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Chair

The Honourable Michael Chong

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• (1530)

[English]

The Vice-Chair (Mr. Anthony Rota (Nipissing—Timiskaming, Lib.)): Good afternoon. Welcome to the 49th meeting of the Standing Committee on Industry, Science and Technology. Today, pursuant to Standing Order 108(2), we'll be dealing with a study of the recent economic performance of the service sector in Canada.

The witnesses today are the Canadian Tourism Commission, represented by Michele McKenzie, president and chief executive officer; and also Paul Nursey, executive director, strategy management. As well, we have the Hotel Association of Canada, represented by Anthony P. Pollard, president; and the Tourism Industry Association of Canada, represented by Christopher Jones, vice-president of public affairs; and Catherine Sadler, manager of research. We have also, from the Canadian Restaurant and Foodservices Association, Joyce Reynolds, executive vice-president, government affairs.

We'll start off with a short presentation from each of you. You have 10 minutes. Shall we start with Michele McKenzie?

Ms. Michele McKenzie (President and Chief Executive Officer, Canadian Tourism Commission): Thanks, Mr. Chairman. Good afternoon, honourable members.

We're pleased to have the opportunity to meet with the industry committee in support of a study on the economic performance of the service sector in Canada, with a focus on tourism.

First let me say that the Canadian Tourism Commission acknowledges the importance for Canada and our tourism industry of Canada's agreement with China on approved destination status. Until this important development, CTC has not been able to market directly to consumers. We have been preparing for ADS by establishing an entry-level team in China, leveraging tourism opportunities for Canada, and creating key relationships on the ground that will be strategic going forward.

With this announcement, CTC will now propose and seek to implement a robust action plan to leverage the growing interest in travel to Canada in China.

Mr. Chair, a 2008 Conference Board of Canada study, commissioned by the CTC, examined the vibrancy and competitiveness of the Canadian tourism industry. It showed that tourism, as an industry, outperformed all other traditional industries and outperformed the economy at large.

Tourism represents approximately 2% of the Canadian gross domestic product. At a value of \$30.3 billion in 2008, it was equal to the approximate economic value of the agriculture, fishing, forestry, and hunting sectors combined. In that year, this industry generated \$21.9 billion in government revenues, including \$9.85 billion for the federal government, and it employed 663,000 Canadians.

That said, 2009 has been a difficult year for tourism. The economic uncertainty that began in the summer of 2008 resulted in fewer people travelling in 2009. This continues to impact consumer confidence and the net worth of travellers, especially in the United States.

While the current volatility of the global markets has resulted in cutbacks in various organizations throughout Canada's tourism marketing industry, the importance of continuing to market Canada's tourism brand to protect market share cannot be overstated. Tourism is often affected in the short term by economic declines, but the long-term outlook for global tourism remains strong. Tourism is traditionally a resilient industry that recovers quickly from economic downturns.

The Canadian Tourism Commission is Canada's national marketing organization. We market Canada in 12 countries around the globe. The "Canada: Keep Exploring" brand has been gaining strength since we launched its new look and feel three years ago in collaboration with Canada's tourism sector.

We've successfully repositioned Canada as a destination that offers exciting and extraordinary experiences. FutureBrand, a highly respected brand evaluator, has ranked Canada second for two years in a row in the bid for best country brand. Since the launch of Canada's new tourism brand, Canada has jumped from twelfth to sixth to second place.

In addition, we've been able to demonstrate, through studies administered by third parties, that our 2008 campaigns were directly responsible for a return on investment ratio of 45:1, or \$45 of direct tourism expenditure for every dollar spent by the CTC.

As this committee knows, the U.S. is Canada's largest tourism customer. In 2008, almost three out of every four international travellers who came to Canada were from the U.S. Canada's tourism industry, particularly in areas such as the Golden Horseshoe, the Rockies, the Eastern Townships, and Atlantic Canada, are largely dependent on American travellers.

However, the economic downturn, the thickening of the border, and the high value of the Canadian dollar have resulted in fewer Americans travelling, and those who do travel here are spending less. In 2008, total U.S. spending in Canada was \$7.4 billion, 10.2% lower than in 2007. For the first time in history, U.S. spending was lower than other international spending.

The CTC's U.S. efforts are currently limited to areas where there is stiff competition from other countries, namely in the four core metropolitan areas: New York, Boston, San Francisco, and Los Angeles. There is also stimulus funding for activities in Chicago.

We recognize that there is significant untapped potential in other U.S. cities. The CTC does not currently have the resources to support a presence there. Our strategy, then, in the U.S., as in all markets, is to focus on converting long-haul, high-yield consumers, who tend to stay longer and spend more money in Canada. In the face of serious economic downturns or currency fluctuations, a diversified strategy for CTC is both prudent and opportune.

In terms of overnight arrivals, Canada's source markets exhibiting the greatest growth for 2008 over the previous year were the emerging markets of Brazil, India, China, and Mexico. Federal stimulus funding delivered to CTC in 2009 and 2010 has been invested in developing a competitive position and promoting Canada in these key emerging markets.

● (1535)

At the same time as we are attracting international visitors to Canada, we're also working to convince Canadians to travel within Canada instead of going to foreign destinations. Canadian outbound travel spending continued to rise, in light of a strong Canadian dollar, to reach a record level of \$26.9 billion in 2008, an increase of 15.5% over 2007. As a result, Canada's international travel deficit, the difference between what Canadians spend abroad and what international travellers spend in Canada, rose to a record \$12.6 billion.

Budget 2009 entrusted the CTC with funds for a national advertising campaign at home. We launched the LOCALSKNOW summer campaign in June and the winter campaign in November, inspiring Canadians to stay at home and discover the Canada they don't know. So far, the campaign results indicate that about 200,000 trips that would otherwise have been taken to foreign destinations have been diverted to Canada.

The economic conditions of the last year have unquestionably hurt our industry. However, we have an ace up our sleeve. The opportunity of the 2010 winter games for the Canadian tourism sector is immense. Three billion viewers will be watching the games and wanting to get to know us better.

In partnership with VANOC and with our tourism consortium partners, we have launched a media program that will maximize international coverage of Canada and spread the excitement around the world.

Close to 600 travel stories and ideas are available to international media.

We have also been having great success with our international torch bearers program, most recently with César Cielo, a gold

medallist from Brazil who ran at Hopewell Rocks, New Brunswick. We have Ashok Kumar, a Bollywood star from India, running in Toronto. Yang Yang, a short-track speed skater from China, ran in Prince Edward Island. We have Anna Maria Kaufmann, a German Canadian opera singer from Germany, who will be running in Alberta. These are runners who have been able to bring the attention of Canada's excitement around the games back to their home countries and spread our story.

There are 3,200 still images available to further enhance Canada's tourism personality; and 25 broadcast-ready high-end features are in the works all across Canada, with seven of these features already being used by rights-holding broadcasters.

International media have never before had this volume and variety of high-quality product available to them and delivered to them so early by a host country.

Mr. Chairman, there is no status quo or business as usual for the tourism industry in Canada, but there is immense opportunity.

Thank you.

The Vice-Chair (Mr. Anthony Rota): Thank you very much, Ms. McKenzie.

Now we'll go on to the Hotel Association of Canada, with Mr. Pollard.

Mr. Anthony Pollard (President, Hotel Association of Canada): Thank you very much. We appreciate the opportunity to once again appear before this committee.

I usually like to start out by saying that we're the good news industry. We're in the hospitality business and we're pretty good at what we do. I very much appreciate the opportunity to be here with quite a few of my old friends.

To give you a little bit of a feeling for the size of the lodging industry in Canada, last year we did \$18.8 billion worth of revenue. The value added by our industry is \$17.8 billion. We employed—we're down this year, obviously—about 378,000 people from every riding right across the country. One of the reasons I say we're the good news industry is that we generated about \$7.5 billion worth of revenue in taxes for the government last year, of which about \$3.3 billion went to the federal government.

Much as my colleague from the Canadian Tourism Commission did, I want to commend the government for the agreement on ADS with China. We've been looking for this for a long time. In fact, about three or four years ago I wrote a booklet called "Canadian Hospitality for Chinese Guests" in anticipation of it.

I also want to recognize some of our friends around the table who I know have been really pushing this forward in a big way. I know my hotelier friend, member of Parliament Gord Brown, has been pushing that. Mike Lake was doing it. Navdeep, I know when you and I were together about a month ago, we were talking about the same thing. Brian, I know you've been pushing it as well. So it's good to finally make it happen.

It's been a tumultuous year for us. Our occupancies in Canada—how we measure hotels—were down from about 63% to about 58%. From February to September of this year, we lost \$625 million right off the top. We're like the airline industry. We offer a perishable product; if we don't sell it tonight, it's gone forever. It's not like we're selling computers or something like that. Yes, we're down in a big way. At the same time, Michele referenced the travel deficit, which is now upwards of about \$14 billion. As far as our visitation from the States goes, we're fundamentally at about half of where we've been since 2001.

Having said all of that, though, we are starting to see a little bit of light at the end of the tunnel. We do see some of the group bookings for next year with business people travelling. The third and fourth quarters of next year are starting to come back. I like to give credit where credit is due, and the economic stimulus package is working in many parts of the country, and it's good for the hotel people. We're grateful for that, and I want to be on record as saying that.

At the same time, in the budget last year, the feds put in \$40 million for tourism promotion, \$150 million for the parks, and \$100 million for the marquee tourism events program. When the announcement, the RFP from Diane Ablonczy, came out last week saying that we should get the message out to hoteliers and that they had until January 10 to go out and promote their events around the country, I made sure that got into every hotelier's hands so we can take advantage of some of the bucks out there and really make things happen.

Having said that, though, I wanted to talk a little bit about promotion and what we need to do. Yes, we like the promotion moneys that were put out last year, but we need to have these on a consistent, regular basis, so my friends at the Canadian Tourism Commission, as well as hoteliers, are able to go out and say, "Okay, we know what we have in the budget" instead of just having it go up one year and down another. We need to have that sustainable funding on a regular basis.

I want to talk just a little tiny bit about the airline industry.

We very much support liberalized air agreements around the world. I've been in with my friends at TIAC, from whom you're going to be hearing shortly, and the reality is that the airport rent situation at Toronto Airport in particular just does not make sense at all. It doesn't matter who you are or what you're doing. We met with John Baird two or three weeks ago, and—how can we put it, Chris?—he sort of rolled his eyes a little bit and let it go at that.

However, we did raise with him the fact—and I think Monsieur Garneau would appreciate this in particular—that the City of Plattsburg, in their airport now, is promoting itself as Montreal Airport South. We now have two and a half million Canadians travelling to the United States, particularly Plattsburgh, Syracuse, Buffalo, Grand Forks, and Seattle, to get flights out. Why? It's because our airport system in Canada is just too expensive. Two and a half million people is a lot of people. When we raised that with Mr. Baird, he said, and I quote, "Yes, it is embarrassing." He said that himself.

The air travellers security charge, we firmly believe, is a service that the federal government provides. It should not be something that has collected \$2.3 billion from 2002 to 2008. It's ridiculous.

● (1540)

We would like to see the aviation fuel excise tax eliminated, as some of the provinces have done.

What I would like to do at the very end of this, Mr. Chairman and members of the committee, is state that even though our numbers are down in the hotel business, even though we are not experiencing the shortages of employment that we had a couple of years ago, you can rest assured that in two or three years, as the economy recovers, we will once again have shortages. I very much encourage the government and all members to support the temporary foreign workers program, because without it... I was just talking to a hotelier today from Lake Louise. He said to me, "Tony, when you appear before the committee, will you please reinforce how that is critical?" Even though the numbers right now, yes, are down, it's going to come back and we aren't going to be able to have the service levels. I know that for my friend Joyce Reynolds at the CRFA, it's the same thing. So please, let's make sure we maintain that.

Chairman, I've probably gone on too long. I appreciate the opportunity. Thank you very much to all the members.

● (1545)

The Vice-Chair (Mr. Anthony Rota): Thank you, Mr. Pollard.

We'll now go on to the Tourism Industry Association of Canada, and Mr. Christopher Jones.

Mr. Jones.

Mr. Christopher Jones (Vice-President, Public Affairs, Tourism Industry Association of Canada): Thank you, Mr. Chair, members of the committee, I'm pleased to be here today.

[*Translation*]

Tourism is a sector that generates \$74 billion and has the potential to develop more, particularly as a result of the stimulus from the agreement whereby China has granted Canada approved-destination status. The TIAC is delighted with the Canadian government's success in negotiating that agreement. I would like to congratulate the Prime Minister and the Minister of State for Tourism in particular.

However, the industry is still facing major barriers as a result of the recession, such as the cost restructuring in the aviation industry, the high Canadian dollar, problems related to the border and required travel documents, high fuel prices and the lack of resources to promote Canada in new markets.

[English]

Just to give you some recent trends in tourism—some of which have been gone over by my colleagues—tourism demand has averaged about 6.3% growth since 2004, but negative growth is expected for 2009.

Since 2000, inbound travel from the United States has fallen, we estimate, by about 48.6%. U.S. overnight travel declined 6.6% from 2007-08. In 2008 our travel deficit with the United States was \$8.9 billion, and our international travel deficit continued to grow and currently stands at \$12.6 billion.

Hotel occupancy rates are down 5.1% in Ontario and 6.1% in B.C., and average daily room rates have declined 5.8% in Ontario and 4.9% in B.C. this year over last year. Air traffic at major Canadian airports declined 14.4% over the last year.

Now, while the ADS issue has been resolved, another has emerged as significantly problematic for the industry in two of our largest provinces. HST is nominally a smart tax, but mitigation strategies are needed for the tourism sector because many of these businesses were previously exempt from PST/RST. Hence, end consumer costs will now go up. Most tourism-related products and services will be subject to tax increases of the order of 7% in B.C. and 8% in Ontario. Tourism businesses are labour intensive, so input tax credits will not be available to operators to offset the negative impacts of increased tax levels. In the questions, I can provide some examples and illustrations of some businesses that are going to be impacted by that.

The B.C. Council of Tourism Associations estimates revenue losses of between \$360 million and \$545 million, direct and indirect job losses of 7,000 to 10,000, and average tourism price increases of 4.66% in B.C. In Ontario, cost increases for average vacation scenarios range from 14.2% for a shopping weekend in Toronto to 43.6% for a weekend getaway.

Leisure travel demand from approximate markets is highly price sensitive. There's no national value-added tax in the U.S., no GST levelled at the national level, and there has been significant massive discounting by U.S. destinations and properties. Given the price elasticity of tourism, many of our key customers in the nearer markets are choosing to stay in their own jurisdictions.

By way of recommendation, we think that greater thought and allowance should be made for the impacts on non-manufacturing sectors, such as tourism, which have heavy labour inputs. While the federal government has limited jurisdiction to specify which provincial sectors will be exempted from the HST, it can mitigate the impact of this measure through the approach it takes to rebating value-added taxes to foreign visitors.

Therefore, TIAC's submission today calls for three things: reaffirming the principle in the tax code that tourism, as an export industry, ought to be exempted from national value-added taxes such as the GST/HST; two, ensuring the full HST amount is eligible for rebate under the FCTIP that applies to tour operators and conventions and meetings; and finally—and this is perhaps most critical—reinstating individual rebates to foreign visitors on GST/HST for qualifying goods and services.

That's the end of my submission. Thanks.

● (1550)

The Vice-Chair (Mr. Anthony Rota): Thank you very much, Mr. Jones.

Now we'll go to Ms. Joyce Reynolds from the Canadian Restaurant and Foodservices Association.

Ms. Joyce Reynolds (Executive Vice-President, Government Affairs, Canadian Restaurant and Foodservices Association): Thank you, Mr. Chairman and members of the committee.

Good afternoon.

Canada's \$60 billion food service industry accounts for 4% of the national economy and over one million jobs. Our members include chain and independent operators of quick- and full-service restaurants, bars and pubs, cafeterias and caterers, as well as a combination of entertainment and institutional providers.

While tourism is very important to our industry and accounts for approximately 18.7% of our revenue—4.2% of that being international, and the remaining domestic tourist spending—our scope is broader than tourism. Like many other industries, food service has been hard hit by the economic downturn. The average unit volume fell by 1.9% in the first nine months of 2009 compared to the same period in 2008. Adjusted for rising menu prices, the real average unit volume fell by 5.4% in the first nine months of 2009.

All segments of the industry are struggling, but high-end restaurants have been hit the hardest. Limited-service restaurants have outperformed full-service restaurants as consumers look for value and convenience.

Food service is a very competitive business that operates on razor-thin margins. According to the most recent data from Statistics Canada, the pre-tax profit margin of the average food service business was 4% in 2007. That was when times were good. By contrast, Canada as a whole enjoyed a pre-tax profit of 7.7%.

Past research by CRFA has found that food service sales tend to lag economic activity by two to three quarters, and this recession is no different. Following several quarters of growth, the average unit volume fell in the second and third quarters of 2009 even though the recession began in September 2008. While food service operators continued to hire employees in the first five months of 2009, worsening sales in the second half of the year have led to a drop in the number of employees. Compared to September 2008, net food service employment at restaurants, caterers, and drinking places fell by nearly 16,000 workers in September 2009.

You should know, however, that the food service industry is uniquely positioned to contribute to economic recovery and growth. Every \$1 million in restaurant sales creates nearly 27 jobs, making our industry one of the top five job creators in Canada. Every dollar spent at a restaurant generates an additional \$1.85 in spending in the rest of the economy, and that's well above the average for all industries in Canada. The diverse nature of our industry means the benefits are felt in every community and not just in major centres.

I was also asked to comment on how government can help. We're not looking to government for bailouts, subsidies, or handouts. We are looking to government for fairness in how taxes and policies are applied and how our operators' hard-earned tax contributions are spent.

As mentioned by my colleague, our members in British Columbia are extremely concerned about the new 7% sales tax on restaurant meals resulting from GST/PST harmonization. Based on our experience in 1991 when GST was imposed on restaurant meals, similar and identical meals in grocery stores remained tax-free. We know this will have a devastating impact on our businesses, our customers, and our employees. To avoid history repeating itself and crippling this key sector of the B.C. economy, it is critical that the federal government work with the provincial government on joint solutions.

Food service businesses' key inputs are food and labour, and the cost of both has been rising dramatically. Neither is subject to input tax credit. Harmonization through input tax credits provides tax relief to capital-intensive companies. We believe it's time to provide tax relief to labour-intensive businesses.

Specifically, food service is looking for payroll tax relief through a yearly basic exemption in the employment insurance program. I can discuss that more in Q and A. We're also very concerned about the prospect of dramatic increases in employment insurance premiums in 2011. Payroll taxes represent a large percentage of our tax load. They are job killing, they are regressive, and they're profit insensitive. Again, I can elaborate on this during questions.

Finally, like my colleague Tony Pollard, I want to identify labour shortages as a continuing concern over the long term. While this economic downturn has eased the crisis in the short term, demographics tell us that we will again be experiencing shortages of skilled, semi-skilled, and unskilled workers in the years ahead.

Thank you. I look forward to your questions.

• (1555)

The Vice-Chair (Mr. Anthony Rota): Thank you, Ms. Reynolds.

We'll now go on to questions. The first round is seven minutes each, and we'll begin with Mr. Bains.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): Thank you very much, Chair.

It's good to see some familiar faces here.

I want to ask you a question about something that wasn't mentioned in your remarks, about the visas that were imposed on Mexican citizens and the impact that has had on the tourism industry and the tourism sector. I think it's important to note this because it's an issue that has come up in discussions I've had with you individually and in meeting other stakeholders and people in my riding, and people have written to me as well with regard to the issue.

Obviously Mexico is a NAFTA partner. There was very little or no advance warning of this change. When I spoke with the minister last week to ask if there was any analysis done to see what kind of impact this would have on the industry, there was really nothing shared with us. Maybe they'll look into it for us.

I have two questions for all of you. First of all, have you done any analysis on the impact of these visa changes, imposing visas on Mexican citizens? And second, were you consulted in advance to find a way to mitigate this or get the industry ready? Could you comment on those two questions?

I'll start off with the CTC.

Ms. Michele McKenzie: Thank you for the question.

I can tell you that the CTC was not consulted in advance of the announcement. We've been working very hard since the announcement was made to mitigate the impact of that in the market, and we have been having some success in terms of the campaigns we have been running there.

The numbers at this point are still looking quite negative. Year-to-date numbers from Mexico to the end of September are down about 32%, and in September alone they were down about 56% year over year. So we are up against a tough situation there. Mexico has been a stellar market for us. We are working closely with our tour operator partners and are confident we will be able to turn that market around going forward.

Hon. Navdeep Bains: Mr. Pollard.

Mr. Anthony Pollard: Similar to other bodies, no, we were not consulted. It came at us out of the blue. We do understand there were a variety of factors and considerations behind the decision.

Yes, I have had individuals contact me and say it has had a direct impact, particularly tour operators and so forth. And it's an unfortunate situation. There are about 256,000 people, Michele, I believe. This is the number that seems to come to mind, and if we're down 30%, you can see the impact of those numbers on us.

Mexico is part of NAFTA and it's part of North America, and yes, it's a great market to be able to have. It's an unfortunate situation.

Hon. Navdeep Bains: Mr. Jones.

Mr. Christopher Jones: As with my colleagues, for me there was no consultation on that particular file, although at one level that was understandable, perhaps, given the potential for a run on our border had there been prior notification given. And we have not done any economic analysis of the Mexican market. It falls more within the purview of the CTC.

Hon. Navdeep Bains: Ms. Reynolds.

Ms. Joyce Reynolds: I don't have any comments.

Hon. Navdeep Bains: No problem. Thank you.

The other issue you have mentioned today I also brought up with the minister. I'm glad that finally the ADS was signed. There was a huge sense of relief from all of us, including me, because I remember being part of the government then, fortunately, when we had signed an agreement in principle. And we were the first country, and now 130 countries have beaten us to the punch. But I'm glad that we're there. It's still a good step—a little too late, in my opinion, but I'm glad that we did sign it.

The question I have now is, how long will it take us to catch up to some of those other markets? We've fallen behind quite a bit over the past four or five years. We've lost a lot of ground. So yes, we have the agreement signed, which is a good step, but how long will it take us to ramp up our efforts to really fully take advantage of that market? And what kind of game plan do you guys have now that we have this agreement in place?

I'll start off with CTC again.

Ms. Michele McKenzie: Thank you.

Yes, we've been anxious for this agreement for some time, not just because it allows us to attract and receive group tours from China, but most importantly from our point of view, it allows us to market freely in that marketplace, which we've been restricted from doing until now. So this is very good news.

Our team is meeting today. Our lead person from China is in Vancouver today at our headquarters office, working with an

industry committee reviewing our plans and we will be advancing those plans to government for consideration. We're doing that with haste.

• (1600)

Hon. Navdeep Bains: Mr. Pollard.

Mr. Anthony Pollard: It's interesting. I received an e-mail this morning, and I won't name the company it was from, but it's one of the largest hotel companies in the world. They have a famous granddaughter who got into trouble, so you can probably figure out the name of the company. He stated to me very clearly that this is going to look good for leisure business for the second, third, and fourth quarters of next year, so that's a good sign.

Anything we can have to move it forward.... The problem is, how much airlift do we have to be able to...? There are only so many A340s and 767s that we can have come here. But on the other hand, experience in other countries around the world has demonstrated very clearly that we should go for it, let's push it. So it's a good decision all around, in my view.

Mr. Christopher Jones: I guess I can add to what Michele had to say.

TIAC expects to be involved in developing a kind of quality assurance program for the receptive tour operators, the people who will be greeting the Chinese visitors. Considerable work has been done on that in the past. So I would like to echo the sentiment that we think this is a very good thing for the Canadian tourism market. And the Prime Minister's release noted a 50% increase in travel from that market, possibly by 2015, which is a very healthy development.

Hon. Navdeep Bains: I have only about a minute left, so I'll be very brief and pointed with my last few questions.

One is with regard to CTC funding. You indicated in your presentation that you have a 45:1 ratio return on investment. Aside from the budget you received for the Olympics and other one-time initiatives, how has your baseline funding been—presently, in the past few years, and going forward? Obviously that's a great return on investment, if you ask anyone. But I'm trying to get a sense of your budget, where it stands relative to previous years and where you see it going forward.

Ms. Michele McKenzie: Thank you.

The CTC base budget, which would be our base appropriation from government, is \$74.8 million this year. And that's slightly less than what it was last year. It has been on a decline—I guess the CTC was created as a crown corporation—but that decline has flattened somewhat in recent years. And we expect that would be the trend with respect to our base funding going forward.

We've been very fortunate to receive one-time investments for the Olympics, \$26 million over five years, and with the stimulus, \$40 million over two years, which we're able to add to the base. It helps us to compete with lots of other countries with heavy investments, in what is a very competitive world.

Hon. Navdeep Bains: As value for money, 45:1 is a pretty good ratio. So I hope that budget does improve in the years to come.

Okay, I'll come back later.

Thank you.

[Translation]

The Vice-Chair (Mr. Anthony Rota): Thank you very much.

Now we'll continue with Mr. Bouchard.

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chairman.

I want to thank you as well for being here this afternoon.

I would like to go back to the question of the visas that are required of Czech and Mexican nationals. I heard that those figures were negative, that is to say that the results were negative.

I also have an example to give you, that 90,000 Mexican tourists visit Montreal every summer. So this has a major impact. There are no doubt other examples elsewhere in Canada. Have you prepared any arguments or examples that you've submitted to the Canadian government or that you are preparing to submit?

What are your intentions in that regard? Would they be to do nothing, write a brief, make demands? I would like to hear what you have to say on that question.

[English]

Ms. Michele McKenzie: I can answer that from the point of view of how we're responding to it from a marketing point of view. The CTC, as a crown corporation, is not a lobbying organization with respect to the policy decision. But from a marketing point of view, we are working very hard with our airline partners and with our industry partners to mitigate the response in the market.

You note the very strong visitation to Montreal from Mexico. It's been one of the great growth markets in Canada with year-over-year growth in 2008 over 2007 of almost 22% across the country. And that is concentrated in some key areas where there is direct air access. And one of those, of course, is Montreal.

So we'll continue to work with our partners, our airlines, and our tour operators to make sure their customers have good information on how to get those visas.

•(1605)

Mr. Christopher Jones: Perhaps I could answer. There are three things we would see as being important here.

The first would be to increase consular services in those markets for the time being. I know it's a medium-term objective of the government to lift the visa requirement on Mexico, or at least that was indicated by the Minister of International Trade at one point. But for the time being, in the absence of that, we need to increase the

number of consular services, staff, and resources available to process the applications.

I had a meeting recently with CIC. We might want to consider translating these applications into the native languages of the countries from which people are applying.

Second, we are beginning to form an industry committee with the department to look at ways, where in other emerging markets there are likely to be visa issues that could replicate what we saw with Mexico, to start having a better understanding of the tourism impacts of that.

And finally, as I understand it, biometrics will be required in the next couple of years from some of these markets. So we need to think carefully about how we're going to use biometrics to expedite the visa process.

Mr. Anthony Pollard: Mr. Chairman, I'm not going to go over what my two colleagues just said about this, but in terms of being able to facilitate the process in our missions around the world, this also has an impact on, as I mentioned this earlier, the temporary foreign worker program wherein you have to process the individuals in these countries. Whether it's in Mexico, for a Mexican citizen wanting to come to Canada on a holiday who needs a visa or somebody in Mexico wanting to work in Canada somewhere in the travel or tourism industry, we need to ensure that we have the people around the world.

In Minister Flaherty's budget not too long ago, I believe there was an infusion of \$40 million or \$50 million, but the people at DFAIT have said very clearly it's a drop in the bucket. When you end up with x number of people all lined up, I don't care whether it's to get a visa or to get a job, we need to make sure we have the resources in our missions around the world to be able to handle this.

So it's twofold.

[Translation]

Mr. Robert Bouchard: The Hotel Association of Canada said that, in 2009, there was a major decline, a drop in the tourism industry and a deficit in money spent in Canada by foreigners.

Can that be attributed to two or three factors? Is the currency an important factor? There's also the economic crisis. Should other factors be taken into account? In short, can this major decline in the tourism industry be attributed to two or three factors? Are there more?

[English]

Mr. Anthony Pollard: You have probably identified most of it. Travel and tourism is influenced by the economy. When the economy went into a tailspin, we went into a tailspin. Why? If you don't have a job, you don't take a holiday; and if you're a business, you ask whether you really need to take that trip. So that had an impact on us, more than anything.

By the way, this is having a bigger impact now than what we had with SARS or with 9/11, and so forth—just so we're all on record about that, and I think my colleagues would support it. But it's also reflective of the problem we have with a tightening border, with the passport requirement, and with the dollar. When the dollar was trading at 65¢, if you came to Canada for two days, the third day was free. That's what it was. When we have a dollar that's at around 95¢ or so—my friend Gord Brown operates hotels right on the border and he knows this better than anybody—the fact is that all of these combined just make a real mess for us.

So to identify it as one specific thing, no, but together, boy oh boy, as I said, we lost \$625 million in a seven- or eight-month period.

• (1610)

[*Translation*]

The Vice-Chair (Mr. Anthony Rota): Perfect, thank you very much.

Now we'll continue with Mr. Brown.

[*English*]

Mr. Gordon Brown (Leeds—Grenville, CPC): Thank you very much, Mr. Chairman.

I'd like to thank our witnesses. I've had the pleasure of working with, I think, all of you in some capacity.

My riding of Leeds—Grenville, which is along the border, as Mr. Pollard said, is heavily dependent upon tourism. In fact, just last Friday we held a tourism summit at which we had about 80 tourism operators. It was the day after the ADS announcement, and I can tell you there was significant excitement about that.

Also, back in September, Minister Prentice was down in the riding to take part in a ceremony where we had a friendship agreement with the Thousand Islands Lake in China. That was an exciting development for our region.

With regard to last Thursday's announcement of ADS—and I know it was a long time coming, but we're glad that it has now been accomplished—maybe Ms. McKenzie, Mr. Pollard, and Mr. Jones could tell us a little more about how tourism operators could actually prepare for this. There's a lot of excitement. The numbers at this point are fairly small, but how could they could get ready to take advantage of this great opportunity?

Mr. Anthony Pollard: It's funny, Michele and I were communicating via e-mail last week after the announcement came out and I said, "This is great. Now we have it, what do we do with it?", which I believe, Mr. Brown, is your question.

The fact is that we now need to work very closely with the inbound operators to be able to say, okay, who has their feet on the ground over in China? Who is over there in Shanghai, Xi'an, Beijing, and so forth that can facilitate this?

I had a very large operator, who does 75 to 80 properties, contact me last week asking for names of people they can be in contact with, which is what you and I were talking about after this came out, Michele. That's what we need to put the focus on right now. Canada is a really big country, but we're just a little tiny thing out there. We need to get in there and work very closely with them.

Michele, I know that in your capacity right now and then prior to that, you've done a lot of work with those receptive operators and so forth. I'll defer to you.

Ms. Michele McKenzie: We will be working with all of those receptive operators here in Canada and also the tour operators that have the ability to market. This is still a controlled environment.

What is interesting for us, and maybe the one benefit of having waited so long for this, is that we've seen where the ADS agreements have not gone so well for some of our competitors. I think about countries like Australia and maybe even New Zealand, for instance, that have had to go back and rethink how some of those agreements were structured and how some of the operators were functioning. We have the benefit of that learning.

The focus that we'll be placing right now is on communicating with the industry at large as to how to take advantage of this opportunity, what we're doing on the ground, and how they can get a share of that business.

Mr. Gordon Brown: One of my roles around Parliament is to co-chair the Canada-U.S. Interparliamentary Group. Mr. Masse is one of the vice-chairs on that as well. We all know the issues that are involved with the thickening of the border and the issues involved with that, with getting people moving back and forth across the border.

Ms. McKenzie, you said one thing that is very important, that three out of four international travellers who come to Canada are from the United States. We're very excited about the opportunity in China, but what can we do and what can the Canadian Tourism Commission do in the short term to try to get those numbers back to where they used to be? It is having a pretty dramatic impact across the country, especially in border communities.

Ms. Michele McKenzie: Three out of four of our travellers are coming from the U.S., and almost half of our international revenue is coming from the U.S. It is our most important international market by far. It has been in decline, but that's not to diminish the importance of this market going forward.

With our core budget we are invested in those four city markets that I spoke to you of. With the stimulus in 2009 we were able to extend that marketing into Chicago with some great results. We were working with United Airlines, and they had a tremendous result with a two-for-one fly-into-Canada package. They were able to sell packages all across Canada from coast to coast to coast. We were very pleased with that.

That would be our approach going forward: take the resources we have and dedicate them to certain city markets where we know there's good airline access, and also, in some of those cases, attract from the direct market as well.

•(1615)

Mr. Gordon Brown: Thank you.

My next question will be more directed at Mr. Pollard or Mr. Jones.

Mr. Jones mentioned the foreign convention tour incentive program, affectionately known as FCTIP. A few years ago the government phased out the former GST visitor rebate program. Maybe we could hear a little about the new program. I've been hearing from some that it's not as easy to use for some of the tour operators. How may that be improved so that it can be better used?

Also, on the HST, I believe in the Atlantic provinces the entire HST is rebatable to foreign tour operators, while right now in Ontario and B.C., it's not; just the PST portion is not. Maybe we could hear a little bit more about the HST/GST program.

Mr. Christopher Jones: You're correct about the HST, and I think it's assumed by the industry that the full HST amount will be rebatable for tours, meetings, and conventions. We would at least hope so. That's the fervent desire of the industry.

I was talking to some tour operators today, though, and what I think is important to recognize is that the global travel market is morphing a little bit. For instance, even in China, we see that there's a category or a market segment of people who may prefer fully independent tours, who may want to travel independently, particularly the younger folks between 30 and 40. Perhaps what we have to look at is finding a way to reaffirm the principle that tourism is an export industry and to reinstate an individual visitor rebate program, because if we can't necessarily offset the business costs, at least we can help the customer, the traveller, or the visitor get some of that money back, and that helps everybody in this sector.

What we are hearing from tour operators about the FCTIP is that it's a little burdensome and cumbersome to comply with. There's a lot of paperwork involved. Also, regrettably, some tour operators are choosing to price the GST right into their product offering as opposed to reclaiming it, so they just make the consumer pay.

We don't want to see that. We've had some good, encouraging discussions with Minister Ablonczy and the CRA about their willingness. I think this HST might be an occasion to revisit that.

Mr. Gordon Brown: Mr. Pollard.

Mr. Anthony Pollard: Mr. Brown, the information I have from a director general over at CRA is that the full HST would be rebated. Do I have that in writing? No, but he told me that orally, and I've no reason to believe differently. I think that's very, very beneficial for our industry. It's a bonus and we look forward to seeing that happen.

The Vice-Chair (Mr. Anthony Rota): Thank you very much, Mr. Brown.

Now we'll go on to Mr. Masse.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

Thank you for being here today.

The passport implementation, the petrodollar policy we have of a high dollar value in Canada right into the United States market, and the GST rebate being eliminated are three significant steps against

your industry that have really targeted three-quarters of our market. I don't know of another industry facing similar challenges to this extreme, aside from the auto industry and few others like this.

You need to understand that in the normal process for legislation like the HST, it would actually go to committee, there would be study and then debate in the House of Commons, and there would be votes on it. That would be the normal process to get your input. That's being taken away from this debate right now. Quite literally, you have some of the very limited testimony that's going to take place if we don't change paths right now.

Here's what I want to know. Is it important, in your opinion, for the HST to be studied in order to look at the consequences and at where some solutions could be found prior to its implementation?

Ms. Joyce Reynolds: Obviously this is a critical issue for our industry. When the GST was imposed back in 1991, our sales declined by 10.6%. It was a recessionary period at that time. In contrast, the GDP declined by 2%. We were identified in an Ernst & Young study as being in a unique position, because consumers had the option of purchasing the same or similar products tax-free from grocery stores. In our opinion, the GST is a flawed tax. By extending it to the province of B.C., where there's no tax on restaurant meals, history is going to repeat itself and we're going to suffer the same declines in customer sales and employment.

There's no policy decision that has had a more severe impact on our industry than the imposition of the GST, so we are extremely concerned about the impact this will have in British Columbia. We absolutely need to have more study and we need the federal and provincial governments to come together and work out solutions.

•(1620)

Mr. Christopher Jones: Thank you, Mr. Masse.

Clearly, there are components of our industry, like the bed-and-breakfast sector in British Columbia, that had hitherto been exempt from the PST but are now going to see a significant rise in their costs. I think, though, that perhaps we should preface this by saying that all service sectors should be assessed on the impact of an HST, not just tourism, particularly if you're a labour-intensive industry. The impacts that befall a sector like ours would be worthwhile examining.

One thing we could perhaps say is that given that this is falling in the midst of both an economic recession and a pretty steep decline in visitation, the timing of this isn't so good. Maybe in some ways—and this could be a matter for the provincial governments—we could look at some kind of holiday or phase-in that would allow some of the tourism businesses not to be whacked so hard and so suddenly with this steep increase in their prices. But in some ways, that's a provincial issue.

That would be my view.

Mr. Brian Masse: There is no doubt that this is a federal issue. I mean, nothing happens without it starting here. It's born here. It has also been the history of this country, with regard to this tax policy, of making the other provinces come to the table too.

It's interesting; ironically, your members are going to pay for it both ways. Right now this government is going to have to borrow money and pay interest on that money to bring in a tax against their own members.

I just commissioned an economic paper that estimated that if we used the borrowing rate over 10 years to pay this off, it would actually cost the government \$9.9 billion. That's on the average borrowing rate of the last 10 years that the government would actually have to pay on that.

Mr. Pollard, are you concerned about that for your members? If you look at some of the packages of the hotel industry—golfing, lift tickets, and a whole series of different services that attract people—they will now become more expensive. Bundling is one of the more attractive things in the hotel industry. That will automatically go up now.

Mr. Anthony Pollard: Mr. Masse, we have major concern anytime prices go up for whatever reason. I have to say, though, that in eastern Canada, when the HST was brought in, I saw a lot of the debate that is taking place today.

I also know that down east, notwithstanding some one-off items, the vast majority of hoteliers—who are in the real estate business, fundamentally, and you know that—will say that notwithstanding some items, they are supportive of an HST.

Mr. Brian Masse: But have any approaches been made to your industry about studying this issue and looking at the amelioration? I have seen studies done from the private sector and lobby groups. Have any of you been approached by the government on this issue?

Mr. Anthony Pollard: No.

Mr. Christopher Jones: No. In fairness, though, some of this does, despite your earlier comment, lie at the feet of the governments in B.C. and Ontario, to some extent, in terms of deciding which sectors are going to be grandfathered or exempted.

Mr. Brian Masse: Yes. That's correct.

Mr. Christopher Jones: I know there is a lot of frustration that in the wake of the termination of Tourism BC, you suddenly see a few months later the unilateral imposition of this HST. The industry out there is pretty animated. We're just expressing some of that frustration here.

Mr. Brian Masse: And you are correct, it is the exemptions. The issue is how much fiscal capacity those provinces will have. There already have been winners and losers picked.

How much time do I have, Mr. Chair?

The Vice-Chair (Mr. Anthony Rota): You have about 30 seconds.

Mr. Brian Masse: All right. I can use 30 more seconds for railing on the HST.

Voices: Oh, oh!

The Vice-Chair (Mr. Anthony Rota): We've already heard your railing.

Mr. Brian Masse: On a serious note, I do want to put something on the public record about the ADS, because it's important. This committee, led by Dan McTeague and including Mr. Van Kesteren, went to Beijing, to China, to push this issue. It was a good initiative, but we do need to have a full-on strategy.

You're right about the amount of planes and cargo capacity and so forth. People think there will be thousands of people running over here right away; it's not the case.

• (1625)

Mr. Anthony Pollard: It's not a panacea.

Mr. Brian Masse: Yes. We have to work at it.

The Vice-Chair (Mr. Anthony Rota): Very good.

We will continue with the second round, beginning with Monsieur Garneau.

Mr. Marc Garneau (Westmount—Ville-Marie, Lib.): Thank you, Mr. Chair.

I too am very glad about the approved destination status for China. I think perhaps it might have happened a few years ago if circumstances had been a little bit different.

I'd like to ask a question concerning EI. The government, as you know, will be increasing premiums for EI starting in 2011. As was mentioned, this is a labour-intensive industry. I believe Ms. Reynolds said one million people, and I think Ms. McKenzie said 660,000 people. Have you looked at the impact on your industry of this payroll tax starting in 2011? Or is it too early for you to be looking at that?

Ms. Joyce Reynolds: We're already concerned. The economic and fiscal projections in September seem to indicate that premiums on payrolls are going to go up 21¢ per \$100 every year from 2011 to 2015. The impact of that will be devastating for a labour-intensive industry like food service. It's extremely frustrating when you consider the over-contributions of \$57 billion to a rainy-day fund. We were one of the groups that were pleased to see EI in a separate fund, so that the tap was turned off for over-contributions by employees or employers. But now we're in a situation in which the new financing board lacks the funds necessary to keep premiums at a level that won't hurt job creation and economic growth.

We would like to see the federal government divert some dollars back to the board, so that there isn't a need to raise EI premiums. We would like to see a yearly basic exemption that would give relief to lower-income workers as well as labour-intensive businesses. That would be our recommendation.

Mr. Marc Garneau: Mr. Pollard, do you have any comment?

Mr. Anthony Pollard: In the hotel business, labour is our largest expense after debt servicing. The continued increases spell trouble for us, especially when you have something funded at \$57 billion. To continue increasing that doesn't make sense to us.

Mr. Marc Garneau: Mr. Pollard, you mentioned something on HST that I didn't realize—HST has been in place in a number of provinces for a number of years. Can you explain whether there were exemptions in the restaurant or hotel business? Did they have to adjust to the payment that we're talking about? Did Ontario and B.C. put in exemptions? If so, what was the experience in those provinces?

Mr. Anthony Pollard: I'm a gentleman. Go ahead, Joyce.

Ms. Joyce Reynolds: In the three westernmost provinces—Saskatchewan, Alberta, and B.C.—there is no tax on restaurant food. There's food tax fairness. In Atlantic Canada, when the HST was brought in, there was already tax on restaurant meals, so there wasn't the sticker shock that consumers will experience now. But the overall rate of the tax diminished.

That didn't mean there wasn't a lot of concern. Our members in British Columbia are extremely concerned about what the sticker shock will do—it will drive them to those tax-free alternatives. Some of those tax-free meals are produced offshore, yet the same products that are produced by Canadian labour in B.C. businesses will be taxed. A 12% difference is very significant, and consumer behaviour will be influenced by it.

• (1630)

Mr. Marc Garneau: Thank you.

The Vice-Chair (Mr. Anthony Rota): Thank you, Mr. Garneau.

We'll move on to Mr. Lake.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you, Mr. Chair.

And thanks to the guests for coming.

I want to use the first part of my time to clarify some comments made by some of the members across the way.

First of all, the government doesn't set EI rates. We changed that a couple of years ago. We put in place an independent financing board after—as one of the witnesses noted—the Liberals took \$54 billion of EI money and spent it on other things. So we put that process in place, and it was widely lauded by witnesses who came before the human resources committee at the time. Of course we're always looking for ways to improve on things, so we welcome your input on that.

The second thing I have to clarify is a previous comment about the Mexican visa situation. Of course it would be quite ridiculous to pre-announce or consult on the fact that you're going to impose a visa restriction to deal with an illegitimate refugee claimant issue. As one of the witnesses mentioned, that would lead the way to mass numbers of illegitimate refugee claimants rushing our borders to beat the deadline before the visa was imposed.

It was the previous Liberal government's long-term inability or unwillingness to deal with the issue of bogus refugee claimants—

The Vice-Chair (Mr. Anthony Rota): I'll ask you to stick to the facts and lay down on the editorial. We're very interested in what you're saying.

Mr. Mike Lake: I am getting to where I'm going.

A voice: Did you do the same thing for them?

The Vice-Chair (Mr. Anthony Rota): Can I have order, please?

Mr. Brian Masse: It is kind of serious. We invite witnesses to come from across this country and give testimony here. It's not to have bantering among ourselves about previous questions. They've spent their time and energy to come here. We're here to receive their expert testimony, not to hear the Conservatives try to once again—

The Vice-Chair (Mr. Anthony Rota): We'll let Mr. Lake continue.

Just keep to the facts. Thank you.

Mr. Mike Lake: On that point of order, I want to make sure my time was stopped for this. Good. Thank you.

There is a relevant point here to be made. The fact of the matter is that inaction by the previous government had a tremendous negative impact on legitimate potential visitors to Canada. Nobody is disadvantaged more than constituents in areas like mine—and those of other honourable members—where there are significant populations of first-generation Canadians whose family members have difficulty coming here because of the bad apples who abuse the system. Of course, Minister Kenney has taken significant measures to address this issue, and there will be long-term benefits to those who wish to visit Canada and spend money in our country. So I've said my piece on that.

On some of the testimony, the Canadian Tourism Commission talked about the Olympics in their opening statement. I want to focus on not only the short-term impact of the Olympics on visitors to Canada, but the long-term impact.

I had an opportunity to do an interview on a Chinese television station. They're going to run a promotional piece during the Olympics to focus on Canada as a tourist destination for the long term. Stephen Colbert, on his show yesterday, talked about coming to Canada and kind of made light of a situation involving American athletes. But it could do wonders to have him come here and talk about Canada as a place to visit.

Maybe you can talk about the long-term impact of an event like the Olympics on the Canadian tourism industry.

Ms. Michele McKenzie: Thank you.

The long term is really the focus of the CTC's strategy for the Olympics, working with the industry. We've learned a lot from other countries that have hosted the Olympics before us, especially Australia. They felt their strategy had really worked well to deepen travellers' understanding of the types of experiences they could have in Australia, but they stopped at the games. They failed to convert that increased interest into more visitors and more sales. So we've learned from that.

The strategy we have goes right through to 2012. It starts on the day the games end and implements a sales strategy. So all of the experiences we'll be highlighting during the coverage of the games are ones that people can have here in Canada and buy on our website. All of the industry has been very engaged in that work.

We are not marketing the games themselves. VANOC is marketing the games. We're taking advantage of the fact that far fewer than 1% of the people who will be watching the games will be doing so in British Columbia. The other more than 99% will be watching the games through some kind of media. That's where our influence will be.

•(1635)

Mr. Mike Lake: All right.

Christopher, do you want to comment on that at all?

Mr. Christopher Jones: In a more general sense, this touches on the issue of Canada's hosting policy for large events. The members will know that Toronto has just been awarded the Pan-American Games, which is a real feather in our cap. My colleague in the Canadian Sport Tourism Alliance is fond of saying that this is an industry that's growing; it's almost counter-cyclical to the rest of the tourism industry, the holding of major sporting events, and then the associated economic activity that comes from visitors, athletes, and their families spending money.

So I would strongly encourage the government to look at building on the Olympics and moving out towards the Pan-Am Games make sure that in our hosting policy they—the federal government—work through Canadian Sport Tourism and Sport Canada, and with different communities and provinces, to make sure that more of these kinds of games and events are held in Canada, because they are very beneficial to the local economic development.

[Translation]

The Vice-Chair (Mr. Anthony Rota): Thank you very much, Mr. Lake. Now we'll continue with Mr. Vincent.

Mr. Robert Vincent (Shefford, BQ): Thank you, Mr. Chairman.

We know that the Olympic Games are about to start. I would like to know what kind of activities each of your associations will be carrying out to promote Canada's other provinces during the Olympic Games and during the program held in Vancouver.

Do you have the resources or have you set up anything to say that, since many people are coming from a number of countries, it is time to promote Canada's attractions? Vancouver is very nice and the Olympic Games as well, but there are other things elsewhere, and I'd like to know what you've done about that and what you intend to do.

[English]

Ms. Michele McKenzie: Thank you.

The strategy during the games is to feature all of Canada. So we are taking advantage of the fact that the media will be shining their light on Canada and they'll be looking for stories about Canada. The world's in love with the idea of Canada, but they don't really understand all the experiences you can have here from a tourism point of view. So this is our opportunity to tell the world those stories.

We've developed partnerships with all the provinces and territories. Every single province and territory has put money on the table to buy into our program. We've been out with teams shooting stories, shooting new high definition footage, shooting new still shots, shooting social media stories, and we have all of those stories ready to give to the official broadcasters. So we're working with all the official broadcasters in all the countries to tell all of Canada's story. I have to say that at the CTC we're very focused on this being Canada's games. We want to deliver on the promise that this was bid as Canada's games, and that this will be delivered as Canada's games, and the tourism impacts will be for all of Canada.

[Translation]

Mr. Robert Vincent: Mr. Pollard, would you have anything to add?

Mr. Anthony Pollard: I don't have any further comment. I leave all the promotion in that area to Ms. Mackenzie and her CTC team.

Mr. Robert Vincent: All right.

It's the same for you? Perfect. Then I'll continue in the same vein.

Mr. Jones, earlier you spoke about labour and Mexican labour for your industry. You said that there was a problem in getting those people back.

Can you tell me why that is such a problem? Why do Canadian or Quebec workers avoid those jobs and why do you favour Mexicans for those jobs? Why do Quebecers and Canadians avoid those jobs?

[English]

Mr. Anthony Pollard: It's interesting. Under the temporary foreign worker program, you have to demonstrate to the bureaucrats that you've gone out and tried to hire a Canadian. You have to show an advertisement to prove that you've actually advertised in the media. The problem we have is that we do not have sufficient numbers of people, particularly in the resort areas.

We don't have a major problem here, for example, in Ottawa, or in Toronto or Vancouver. Yes, there is a little bit of a problem, but where is the biggest problem? You can go to Mont Tremblant, for example, or the Muskokas, or the Jasper/Lake Louise/Banff area, or Whistler. In those places you've got 4,000 or 5,000 hotel bedrooms, and how many people live in Saint Jovite? There aren't very many; it's maybe 3,000 or 4,000 people. The Fairmont hotel group literally buses people in every day from Montreal. They drive up the Laurentian Autoroute to bring housekeepers to make up rooms at the Fairmont Tremblant.

We would be delighted to be able to have Canadians doing these jobs, and it's not a matter of benefits or salaries or all of those things; there just aren't the numbers. We opened a JW Marriott resort in Muskoka last spring, but we had to keep two floors closed. Why? Because we didn't have people to make up the rooms. We don't have sufficient numbers of people in the right places at any given time, Monsieur Vincent. That's what it comes down to, and it's going to get worse again.

Is it Mexicans? I was talking to a chap today out at Lake Louise. When I mentioned to him that he seemed to have a lot of people from the Philippines there, he said that in fact they were doing very well right now with people from Brazil. So what part of the world it is doesn't really matter; we just need to be able to keep the service levels up.

Michele McKenzie is talking about the experience here in Canada. Well, if we don't have the people to be able to take care of the rooms, we have a big problem.

• (1640)

[Translation]

The Vice-Chair (Mr. Anthony Rota): Thank you very much, Mr. Vincent.

We'll now continue with Mr. Van Kesteren.

[English]

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Mr. Chair.

Thank you all for coming this afternoon. This is proving to be a very interesting discussion again, and one that never ceases to amaze me in terms of some of the facts I'm hearing.

Joyce, you were saying that for every million dollars, how many employees are generally hired?

Ms. Joyce Reynolds: There will be 27.

Mr. Dave Van Kesteren: There are 27 for every million dollars in sales. That's significant. I hope we've caught that. I think we probably have, Mr. Shaw. That's a number I think we definitely need to put into our records.

I know tourism has many facets. It's not just the people who come down and take pictures; tourism includes conferences and a number of other areas. However, I think we all have to agree that although we're excited about broadening our scope—the government brochure shows how many countries we're attracting tourism from and where our main groups are—the American is still our biggest tourist.

Can you tell me what percentage of tourism comes from the U.S. A.?

Ms. Michele McKenzie: It's about 75% of visitation, and almost 50% of our revenue.

Mr. Dave Van Kesteren: It's 50% of our revenue. Is that because the others we've targeted are big-ticket tourists and are spending more money?

Ms. Michele McKenzie: No. Primarily it's because we have a larger number of short-term stays coming from the U.S. People who are coming from markets further away are coming for longer periods of time. That's the primary dynamic in that number.

Mr. Dave Van Kesteren: I'm curious. When I was a youngster, I lived in southwestern Ontario. That was many years ago. Southwestern Ontario is where the busiest border is. Mr. Masse is in Windsor, and I lived just down the road from that. As a matter of fact, my dad had a gas station, and I can remember that when I was a kid we lived off the American tourists in the summertime. They would come in in droves to camp.

How much of that have we lost? Is it because of the thickening of the border? What else is it? Is there another reason?

Ms. Michele McKenzie: We see all kinds of dynamics at play there, but that is the market that has been hardest hit. It's the drive market closest to the border coming to Canada. So you feel that, especially in that Golden Horseshoe and Windsor area and certainly coming up into Quebec and Montreal. All of those areas have felt that.

The traffic that is off the most is same-day travel, people who come to Canada for the day and go back home. That business is off by more than 50% when you compare it to the early 2000s. When you start to look at overnight travel and the folks who are more the traditional tourists, the numbers tend to get better, and the further you get away from the border, they're better yet. So we've had the most trouble closest to the border.

What we've seen in that number is that primarily, fewer of those folks were international travellers. Maybe Canada was the only place they ever travelled to internationally. They're the folks who are not as inclined to want to get a passport, and they also saw that there were alternatives to the types of experiences they could have in Canada closer to home. The U.S. was marketing very aggressively for that business as well. Combine that with some of the economic situations in those markets and it kind of conspires to create a difficult situation.

We've been fighting the passport issue for some years now. To the extent that people have heard the word "passport" in the media, they thought you already needed a passport to come to Canada. So it has been a difficulty for us for some long period of time, and we've been responding to that by moving a bit further away from the border in terms of our marketing effort and targeting air travellers, who tend to have passports and tend to travel more internationally.

•(1645)

Mr. Dave Van Kesteren: I was in the car business before I did this, and we learned really quickly that it was great to do the repairs, the big repairs, but if you weren't getting the oil changes and the grease jobs and the tire changes, you would slowly lose that crowd. I'm thinking that possibly the same thing would be true in the tourist industry, that if you aren't getting those people who just come across for the day trip, you're not going to get them for the long trip.

Are we focusing enough attention to help to remedy that and zeroing in on problems that are causing the shrinkage in those areas? Are we doing enough work there?

Ms. Michele McKenzie: In September 2009 the automobile traffic was up 14% year over year, from September 2008, so that was a very positive sign. And air travel was down for that month. So we think that we've hit the bottom in terms of where automobile travel will go, and we'll grow back now. We think we have great destinations just across the border, and as Americans become more accustomed to the idea of a passport and they have passports, we think that traffic will come back to some extent. Some of it will be gone. We think that's probably a structural change, but with smart marketing, I think we could bring some of that market back.

The Vice-Chair (Mr. Anthony Rota): Thank you very much.

Now we'll go on to Mr. Masse.

Mr. Brian Masse: I'll follow up with that.

I think one of the things we're underestimating, though, is that a number of Americans will not get a passport for personal privacy reasons. There is a whole series of different things that we can't deal with on this side over here without an organized strategy. So one of the things I'd like to know and get some input here on is this. Would your associations be open to the concept of working with the government or government agencies and the business community to set goals in the United States?

Around 32% or 33% of Americans have passports. I think we should be actively engaging in a campaign in the U.S. to help acquire those passports. I look at the casino industry in Windsor, where they help facilitate that process, because unless they get an enhanced driver's licence or a passport, three-quarters of our customer base is dead in the water. We need to think about that. I throw that out there. What other strategies can be employed to remedy that problem? You don't even have that decision-making capability if you don't have that driver's licence or passport.

Mr. Christopher Jones: To the extent that we're trying to shape the policies of a foreign government, obviously Canada only has so much control. But in terms of getting more trusted traveller documents in the hands of the Americans, we do acknowledge that their passport ownership rate is lower; but having said that, they've now issued a pass card, which is a smaller, cheaper, wallet-sized version. There are about a million of those in circulation.

There has been a lot of misunderstanding about children. There has been the wrong impression that kids under 16 need a passport, when they don't. They can get by with just a birth certificate as long as their parents have passports. But we're believers that there should be a multiplicity of documents, from NEXUS cards to pass cards to enhanced drivers' licences to more passports. And in fairness to the

Americans, they have set up what are called mobile enrolment teams, where the State Department is moving around the country, going to small communities and enrolling people with passports.

So it's slowly coming up. It's not as high as the Canadian one, but we need it to come up.

•(1650)

Mr. Brian Masse: But the issue is this. Do you believe there's a role for us to be engaged in this, to try to encourage that, or do we simply accept whatever the United States programming departments want to do and hope Americans eventually get these documents?

Mr. Christopher Jones: I would suggest that the bigger factor is that, post-9/11, there's been a policy of buying American, staying at home, a little bit of a siege mentality within the United States, and until that lifts I'm not sure. These initiatives will make a difference at the margins, but I'm not sure whether they will bring the massive numbers back. We're at levels we haven't seen since the 1970s right now. So it's pretty tough.

Mr. Brian Masse: That's it. I still think we're sitting on our hands feeling sorry for ourselves as opposed to engaging in a real solution.

Mr. Anthony Pollard: There's been a lot of discussion with people. Why don't we just go out and buy...? What does a passport cost in the States, Brian?

Mr. Brian Masse: About \$80.

Mr. Anthony Pollard: If you're going to go out and bring in a big convention or something, typically the people there already have passports. We're looking at the people who will go across the river, across the bridge to your hometown. How do we influence them? How do we get the guy who would go to the casinos where Mr. Brown is located, and say...? Do you buy them the passport?

Mr. Masse, there was some research conducted, I believe, a couple of years ago that asked what would happen if we actually went out and bought people passports. The conclusions were really not the appropriate vehicle to pursue. I think what we need to do is become a lot more clever when it comes to marketing. Now, I'm talking about hotels, not simply our country, on which I really defer to my colleague Ms. McKenzie. What are we doing with all the social media out there? What are we doing to be able to let people know what's up here and what we're doing? I think it would be a lot more effective in this new age we're in today than perhaps buying somebody passports.

Mr. Brian Masse: I'm not sure there was a reference to that.

I'll give you an example. Casino Windsor actually helps Americans facilitate their application for their card. They debunk the myths and the confusion that's out there. That's not really happening over in the United States to any degree. There are those roving groups they have, and they have opened more aggressive offices, there's no doubt, but we've totally assented to their process. I don't know, I just think it's irresponsible of us, including the industry, if we don't think we're going to actually engage in trying to get Americans or convincing them it's worthwhile to make that investment to get a passport or to get a document to come over here. If we simply leave them to do it alone, I think we're not seizing an opportunity.

Mr. Anthony Pollard: One of the things I've always been a big believer in.... You have all these great big city visitor bureaus, if you will, that are spending phenomenal amounts of money all over the place to attract people. I often wonder why you don't take \$1 million and go and buy a convention, instead of taking \$1 million and dividing it up with 20 different things. Just say, okay, we're going to get the rate where you want it; we're going to show Canada what it is. I would be inclined to do that, but I don't run a visitor bureau; I run a hotel association. I think there are creative things we could do in this age we're in right now.

I'd be interested in pursuing it further. Do I have the answer? No.

The Vice-Chair (Mr. Anthony Rota): Thank you, Mr. Masse.

Now we'll go on to Mr. Wallace.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair.

I have only one question for our guests. I'm going to share my time with Mr. Warkentin.

I used to read *Marketing* magazine, and I understand CTC got the award of marketer of the year. I don't recall ever seeing any government in there getting the award before, so congratulations on that.

I was involved with the branding of Burlington, my hometown and my riding, and we were looking at branding just for business visitors and other business opportunities really and not necessarily for the vacationing tourist. Why is it important for this brand? What's the new brand saying about Canada, which you got the award for? What do you see as its shelf life, and where do you think it should go from here?

•(1655)

Ms. Michele McKenzie: Thank you.

I guess we need to explain a little the reason we launched a refreshed tourism brand for Canada, because people would say that people kind of already know what Canada is. It's one of the most loved countries in the world. People want to live here. They want to immigrate here. They love the idea of Canada. But what we had found is that they didn't translate that into a reason to travel here. As much as everyone in the world who had a passport—getting back to those passport people—thought Canada was on the list of the top five places they wanted to travel to sometime in their lifetime, it was very hard for Canada to get to the top of the list in any given year because we weren't seen as very compelling.

So the work we did with the brand was to try to deepen people's understanding of what Canada was as a country in terms of the types of travel experiences they could have. That's where the "keep exploring" brand developed. The award for being the top marketer of the year was just announced today, so you're on top of that. I think the work that we're doing with social media and in trying to be very innovative in terms of how we get our message out has largely been driven by wanting to be more effective marketers but also wanting to be more efficient with our spending. We know we can be very efficient in the social media space, and it has been working for us.

Mr. Mike Wallace: Congratulations on the award.

Chris.

Mr. Chris Warkentin (Peace River, CPC): Thank you, Mike.

Thank you, Mr. Chairman.

Michele, I'll keep on you just for a second. I actually have the distinct privilege of representing one of the largest dinosaur deposits in the country. That's just outside of Grande Prairie, and I think you might have the stat in terms of the tourist—

Some hon. members: Oh, oh!

Mr. Chris Warkentin: The committee members may laugh, except that it's a fact that dinosaurs happen to be the number one tourist attraction, when people are polled around the world.

I wonder if there has been any consideration given to marketing the actual rich deposits that we have here in Canada as they relate to people coming, because when polled, people in the world have shown that the number one tourist destination actually is one that has something to do with dinosaurs. I thought it was an interesting statistic, and I'm wondering if you've done any research or if your organization has done any research on that.

Ms. Michele McKenzie: We just ran the LOCALSKNOW campaign this summer, to try to inspire Canadians about the very exotic types of experiences they could have in Canada. They wouldn't have to travel all around the world to have these experiences. One of them was a dinosaur experience that they could have in Alberta. It was a huge surprise even to Canadians that such an experience was available. So I think that by trying to get the message out here at home, we'll be able to start to build that experience more effectively and to package it so that we can market it abroad.

We're not seeing the interest in dinosaurs per se spiking in the research that we see, but we do see lots of interest in authentic culture and history. It's certainly one of the segments of travelling that we are pursuing, and we think there's a great fit there. The work we did under the LOCALSKNOW program helps us build a foundation for that.

Mr. Chris Warkentin: Thank you for that.

We're going to continue to market our dinosaurs back home as well. I mean, they're not going anywhere. They're there for a while.

A voice: We hope not. When they do, they'll be really popular.

Mr. Chris Warkentin: Thank you.

In terms of things that are living, I appreciate the fact that the temporary foreign worker program has been mentioned by several of you. I've had the opportunity to work with the Canadian Restaurants and Foodservices Association on this issue. It's a number one issue. When I speak to any of my hotel owners, any of my restaurant owners, they say please make sure this program is sustained.

I wonder if you could, for this committee's sake, explain to us what would happen if in fact the temporary foreign worker program ceased to exist, especially in communities like ours where, even today when there's higher unemployment, these business owners are continuing to struggle to fill postings in their facilities.

Ms. Joyce Reynolds: The food service industry is very similar to what Tony articulated for the accommodation industry. There continue to be pockets across the country where there are still real issues in terms of being able to find staff, and I'm talking about all skill levels—but during the severest part of the crisis there were restaurants that had to close their operations for different parts of the day. There were franchisees throwing the keys back at franchisors. There were huge lineups at restaurants because they were so short-staffed. Owner-operators were doing all the jobs within their restaurant.

When the changes were made to the temporary foreign worker program so that we were able to take advantage of that program, these people were welcomed into the communities and they were welcomed by their colleagues. It actually made it easier for us to get Canadians to work in those restaurants as well, because a Canadian who wouldn't apply for the job would suddenly see that it wasn't totally chaotic. Those people who had trained in hotel and food management programs would say, "Okay, yes, there are actually people here to manage; I'm interested in taking a job at a restaurant," as opposed to knowing they were going to come in and work 16-hour days, seven days a week, doing everything from cleaning toilets to trying to do.... Well, there was no payroll to do, because there were so few people they could hire.

It brought a real sense of stability to a lot of restaurant operations. There were real advantages. There were so many advantages that I could go on forever in terms of what the temporary foreign worker program provided.

• (1700)

Mr. Chris Warkentin: And you would state that your organization still believes that this program is relevant and must be maintained.

Ms. Joyce Reynolds: Absolutely.

The Vice-Chair (Mr. Anthony Rota): Thank you, Mr. Warkentin.

We'll go on to Mr. Garneau and Mr. Bains, who I believe will be sharing some time.

Hon. Navdeep Bains: Thank you. I'll be sharing my time with Mr. Garneau.

I want to echo the comments made by Mr. Wallace, and again I want to congratulate the CTC for receiving the marketer of the year award. Actually, I forgot to mention that in my earlier remarks. I think it's quite an accomplishment and it's well received by everyone in the industry, so congratulations once again on that.

Earlier Mr. Lake mentioned very passionately a decision made in the immigration department and he explained the rationale for it, but I think his comments clearly highlighted and demonstrated the impact it has not only in immigration, for example, but across many departments. These decisions are very widespread, and departments don't necessarily work in silos.

To that effect, I think the government has acknowledged and recognized that there needs to be a clear tourism strategy at the federal level, and they've identified and are starting to work on this process. The minister briefly spoke about this as well.

I think it's appropriate again to ask this question, which I asked in the context of the visa issue but I think it's appropriate in this context as well: have you been consulted on that strategy? Has your input been sought?

One of the issues, for example—and Mr. Pollard, you mentioned this to me when we spoke—is air service agreements. These are not done with any strategy in mind, or with CTC in mind, or with other areas in mind where we can actually try to align our goals and objectives in a way to maximize the potential for the industry. The idea behind a strategy is to avoid mistakes like that or to be able to line up our ducks to get the best set of ideas and strategies in place.

Can you guys comment, first of all, on any involvement with regard to the federal tourism strategy and the kind of input you've given to that process and the consultation aspect of it?

Mr. Anthony Pollard: I think we've been very fortunate over the course of the last few years. There was a period of time when there wasn't a minister designated with responsibility for travel, tourism, etc., and I have to give full credit to Mr. Ritz, who was minister prior to Minister Ablonczy, in terms of being very accessible and consulting regularly, seeking our views.

I can remember years ago when cabinet documents in Ottawa didn't have a communications strategy, and back about 15 years ago, PCO said that all cabinet documents must now have that. What we're trying to do is be able to say that when a piece of legislation or policy, or whatever you want to call it, is being advanced, you look at it through a tourism lens and ask what the impact of it will be. That's what we're seeing, more and more, taking place now.

I'll let my colleague Mr. Jones speak to it a little bit more, but the consultative process is working quite well. I'm sorry that Mr. Masse isn't here. There are things that we are being consulted on extensively and we think that's very useful.

• (1705)

Mr. Christopher Jones: I would echo those sentiments that there has been significant consultation between the Minister of State and us. For example, their office arranged for our meeting with the Prime Minister last June, which lasted about an hour. There was a round table with tourism stakeholders. We were invited to appear before the federal-provincial-territorial tourism ministers meeting in September.

I think there has been extensive consultation. The process is not to be faulted at the moment. I think it's been pretty healthy.

Ms. Michele McKenzie: I'd like to add that the CTC also has been very involved in working with our colleagues at Industry Canada, who have taken a strong lead in terms of the whole-of-government approach. It's been a very robust working relationship.

Hon. Navdeep Bains: Has any timeline been given for when the strategy will be finalized in terms of the consultation? It's great to be consulted, but eventually there needs to be some—

Mr. Christopher Jones: Well, I don't speak for the government, but I get the sense that they're meeting with line departments and trying to line up commitments on different things. The ADS piece was a big piece that solved one part of that issue.

I want to add something, though. I don't want to make it sound like it's all perfect. There have been issues, such as the cancellation of the visitor rebate program, on which there wasn't consultation, and we would have liked to see it. So it's not completely rosy, but on balance, it has been very good.

Mr. Marc Garneau: Your industry has seen recessions come and go. Usually tourism drops and then it picks up again, all other things being equal. But in this one, we've talked about fuel prices going up, we've talked about the value of the loonie, and we've talked about more difficulty at border crossings. Are you considering that the permanent new reality, or are you hoping those things are going to be fixed and things will go back to where they used to be?

Mr. Anthony Pollard: I can speak for the hotel side, Mr. Garneau. We look at it in terms of bookings, and we see how they fell off almost overnight. Yet we see now that the group bookings, the business bookings for the third and fourth quarters next year, are starting to come back a little bit.

Are we optimistic? Yes. What attracts my attention a lot more is when I see a GDP growth rate of 3.5% projected for British Columbia next year. That gets me quite excited.

Are there things beyond our control? Yes. By nature, the business all of us at this table are in is to see the bottle half full, not half empty. I don't know, maybe they have the wrong guy in the job here. But at the end of the day, yes, I think we've bottomed out. If we keep learning from all these things, I think that's the important thing. You, as parliamentarians, are listening to us today, and that's a good story right there.

The Vice-Chair (Mr. Anthony Rota): Thank you very much, Mr. Garneau.

As someone once said, every time something happens and something goes wrong, you learn something. You just don't want to learn too much at once.

We'll go on to Mr. Lake.

Mr. Mike Lake: Thank you.

I want to follow up on a line of questioning a couple of us had regarding the border issue, specifically on the kind of advertising you might be doing in the areas on the American side of the border.

I was watching TV, and I was kind of surprised to see one day a commercial about passports. I was thinking that it was a Government of Canada commercial. At the end I found out that it was actually a commercial, I think, put out by an American organization advertising

the need for passports. Of course, they recognize that it is important for them to educate Canadians about that.

Are we or any of your organizations doing any kind of advertising in Buffalo or Detroit or those areas that might be strong sources of border tourism to inform them of the need for a passport? Is there any benefit to an advertising campaign like that?

Ms. Michele McKenzie: We've not been involved in a passport campaign that has targeted certain areas. What we have done is work with the authorities in the U.S. We have taken their passport promotion road team into trade shows so that they're with us in our booths. We take American passport applications at the Canada tourism booth at major trade shows throughout the U.S. Especially when we're going after the main convention market, that has been quite effective.

What we have not done is run a "get a passport" campaign in some of those border cities. We've been working more with local chambers of commerce to try to understand what some of the barriers are. We have not seen any evidence that a marketing campaign of that nature would effectively overcome some of the barriers to getting passports that some people have.

• (1710)

Mr. Mike Lake: Many of you have talked about the declining numbers of U.S. visitors coming to Canada. One thing I'm curious about is where the numbers are increasing or where the future looks brighter in terms of people coming to Canada. And obviously we've talked about the situation with China and the recent agreement made there. But from where else are we seeing increasing numbers of visitors coming?

Ms. Michele McKenzie: You're seeing increases coming from some of these new and emerging markets. Mexico has been our shining-light market. And we are working diligently with DFAIT and all of our partners in that market to bring that business back. We know that business is there. We're focused on the emerging markets of India, Brazil, and China, where we're seeing the most growth.

That's not to say the other markets are not important for Canada. The U.K. has about a million visitors a year coming to Canada. It's the largest international market other than the U.S. So we don't want to turn our back on any of these markets, as well. But they are not experiencing that same rate of growth.

Mr. Mike Lake: Does anyone else want to comment on that, too? Or do you just agree with that?

Mr. Christopher Jones: The marketing in Canada is more left to the Canadian Tourism Commission; TIAC doesn't get too involved in that.

Mr. Mike Lake: Okay.

Ms. Michele McKenzie: There's something I'd probably add to that, though. We should not paint the U.S. with one brush. There are many different markets in the U.S. Certainly the air traveller who comes to Canada spends about twice what the average auto traveller does when coming to Canada. It's a very lucrative market. We've had great success in markets such as New York, California, and Chicago this year, and we intend to stay invested there. It's a great market.

Mr. Mike Lake: In terms of a typical international visitor coming to Canada—and I'm thinking probably more of a non-American—what is their typical profile in terms of their visit? Do they come to one place and spend two weeks in one place? Do they hop on a train and travel one whole region of the country? Or do they go from one side to the other? What is a typical visitor? Or are there categories of typical visitors?

Ms. Michele McKenzie: It really depends on the market, because different markets have different interests in coming to Canada. But I think the theme is that there is no typical visit anymore. Perhaps there was more of that in days gone by, when there was a predominance toward group travel from the international markets and from the touring travel that would come by car from the U.S.

It was mentioned earlier that group travel demand has gone down; independent travel demand has gone up. People are very interested in building their own packages, building their own itineraries, and taking their own tours. We no longer see people landing in Vancouver and thinking they can visit all of Canada in a week, thankfully.

But typically, what we see is that people will come to Canada, they'll visit one area of Canada, and that will inspire them to come back. So if we can get them here, we know we can get multiple trips.

[*Translation*]

The Vice-Chair (Mr. Anthony Rota): Thank you very much, Mr. Lake.

We'll now continue with Mr. Bouchard.

Mr. Robert Bouchard: Thank you, Mr. Chairman.

My question is for Ms. McKenzie.

You talked about airports. We know that, at the airports, foreign visitors have to go through customs. I visited two places this summer, including Cranbrook, British Columbia, a town that was given a customs post in 2008. I also went to Mont-Tremblant, in Quebec, another town that was granted a customs post in 2007, I believe. I saw the vitality that there was in those new destinations.

The government is very restrictive in adding customs posts to receive foreign visitors. They focus particularly on the airports in the major cities such as Vancouver, Toronto and Montreal. I'm sure there are some elsewhere, but they are mainly in the major centres.

In my riding, there are plans for a customs post to attract tourists because of the specific characteristics there. Do you think that plans for new tourist destinations aimed at new markets, foreign visitors, would help develop the tourism industry, or should this be focused instead in centres such as those we currently have?

•(1715)

[*English*]

Ms. Michele McKenzie: Thank you.

The opportunity we have in Canada to develop new destinations is immense, and the extent to which we can do that will help make us more competitive. We know that our customers like to travel from point to point as much as possible. If they don't have to transfer through an airport, that's the ideal situation. So the extent to which new destinations can open with point-to-point air service, our customers are telling us that would be desirable. Whether that can practically be delivered in all cases is a different question, but that's where customer demand is.

We've been working with CBSA to improve the sense of welcome at borders, wherever they are located in Canada, and we're doing that in advance of the winter games. We've worked with them to brand the arrivals halls in a number of airports across the country. We're working with them on rolling out a service program called "first face" about delivering those services in as friendly a manner as possible.

Those are very important security services for Canada, but we want to put a bit more focus on being friendly, and the reception from CBSA has been very positive. So that's where our focus has been to date.

[*Translation*]

Mr. Robert Bouchard: Do you have a study showing that you support this, that this path should be taken? Have you made any submissions to find new destinations and for the government to be more open to opening new customs posts in certain airports to receive foreign visitors?

[*English*]

Ms. Michele McKenzie: We have research to support that. I can provide research that shows where the customer demand is going, and it would support new destinations for Canada.

[*Translation*]

The Vice-Chair (Mr. Anthony Rota): I believe Mr. Jones has a comment on that subject.

[*English*]

Mr. Christopher Jones: Perhaps I can add to that. If we can develop the right kind of environment in the cost structure of getting people to Canada, if we have enough customs and border clearance in enough airports, and if the cost equation makes sense, we think the private sector will step in to build new products and services and create new attractions.

Sometimes that takes government seed money. Perhaps we can make our transportation system a little more intermodal so that air, rail, and coach are linked. Travellers in some parts of the world take that for granted. I know the government is looking at high-speed rail here in Canada. That might provide an incentive to people. It would be a new tourism experience to see Canada by rail—see it whizzing by, anyway. If we can get the cost structure right, our entrepreneurs will step up and build the kinds of products we need.

[*Translation*]

Mr. Robert Vincent: I would like to understand the reason for the difference between the evidence of the two previous witnesses. Ms. McKenzie, you said that, in the tourism industry, Canada rose from 12th to 6th place, then to 2nd place. Mr. Jones told us in his document that the World Tourism Organization fell from 7th to 14th place, and with regard to international tourism, from 10th to 13th place.

How do you explain this discrepancy? Here it's rising and there it's falling. Don't you have the same figures?

[*English*]

Ms. Michele McKenzie: They're looking at different things. From twelfth to sixth to second is a measure of Canada's tourism brand reputation. From seventh to twelfth and then fourteenth is where we rank in the world in the number of visitors we receive and the amount of revenue. That is driven by the fact that the world of tourism destinations is really expanding rapidly.

There have been new destinations over the last ten years that travellers could not get to previously, and that will continue to be the case. So we expect that our share may continue to go down, even if our absolute numbers are increasing. So they're measuring different things. One is visitation and one is brand reputation.

● (1720)

[*Translation*]

The Vice-Chair (Mr. Anthony Rota): Thank you very much, Mr. Vincent.

Now we'll continue with Mr. Masse.

[*English*]

Mr. Brian Masse: Thank you, Mr. Chair.

I have one quick question about visitor visas. Are there certain countries that we should be targeting with vacation packages to access Canada? Sometimes there's a lack of tourism from certain countries because visitor visas are so difficult to get. Are there certain countries we should be focusing on and trying to push for greater accessibility?

Ms. Michele McKenzie: We choose countries depending on their potential return on investment. That research is not sensitive enough to understand what the visa process looks like. In a country like India, for instance, we'd be very focused on working with immigration and DFAIT officials to make sure we are facilitating the application process as much as possible. We know that in some countries the response time and the refusal rate can vary.

Of course we'd like to see high acceptance rates because that means more visitors. When Canada refuses a visa, it's for other reasons. We need to be sensitive to that. The overall numbers in

terms of response time are really improving in countries like China, where it was a much larger issue in the past. That's how we try to work with that. We don't pick countries because of the visa process; we pick countries based on return on investment.

Mr. Brian Masse: Thank you, Mr. Chair.

The Vice-Chair (Mr. Anthony Rota): Thank you.

We've done the third round and we had a request. If it's okay with the committee, we'll allow Mr. Warkentin and Mr. Wallace to ask two brief questions, and then we'll adjourn.

Mr. Warkentin.

Mr. Chris Warkentin: Thank you very much, Mr. Chair.

In terms of domestic tourism, I'm wondering if anybody has done any studies in terms of what percentage is work related. In my constituency, probably the majority is. Most of the hotels are filled with people who are travelling as a result of work.

Ms. Michele McKenzie: Pure leisure travel would be 50% to 60% of the demand across Canada. Then you have other motivations, including business travel. Tourist numbers don't include all business travel, they specifically exclude some types. We can give you some detailed breakdowns on those numbers.

Mr. Chris Warkentin: I'd be interested in just how much that has been reduced over the last year and a half to two years.

Ms. Michele McKenzie: The declines we're seeing, especially in U.S. air travel for instance, are largely business travel. Leisure travel remains quite strong, but business travel has been hit the hardest, I would say, of all the sectors.

Mr. Chris Warkentin: In terms of the hotel industry, that's what I would see anecdotally and locally.

Mr. Anthony Pollard: In a hotel, we're typically at 65% for business travel, roughly, depending on how you define it. The other portion is obviously leisure. Where we've had the biggest fall-off, though, as Ms. McKenzie stated, is in group travel. In other words, business travel, particularly conventions, is off. It's the biggest for us across the country. If you want to take it one step further, your high-end full-service hotel—the four- or five-star hotel with seven or eight restaurants in it—is impacted the most.

Mr. Chris Warkentin: Does your association follow the numbers in terms of people travelling on business?

Mr. Anthony Pollard: We track more our occupancy rate and RevPAR. We're obviously very interested in knowing where people are coming from or what they're doing. Yes, we do.

Mr. Chris Warkentin: Thank you.

Mr. Anthony Pollard: I'm not allowed to talk about rate, either, just for the record.

Thank you.

Mr. Mike Wallace: Thank you, Mr. Chair.

Briefly, Ms. Reynolds, one thing that surprised me—and just for my education—you mentioned that restaurant sales lag the economy a little bit. The economy starts to go down, and sales can hold themselves for a while and then start to lag. I would have thought it might be the opposite, that as a discretionary purchase it might be one of the first things to get cut back.

Can you explain to me then the difference between...? When I was a kid, going out to a restaurant was an event, but not anymore, since I haven't made a meal in my apartment in four years.

Some hon. members: Oh, oh!

Mr. Mike Wallace: I shouldn't announce that.

• (1725)

Ms. Joyce Reynolds: We appreciate it. Keep it up.

Mr. Mike Wallace: Are there two different markets or has the marketplace completely changed, so people don't realize it is a discretionary purchase that they can slow down on? I don't know. It's surprising to explain.

Ms. Joyce Reynolds: What happens is that there is a trading-down effect, so those consumers who were frequenting high-end restaurants may go more to the mid-range restaurants. Some who were going to the mid-range restaurants will go to some of the more

quick-service restaurants. They initially modify their behaviour. They still need to dine out.

Mr. Mike Wallace: And these price points fall down, so the revenue generated is less.

Ms. Joyce Reynolds: Then it takes a while for them to ramp up after the economic downturn is over. There's a lag time. When the economy starts to improve, it takes a while before the restaurant industry comes back.

Mr. Mike Wallace: Okay, I appreciate that information.

Thank you, Mr. Chair.

Mr. Anthony Pollard: It's basically the same thing in the hotel business as well.

Mr. Mike Wallace: Right, the higher end—

Mr. Anthony Pollard: If you're trading down and trading down, then how do you get it back, and so forth.

Mr. Mike Wallace: Thank you.

The Vice-Chair (Mr. Anthony Rota): Very good. Thank you.

I want to thank the witnesses who came today.

I want to remind members of the committee that there's a luncheon tomorrow, Tuesday, December 8, from 12 to 1:30, room 602 Centre Block, at the Parliamentary Restaurant. It will be hosted by Perrin Beatty, president and CEO of the Canadian Chamber of Commerce, and Michael Chong, chair of the industry committee.

Thank you very much.

This meeting is adjourned.

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