

## Alberta Hotel & Lodging Association Recommendations on a Governance Approach for Destination Marketing Fees (DMF)

The [Alberta Hotel & Lodging Association \(AHLA\)](#) represents almost 700 hotels in every constituency of our province – over 80% of Alberta’s hotel guest rooms. While they may bear the flag of international brands, the vast majority of properties are small to medium sized businesses that are owned and operated by Albertans. With 46% of hotel rooms in Alberta participating in a DMF, the governance of DMFs and Destination Marketing Organizations (DMOs) is an issue of critical importance to AHLA members.

Since 2005, hotels in communities around Alberta have responded to the need for sustainable funding for tourism marketing by contributing to Destination Marketing Funds. The AHLA’s decision to take on the role of trustee for one of Alberta’s first DMFs in 2005 was guided by our value of stewardship. As trustee, the **AHLA was able to support hotels that chose to participate in a DMF by ensuring funds were managed responsibly, keeping administrative costs low so that monies could be deployed for their intended purpose of destination marketing.** It has also given the association a line of sight on various DMF and DMO operating practices. Since 2005, the AHLA has served as trustee or fund administrator for Alberta’s largest DMF Collectors.

In 2010, the AHLA engaged Western Management Consultants to undertake a review of DMF structures around the province. The results of this review were shared broadly with the industry, and led to the development of the AHLA’s [Recommendations on the Governance & Administration of DMFs](#). In addition to WMC’s findings, **the AHLA’s recommendations were based on the AHLA’s experience as trustee for a number of DMFs, and the variety of operating practices the AHLA had observed by DMF Collectors and the hotels that contribute to them.**

In the absence of regulations, **these guidelines have been used by a number of DMF Collectors to structure and operate their DMF since 2011.** The AHLA has provided these recommendations to policymakers and anyone considering starting a DMF. Based on the AHLA’s almost 20 years of experience as trustee, we have observed that the DMFs in Alberta that have been most successful are those that have adopted the principles in this document. It is with this knowledge and experience in mind that the AHLA offers the following recommendations to the Government of Alberta as it prepares to develop a governance approach for DMFs.

### 1. Key Principles for Governance

The following principles should be at the foundation of the governance approach:

- **Transparency & accountability** of all parties to ensure that the full amount of funds collected are used for the purpose of destination marketing.
- **Communication, collaboration, & alignment** between the DMF Collector, which represents the contributors, and funded parties such as DMOs.
- **Scalability** of structures to ensure the system works in communities of various sizes.

## 2. Features of the Regulated System

Flexibility, local autonomy, and the ability to respond quickly to opportunities are important features of DMFs. The AHLA recommends the following features be built into the governance approach:

- Hotels should be free to choose whether they wish to contribute to a DMF.
- Hotels that charge a DMF on the guest folio must contribute the full amount of funds collected to a recognized DMF Collector.
- There must be accountability and transparency around funds collected for destination marketing and how they are spent.
- To ensure that DMF dollars are deployed in a manner that drives tourism revenue, those who contribute the funds should have control over how they are spent:
  - Funds generated should be kept separate from funded parties.
  - There should be no fixed allocation of DMF dollars to Destination Marketing Organizations. Guaranteed contributions create a sense of entitlement that runs counter to the built-in accountability created when the DMO knows it must deliver results to its funders.
- External bodies such as DMOs, Chambers of Commerce, municipalities, or the province should not have the authority to create or control DMFs, or to compel hotels or other businesses to participate in a DMF.
- Regulation of DMFs should not result in any additional fees, taxes, or levies being applied to hotel & lodging businesses by any order of government. Municipalities across Alberta have previously attempted to gain control over DMF dollars through business license fees and city charter legislation. In other Canadian jurisdictions where DMF legislation exists, dollars are frequently directed away from destination marketing.

## 3. Roles & Responsibilities of Participants

The AHLA recommends the following roles and responsibilities be built into the framework:

### *Hotels/DMF Contributors:*

- Contributors participate in a DMF on a voluntary basis.
- May only apply a DMF to the guest folio if it is remitted to a legitimate DMF Collector.
- Must disclose fees at the time of reservation and/or check in.
- Elect the DMF Collector's Board of Directors.
- Must contribute the full amount of funds generated to a recognized DMF Collector.

### *DMF Collector:*

- Incorporated as a separate legal entity. Members are the participating hotels/contributors.
- Governed by a duly elected Board of Directors accountable to its members.
- The DMF Collector's governance structure should address:
  - Framework Governance (vision, mission, and values)
  - Board Self Governance (how the board organizes itself)
  - Operational Governance (personnel, programs, and finance)
  - Advocacy Governance (limited to initiatives related to destination marketing)

- Creates a strategic plan and ensures appropriate business plans and marketing plans are in place to ensure DMF funds are deployed in a manner that puts heads in beds.
- Identifies partners with the capacity to achieve desired outcomes defined in strategic plan.
- Allocates funds based on the marketing plan. Marketing agreements should be developed that clearly define goals and deliverables that have been agreed to by the DMF collector and DMO or other funded entity.
- Engages a third party Trustee/fund administrator to receive funds from hotels/contributors.
- Directs the Trustee/fund administrator to issue payments to marketing partners.
- Conducts board elections with a portion of seats up for election each year.
- Bylaws specify Board composition and term limits to assure director independence to mitigate risk of conflicts of interest and/or abuse of dominance.
- DMF Board governance training required upon inception and at least every 3 years thereafter. AHLA has previously delivered governance training to a number of DMFs.
- Holds an Annual General Meeting of its members.
- Registers with and is authorized to operate by the Minister.
- Submits an annual report with financial statements to members and the Minister.
  - Review engagement or audited financial statements by external third party depending on amount of funds collected.
  - Reports percentage of funds used for administration.

*Trustee/Fund Administrator:*

- Engaged by each DMF Collector to receive funds from hotels/DMF contributors.
- Issues payments according to instructions from the DMF Collector.
- Provides financial reporting to the DMF Collector.
- Has the ability to verify amounts contributed by participating hotels/contributors.
- Participates in DMF Collector's annual financial audit.

*The Minister:*

- Creates rules for the governance & operation of DMFs
  - Prohibits businesses from charging a DMF unless they are part of a recognized DMF Collector
  - Requires that the full amount of funds charged & collected for destination marketing are remitted to a recognized DMF Collector and approved Trustee
  - Maintains a register of all DMFs authorized to operate in Alberta
  - Has audit rights
  - Receives annual reports & audited financials from all DMF Collectors
  - Has dissolution powers
- Creates rules for the governance & operation of DMOs
  - Defines what a DMO is, and how it is governed
  - DMOs need to be accountable to their funders

These recommendations legitimize the effective, made-in-Alberta practices that have evolved since 2005, and address the challenges that have emerged. They are sufficiently broad to permit participants outside of the hotel industry, such as restaurants, campgrounds, and visitor experiences to be a part of their local DMF.

The formalization of a governance approach for DMFs is also an opportunity to level the playing field for businesses that have made major capital investments in Alberta's communities and address the negative impacts of short-term rentals in our communities. The AHLA recommends that the Government of Alberta:

1. **Limit Short-Term Rentals to Principal Residences**
2. **Make Platforms Responsible for Host Compliance**
3. **Require Platforms to Share Data**

Clear and fair regulations for short-term rentals will reduce their unintended consequences and create a level playing field for all participants in Alberta's accommodation sector. This will be vital to achieving the government's goal of doubling tourism revenues by 2035.

Alberta is one of the few remaining jurisdictions in North America to leave both DMFs and short-term rentals to operate unregulated. The Government of Alberta has a unique opportunity to create a made-in-Alberta model governance model that balances the interests of local businesses with the province's broader goals of consumer protection and growing tourism revenues. The framework proposed by the Alberta Hotel & Lodging Association ensures transparency and fairness, enabling DMF funds to drive local tourism initiatives, while maintaining government oversight to prevent misuse.

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