5.221	5.221	5.221
Amortization	0.760	0.760	0.760
<b>Total Expenditures</b>	<b>54.786</b>	<b>54.786</b>	<b>54.786</b>
<b>Net Income</b>	0.000	0.000	0.000
<b>Total Debt</b>	0.000	0.000	0.000
<b>Retained Earnings</b>	0.000	0.000	0.000
<b>Capital Expenditures (2)</b>	<b>1.300</b>	<b>TBD</b>	<b>TBD</b>

#### Financial Outlook Assumptions:

1. Revenue and Expenditures budgets for 2014/15 – 2016/17 are shown as constant based on conservative estimates pending the introduction of the new funding model.
2. Capital expenditures for 2014/15 are for further development of websites and the development of a Tourism Product Management System to support the achievement of business objectives. Any further capital expenditures for 2015/16 and 2016/17 will be determined, based on available capital funding, through planning during 2014/15, and pending Government approval.

In 2013/14, Shared Services BC (SSBC) held the budget for facilities and information technology on behalf of Destination BC. In 2014/15, the SSBC budget was transferred and largely consolidated within Destination BC's Corporate Services budget with some of the facility costs being reflected in the Tourism Partnerships budget. A decline in other revenues is anticipated as the market demand for some products continues to change.

During 2014/15, Destination BC will complete a new corporate strategy and marketing plan which will address these challenges and may result in changes in product and service offerings.

## Management's Report

### *Management's Responsibility for the Destination BC Corp. Financial Statements*

The Destination BC Corp. financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the Destination BC Corp. financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the Destination BC Corp financial statements. A summary of the significant accounting policies are described in Note 2 to the Destination BC Corp. financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. Some of these controls rely upon those of the Ministry of Jobs, Tourism and Skills Training with respect to the processing and recording of transactions. Destination BC Corp. has received representations from and enquired with the ministry about their effectiveness.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews internal Destination BC Corp. financial statements on a quarterly basis and external audited Destination BC Corp. financial statements yearly. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the Destination BC Corp. financial statements.

The external auditors, Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the Destination BC Corp. financial statements. The external auditors have full and free access to financial management of Destination BC Corp. and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Destination BC Corp. financial statements.

On behalf of Destination BC Corp.



Marsha Walden  
Chief Executive Officer



Alex Mackie  
Acting Chief Financial Officer

May 15, 2014



## INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of Destination BC Corp., and  
To the Minister of Jobs, Tourism and Skills Training, Province of British Columbia*

I have audited the accompanying financial statements of Destination BC Corp. ("the entity"), which comprise the statement of financial position as at March 31, 2014, and the statement of operations, statement of remeasurement gains and losses, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Opinion***

In my opinion, the financial statements of Destination BC Corp. for the year ended March 31, 2014, are prepared, in all material respects, in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

### ***Emphasis of Matter***

Without modifying my opinion, I draw attention to Note 2a to the financial statements which discloses that the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia are in accordance with Canadian public sector accounting standards except in regard to the accounting treatment of government transfers. Note 18 to the financial statements discloses the impact of these differences.

Victoria, British Columbia  
May 30, 2014

Russ Jones, MBA, CPA, CA  
Auditor General

# AUDITED FINANCIAL STATEMENTS

**Destination BC Corp.**  
**Statement of Financial Position**  
 [\$000s]

	<i>Note</i>	March 31, 2014	March 31, 2013
<b>Financial assets</b>			
Cash and cash equivalents	3	5,394	
Accounts receivable	4	577	
Due from Ministry of Jobs, Tourism and Skills Training		4,547	3,779
		10,518	3,779
<b>Liabilities</b>			
Accounts payable and accrued liabilities	5	7,090	
Due to the Public Service Agency		874	
Deferred revenue	7	1,172	
Deferred capital contributions	8	3,394	3,800
		12,530	3,800
<b>Net financial debt</b>		(2,012)	(21)
<b>Non-financial assets</b>			
Tangible capital assets	9	1,908	
Prepaid expenses		276	21
Security deposits		58	
		2,242	21
<b>Accumulated surplus</b>		230	0
Accumulated surplus is comprised of:			
Accumulated operating surplus		209	
Accumulated remeasurement gains		21	
		230	0
Contingent liabilities	10		
Contractual obligations	11		

The accompanying notes are an integral part of these Destination BC Corp. financial statements.

Signature  Signature  
 Andrea Shaw, Board Chair

  
 Laird Miller, Chair, Finance & Audit Committee



## Statement of Operations

(\$000s)	<i>Note</i>	Budget (Note 17)	March 31, 2014	March 31, 2013 (Note 16)
<b>Revenues</b>				
Government transfers	13	48,890	48,890	
Program revenue	19	3,540	3,321	
Interest income		0	26	
Capital contribution	8	500	406	
		52,930	52,643	
<b>Expenses</b>				
	14			
Tourism marketing		26,783	25,844	
Tourism partnerships		21,485	22,220	
Research, planning and evaluation		1,452	1,152	
Corporate services		2,710	2,812	
Amortization		500	406	
		52,930	52,434	
<b>Annual operating surplus</b>		0	209	
<b>Accumulated operating surplus, beginning of year</b>		0	0	
<b>Accumulated operating surplus, end of year</b>		0	209	

The accompanying notes are an integral part of these Destination BC Corp. financial statements.

## Statement of Remeasurement Gains and Losses

(\$000s)	March 31, 2014	March 31, 2013 (Note 16)
Opening balance	0	
Unrealized gain on foreign bank accounts	21	
Accumulated remeasurement gains, end of year	21	

## Statement of Change in Net Financial Debt

(\$000s)	Budget (Note 17)	March 31, 2014	March 31, 2013
Annual operating surplus	0	209	
Acquisition of tangible capital assets	(1,800)	(2,314)	
Amortization of tangible capital assets	500	406	
	(1,300)	(1,908)	
Acquisition of prepaid expenses	0	(276)	(21)
Use of prepaid expenses	0	21	
Acquisition of security deposit	0	(58)	
	0	(313)	
Effect of remeasurement gains for the year	0	21	
<b>Increase in net financial debt</b>	(1,300)	(1,991)	(21)
<b>Net financial debt at beginning of year</b>	0	(21)	0
<b>Net financial debt at end of year</b>	(1,300)	(2,012)	(21)

The accompanying notes are an integral part of these Destination BC Corp. financial statements.

## Statement of Cash Flows

(\$000s)	March 31, 2014	March 31, 2013 (Note 16)
<b>Operating transactions</b>		
Surplus for the year	209	
Cash and non-cash items included in surplus:		
Amortization of tangible capital assets	406	
Deferred capital contributions – government	(406)	
Effect of remeasurement gains for the year	21	
Accounts receivable	(577)	
Accounts payable and accrued liabilities	7,090	
Deferred revenue	1,172	
Prepaid expenses	(255)	
Security deposits	(58)	
Due from Ministry of Jobs, Tourism and Skills Training	(768)	
Due to Public Service Agency	874	
Cash used in operations	7,708	
<b>Capital transactions</b>		
Cash used to acquire tangible capital assets	(2,314)	
<b>Increase in cash and cash equivalents</b>	5,394	
<b>Cash and cash equivalents at beginning of year</b>	0	
<b>Cash and cash equivalents at end of year</b>	5,394	

The accompanying notes are an integral part of these Destination BC Corp. financial statements.

# ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

## 1. Nature of Operations

Destination BC Corp. (the Corporation) is a provincial Crown corporation initially created under the *BC Business Corporations Act* on November 2, 2012, and subsequently confirmed under the *Destination BC Corp. Act*, which received Royal Assent in March 2013.

The Corporation reports to the Legislative Assembly through the Ministry of Jobs, Tourism and Skills Training. The accumulated operating surplus includes 1 issued share of Destination BC Corp., value \$1, which is held by the Province of British Columbia.

The purposes of the Corporation are to:

- a) Market British Columbia domestically, nationally and internationally as a tourist destination;
- b) Promote the development and growth of the tourism industry in British Columbia to increase revenue and employment in, and the economic benefits generated by, the industry;
- c) Provide advice and recommendations to the minister on tourism-related matters; and
- d) Enhance public awareness of tourism and its economic value to British Columbia.

The Corporation commenced operations on April 1, 2013.

The Corporation is exempt from federal and provincial income taxes but is subject to the federal goods and services tax and provincial sales tax.

## 2. Summary of Significant Accounting Policies

### a. Basis of accounting

These Destination BC Corp. financial statements are prepared by management in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* (BTAA) of the Province of British Columbia which requires that financial statements be prepared in accordance with Canadian public sector accounting standards except in regard to accounting for government transfers as presented in Note 18.

### b. Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	5 years
Websites, hardware and software	5 years

Assets under development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to Destination BC Corp.'s ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Destination BC Corp. statement of operations.

Intangible assets, such as copyrights, trademarks, etc. are not recognized in these financial statements.

## 2. Summary of Significant Accounting Policies, continued

### c. Employee future benefits

- i. The employees of Destination BC Corp. belong to the Public Service Pension Plan, which is a multi-employer joint trustee plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding.

The joint trustee board of the plan determines the required plan contributions annually.

Destination BC Corp.'s contribution to the plan is recorded as an expense for the year.

- ii. The costs of insured benefits reflected in these financial statements are the employer's portion of the insurance premiums owed for coverage of employees during the period.
- iii. The cost of non-vesting sick leave benefits are determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

### d. Prepaid expenses

Prepaid expenses include software license fees, airfares, and insurance benefits for overseas staff, which are charged to expenses over the periods expected to benefit from them.

### e. Funds and reserves

Certain amounts, as approved by the Board of Directors, are set aside in accumulated surplus for future capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

### f. Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability, including capital contributions which are recognized as revenue to match the amortization expense in accordance with Section 23.1 of the BTAA. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

### g. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

## **2. Summary of Significant Accounting Policies, continued**

Transfers include entitlements, grants and transfers under shared cost agreements. Grants and transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

### **h. Foreign currency translation**

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transactions.

Monetary assets and liabilities included in the fair value measurement category denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

### **i. Cash and cash equivalents**

Cash and cash equivalents are entirely funds in bank accounts and therefore subject to an insignificant risk of change in value, other than potential exchange gains or losses on the overseas bank accounts as described in Note 12.

### **j. Financial instruments**

Financial assets and financial liabilities are measured at cost or amortized cost.

### **k. Measurement uncertainty**

The preparation of Destination BC Corp. financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the Destination BC Corp. financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, rates for amortization, provision for doubtful accounts.

Estimates are based on the best information available at the time of preparation of the Destination BC Corp. financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these Destination BC Corp. financial statements. Actual results could differ from these estimates.

### 3. Cash and Cash Equivalents

Destination BC Corp. had unrestricted cash consisting of the following:

	(in \$ thousands)
	<b>March 31, 2014</b>
Royal Bank of Canada	\$4,994
Lloyds of London	180
Bank of Tokyo	220
Total	<u>5,394</u>

### 4. Accounts Receivable

	(in \$ thousands)
	<b>March 31, 2014</b>
Accounts receivable	\$ 590
Less provision for doubtful accounts	(13)
Net Accounts Receivable	<u>577</u>

### 5. Accounts Payable and Accrued Liabilities

	(in \$ thousands)
	<b>March 31, 2014</b>
Accounts payables and accrued liabilities	\$6,686
Accrued vacation pay	404
Total	<u>7,090</u>

### 6. Employee Future Benefits

Destination BC Corp. and its employees are subject to the *Public Service Act* and benefits are managed through the PSA. Destination BC makes contributions to the PSA who administers payment of benefits to employees to whom the act applies.

Other employee benefits available to employees of Destination BC Corp. are:

- a. Retirement benefits

The employees of Destination BC Corp. belong to the Public Service Pension Plan (the "Plan"), which is a multi-employer joint trustee plan. The Public Service Pension Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. Basic pension benefits are based on a formula. The Plan has about 56,000 active plan members and approximately 41,000 retired plan members.

The latest actuarial valuation as at March 31, 2011, indicated a funding deficit of \$226 million for basic pension benefits. The next valuation will be as at March 31, 2014 with results available in early 2015. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

No pension liability is included in the Destination BC Corp. financial statements.

Destination BC Corp.'s contribution of \$623,000 to the Plan was expensed during the year.

b. Other employee future benefits

Workplace safety and insurance board obligations:

Destination BC Corp. is an employer under the *Workers Compensation Act* part 3 ("Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. Destination BC Corp. does not fund these obligations in advance of disbursement.

## 7. Deferred Revenue

(in \$ thousands)	Balance April 1, 2013	Receipts during year	Transferred to revenue	Balance March 31, 2014
Magazine Subscriptions	0	1,883	731	1,152
Miscellaneous	0	20	0	20
Total	0	1,903	731	1,172

Deferred revenue consists of subscriptions paid in advance for BC Magazine. Receipts during the year include an initial transfer of \$1.212 million from the Ministry of Jobs, Tourism and Skills Training.

## 8. Deferred Capital Contribution

The deferred contribution consists of a capital contribution from the Province of British Columbia for the purpose of acquiring capital assets. The amount recorded as revenue matches the amortization expense for the year.



## 9. Tangible Capital Assets

March 31, 2014 [in \$ thousands]	Furniture and equipment	Websites, hardware and software	2014 Total	2013 Total (Note 16)
<b>Cost</b>				
Opening Balance	0	0	0	0
Additions	9	2,305	2,314	0
Disposals	0	0	0	0
Closing balance	9	2,305	2,314	0
<b>Accumulated amortization</b>				
Opening balance	0	0	0	0
Amortization	0	406	406	0
Disposals	0	0	0	0
Closing balance	0	406	406	0
Net book value	9	1,899	1,908	0

Additions include the initial acquisition of capital assets from the Ministry of Jobs, Tourism and Skills Training with a net book value of \$1.986 million. Also, when Destination BC was established, fully amortized capital assets utilized by the tourism programs, including furniture and equipment, websites, hardware and software, and tenant improvements, were transferred to the corporation. These are not recognized in this schedule.

Cost at March 31, 2014 includes development of websites of \$283,000, which is considered to be work in progress at year end.

## 10. Contingent Liabilities

Destination BC Corp. is not aware of any existing/pending/potential lawsuits in which damages have been sought, so no provision has been made in these Destination BC Corp. financial statements for any contingent liability that may result.

## 11. Contractual Obligations

Destination BC Corp. has entered into a number of contractual arrangements for the delivery of services in the future, the development of assets, and property leases. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contracts.

(in \$ thousands)	2015	2016	2017	2018	2019	There- after
Property leases	2,289	1,298	1,066	1,066	1,066	0
Other contractual arrangements	30,798	7,184	642	22	22	17
Total contractual obligations	33,087	8,482	1,708	1,088	1,088	17

## 12. Risk Management

Destination BC Corp. is exposed to certain risks from the entity's financial instruments. Qualitative and quantitative analysis of the significant risks from Destination BC's financial instruments is provided below by type of risk.

### i) Foreign exchange risk

The carrying amount of Destination BC's foreign currency denominated financial assets at March 31, 2014 is \$435 thousand. The Statement of Operations includes foreign exchange losses of \$3 thousand.

The sensitivity of Destination BC's operating surplus (deficit) and remeasurement gains (losses) due to changes in foreign exchange rates between the Canadian dollar and US dollar, British pound, and Japanese yen can be summarized as follows:

A 5% change in exchange rates (\$US, GBP, JY) will have a cumulative positive or negative impact on the remeasurement gains or losses of CDN\$22 thousand.

Destination BC Corp. also has a considerable number of contractual arrangements that are payable in foreign currencies. As at March 31, 2014, these totalled \$2.893 million. In the extremely unlikely event that the Canadian dollar fluctuates by 5% against all exchange rates in the same direction, then this could lead to a maximum exposure of under \$150 thousand to the corporation.

### ii) Interest rate risk

The sensitivity of Destination BC's operating surplus (deficit) and accumulated remeasurement gains (losses) due to changes in the interest rate is minimal as it carries no debt.

### 13. Government Transfers

(in \$ thousands)

	<u>March 31, 2014</u>
Revenue:	
Province of British Columbia	48,890
Expenses:	
Shared cost agreements	14,348
Municipalities and local governments	1,907
Service providers	424
Not-for-profit organizations	250
General	150
Total government transfers	<u>17,079</u>

## 14. Expenses

The following is a summary of expenses by category:

(in \$ thousands)	March 31, 2014
Government transfers - note 13	17,079
Advertising	9,085
Salaries and wages	7,067
Professional services	7,044
Information systems	3,857
Office and business	3,473
Employee benefits	1,645
Support services	1,317
Travel	541
Amortization	406
Materials and supplies	386
Rental expenditures	337
Other	99
Board expenses	98
Total expenses	52,434

As of March 31, 2014, Destination BC's actual expenses did not exceed its legislated expenses limit.

## 15. Related Party Transactions

Destination BC is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities considered to be in the normal course of operations, are recorded at the exchange amounts, predominantly under prevailing trade terms.

Destination BC Corp. had the following transactions with the government and other government controlled organizations

(in \$ thousands)

	March 31, 2014	March 31, 2013
Grants from the Province	48,890	3,800
Amounts paid to the Ministry of Jobs, Tourism and Skills Training	1,000	0
Amounts paid or due to the Ministry of Finance:		
Public Service Agency	8,712	0
Legal Services	87	0
Postage, supplies, printing	80	0
Rent for UK office	75	0
Staff temporary appointment	65	0
Other (including bank charges)	3	0

Destination BC Corp., and its predecessor organizations, has historically entered into a contract with the Kicking Horse Mountain Resort to operate a visitor centre. During the year, a new Director was appointed to the Board of Destination BC, who is an officer of the company which owns the Resort.

## 16. Comparative Figures

Comparative figures are only shown for the Statement of Financial Position and the Statement of Net Financial Debt as the year ended March 31, 2014 is Destination BC's first year of operations.

## 17. Budgeted Figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors. At the commencement of operations, on April 1, 2013, a reallocation of certain budget items was made to adjust to a more appropriate presentation than was provided in the Service Plan for 2013/14.

Specifically:

\$1.010 million was added to Corporate Services reallocated from the program areas as follows:

(in \$ thousands)	
Tourism Marketing	772
Tourism Partnerships	335
Research, Planning and Evaluation	(97)
Total reallocation	1,010

## 18. Impact of accounting for Government Transfers in accordance with Section 23.1 of the Budget Transparency and Accountability Act:

As noted in the significant accounting policies note 2(a), Section 23.1 of the *Budget Transparency and Accountability Act* and Restricted Contributions Regulation 198/2001 requires Destination BC to recognize government transfers for capital assets into revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants to be fully recognized into revenue.

The impact of this difference on the financial statements of Destination BC is as follows:

- Year ended March 31, 2014 – increase in revenue and annual surplus by \$1,908 thousand.
- As at March 31, 2014 – increase in accumulated surplus by \$1,908 thousand and a decrease in deferred capital contributions by \$1,908 thousand.

## 19. Program Revenue

Destination BC Corp. earned the following program revenues during the year:

(in \$ thousands)	
	March 31, 2014
Reservations, commission and listings	1,362
BC Magazine	1,324
WorldHost	387
Merchandise sales, royalties and other	248
Total program revenue	3,321

# APPENDIX 1: PERFORMANCE MEASUREMENT SYSTEMS

To ensure Destination BC is responsive to the needs of the tourism industry and manages the corporation effectively, performance measures have been incorporated at three levels: industry performance, corporate performance and individual business unit performance. The following tables highlight the key industry and corporate performance measures.

Industry Performance Measure	Objective of Measure	Data Source
Provincial tourism industry revenue	To track tourism industry growth and economic contribution to BC	BC Stats
Provincial tourism industry employment	To track tourism industry growth and economic contribution to BC	BC Stats
Annual Overnight Visitors from:		
Canada (including BC)	Track increase in visitation from primary Canadian markets	Travel Survey of Residents of Canada (Statistics Canada)
USA	Track increase in visitation from USA	International Travel Survey (Statistics Canada)
Overseas Markets	Track increase in visitation from primary and emerging overseas markets	International Travel Survey (Statistics Canada)
Provincial Accommodation Room Occupancy Rate	Track economic health and performance of the accommodation sector	Pannell Kerr Forster
Provincial Daily Accommodation Room Rate	Track economic health and performance of the accommodation sector	Pannell Kerr Forster

A broader set of monthly and annual tourism industry performance measures and indicators are available in Destination BC's **Value of Tourism** and **Tourism Indicators** publications.

Corporate Performance Measure	Objective of Measure	Data Source	Benchmark
Visitors to consumer websites	To track number of visitors to Destination BC consumer website as an indicator of success of marketing programs	Destination BC	TBD during 2014/15
Visitor Centre Network satisfaction with Destination BC programs and services	To measure Visitor Centre Network satisfaction with programs provided by Destination BC and to inform program improvement	Third party independent research firm	TBD during 2014/15 (if comparable exists)
Number of participants in WorldHost workshops	To measure Destination BC's contribution to enhancing British Columbia's tourism products and experiences	Destination BC	TBD during 2014/15 (if comparable exists)
Private and public sector co-operative marketing funds leveraged by Destination BC programs (includes Regional Partners, Tourism North, Community Tourism Opportunities, Experiences BC, Aboriginal Tourism BC programs)	To track and optimize alignment of cooperative marketing campaigns	Destination BC	TBD during 2014/15
Industry Stakeholder satisfaction survey of Destination BC programs and services	To measure (and improve) stakeholder satisfaction with Destination BC programs	Third party independent research firm	TBD during 2014/15 (if comparable exists)
Support Services costs: In 2013/14 support services costs paid from Destination BC funds were the costs of accounting operations, administration, support-related human resources, the CEO's office, Board expenses and professional services related to the preceding	To measure and effectively manage administrative costs	Destination BC Annual Financial Statements	TBD during 2014/15



Corporate Performance Measure	Objective of Measure	Data Source	Benchmark
Employee Survey	To measure employee satisfaction and inform actions to improve workforce engagement and productivity	<p>Annual Employee Engagement Survey executed by an independent research firm conducted at the end of each fiscal year</p> <p>Eight questions (measured on a 1 – 5 scale) from the survey are included in the overall measure of employee engagement:</p> <ol style="list-style-type: none"> <li>1) DBC respects me as an employee</li> <li>2) I know how my work contributed to the achievement of DBC's goals</li> <li>3) My job makes good use of my skills and abilities, strengths and skills</li> <li>4) On most days I look forward to coming to work</li> <li>5) I would recommend DBC as a great place to work to a friend or family member</li> <li>6) DBC inspires me to do my best work</li> <li>7) The right conditions are in place for me to take full responsibility in my job</li> <li>8) Overall, I am satisfied with my job</li> </ol> <p>The overall engagement score is the average of the average score on each of the eight questions</p>	TBD during 2014/15

# CONTACT INFORMATION

All correspondence and/or enquiries should be directed to:

**Destination British Columbia**

Attention: Grant Mackay  
Vice-President, Operations  
12th Floor, 510 Burrard Street  
Vancouver, BC V6C 3A8

**Corporate website:** [DestinationBC.ca](http://DestinationBC.ca)

**Tourism information:** [HelloBC.com](http://HelloBC.com)



Potato Range

