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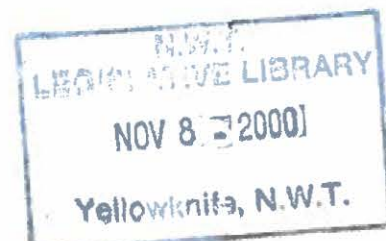
Sandy Lee, MLA  
Legislative Assembly of the NWT  
Sent by fax

Dear Ms. Lee,

I am writing to thank you for your efforts to demonstrate to the Government of the NWT that the Hotel Tax proposal will have a negative impact on the north. I also wish to report to you on our activities to date aimed at creating a clear public voice against the proposed tax and the results of our research which provides an accurate picture of who will pay and what the consequence of this tax is for northerners.

The Minister of Finance, the Honourable Joe Handley has stated his belief that this tax will largely come from non-residents (tourists and resource industry clients). The major rationale used by the Minister is that money is required to boost northern tourism and that revenues collected from this tax will be used to "support the development of the tourism industry" A review however, of the demographics of the northern commercial accommodation clientele, indicates that it is northern residents who will be paying the lions share of the estimated \$1.25 million dollars that they are projecting.

In order to accurately assess the impacts of this proposed tax, the NWT Hotel Association has conducted a survey of our members. We found that regardless of location, northerners make up the majority of our accommodation clients. These northern clients include people traveling on business within the north, many northerners traveling for pleasure to visit and shop in our communities, and many are either government employees or working for organizations supported by the government. We are concerned that this tax will have a direct and negative impact on virtually **all northern businesses**. As you can appreciate, our own industry will more than likely, simply pass on the costs of this tax to our clients. We expect that many will need to add an additional charge to cover their own costs of administering the tax. The end result will be an increased cost to clients of well over the 5% tax imposed by the government.



We take seriously your questioning of the governments' own estimates of their costs of administering the tax.

In a meeting with the Minister, Mr. Handley informed the hotel industry representatives that his objective is to find ways to produce revenue to invest in the development of the northern tourism industry. We suggest strongly that the current proposal will not meet his stated objective based on the following facts;

- It will be northerners paying the lions share of the tax. Our research shows that northerners make up 60-80% of commercial accommodation depending on location (not the assumed visitors to the north)
- The net gain to the government will be much less than the Ministers' current projections because the projected costs of administering it will be greater than assumed and much of this revenue will come from government employees and government sponsored travel
- The tax will in fact deter tourists considering coming to the north as the current costs are already identified as the major prohibitive factor in choice of destination
- The costs to clients will be greater than the 5% tax levied, as the industry will recover their costs
- While our industry is being targeted to carry the burden of revenue shortfalls in the GWNT tourism program, all northern businesses will be paying both as clients, and in terms of clients having less money to spend on other goods and services.

We are seeking your continued support in opposing this tax and in finding other ways to support the development of the tourism industry. We have communicated our concerns actively to Aboriginal governments, non-government organizations (many of whom are dependent on government funding), local governments and members of the private sector. We have also sought the active participation of the NWT Chamber of Commerce and the Canadian Federation of Independent Business in demonstrating the negative impact on the northern economy.

The Minister has suggested a further meeting with the Hotel Industry this fall. We would appreciate your participation in this meeting and will advise you of the location and date once established.

Again, thank you for your efforts to date and we look forward to your continued support. Please feel free to contact me for any further information you may require..

Sincerely,



Don Fergusson  
NWT Hotel Association