



HOSPITALITY

NEWFOUNDLAND & LABRADOR

**Hospitality Newfoundland and Labrador Submission to the
House of Commons Standing Committee on Finance**

Pre-Budget Consultations

August 12, 2011

Executive Summary

Hospitality Newfoundland and Labrador (HNL) is the provincial Tourism Industry Association comprised of independent businesses, organizations and associations within the hospitality and tourism sector in Newfoundland and Labrador.

While the recovering economy of 2010 continued to challenge many tourism industries in Canada and throughout the world, Newfoundland and Labrador's tourism industry proved its sustainability by showing growth. In fact, since 2003, Newfoundland and Labrador has experienced a 22% increase in visitor traffic.

Tourism represents more than \$850 million annually to the economy of Newfoundland and Labrador and \$3.24 billion annually for Atlantic Canada's economy employing over 110,000 people. The growth of the industry is vital to the future economic well-being of the region and Canada as a whole. With continued investment, tourism can be an integral part of the solution to growing economic opportunities and creating quality, sustainable jobs for Canadians.

Recommendations

1. Canadian Tourism Commission Funding

HNL recommends that the federal government revisit the funding model for the Canadian Tourism Commission with the objective of providing a competitive and stable base for effectively marketing Canada internationally. Several options for investment in strategically aligned special projects represent opportunities for the Government of Canada to generate increased tourism revenues for Canada's economy and create jobs for Canadians.

2. Aviation Cost Structure

HNL recommends that the federal government undertake a comprehensive review of the aviation cost structure in Canada with a view to achieving a fair tax and regulatory regime that would allow the travel and tourism sector to compete on a level playing field with the rest of the world.

3. Enhanced Funding for Government Agencies and Tourism Support Organizations

HNL recommends that the federal government enhance funding for agencies and support organizations that have a critical impact on tourism such as the Atlantic Canada Opportunities Agency, Parks Canada and the Canadian Tourism Human Resource Council. These establishments are critical enablers of private industry investment and with a solid commitment to sustained funding, can drive job creation, community development and economic diversity in Atlantic Canada.

Who we are

Hospitality Newfoundland and Labrador (HNL), is the provincial Tourism Industry Association focused on advocacy, education, the adaptation of innovative technology and the promotion of a strong member network. Through forward thinking and fostering the growth of its members, HNL continues to be the leader of the tourism industry in the province.

As one of Atlantic Canada's most important and strategic economic sectors, HNL's mission is to advance growth in tourism through advocacy, development initiatives and membership

opportunities. In order to enhance the global competitiveness of the region's travel and tourism industry and ensure its future positioning as one of the leading players in the international travel and tourism market, HNL advocates for strong public policy that fosters a globally competitive, innovative business environment that is conducive to efficiencies, job creation and growth.

By providing leadership and direction for the sustainability and growth of the tourism industry, HNL's vision is that, by 2020, tourism revenues top 1.6 billion in Newfoundland and Labrador and Canada is again ranked among the top 10 destinations in the world as measured by international arrivals.

Economic Impact of Tourism

Tourism is a \$74 billion sector of Canada's economy, and directly supports 617, 300 jobs for Canadians. Tourism contributed \$29.5 billion to Canada's GDP and generated \$9.4 billion in federal tax revenue in 2010. With a growth rate of 6.5% over the last year, the sector is an important contributor to sustained economic recovery in Canada.

International tourism is one of the fastest growing industries in the world. As a world trade category, international tourism currently generates more than US\$1 trillion in export income annually and ranks 4th after fuels, chemicals and automotive products.

International visitors drive the long-term growth and competitiveness of the Canadian tourism industry. In 2010, 15.9 million international visitors generated \$14.8 billion in export revenue for Canada. This represents an increase of 5.2% over 2009 and reflects growth in all key overseas markets except Mexico, which declined due to visa restrictions imposed in 2009.

Tourism Priorities for Budget 2012

1. Canadian Tourism Commission Funding

The Canadian Tourism Commission (CTC) is responsible for marketing Canada internationally. They compete for an international tourism market worth \$3 billion a day.

Core funding of the CTC has dropped year over year for most of the last decade and now rests at \$72 million for 2011/12. This is 27% less than they received in 2001. By comparison, the United States' new marketing organization will operate with an estimated budget of \$200 million. Many other countries are also making large investments in their national tourism marketing organizations, leaving Canada 20th in the world for national tourism organization funding.

In this highly competitive marketplace, Canada cannot expect to succeed by relying on its natural endowments and cultural attractions. Competitive marketing and destination branding are needed to benefit from the economic potential of international tourism.

Recommendations

HNL recommends that the federal government revisit the funding model for the Canadian Tourism Commission with the objective of providing a competitive and stable base for effectively marketing Canada internationally. The following strategically aligned special projects are opportunities for the Government of Canada to generate increased tourism revenues for Canada's economy and create jobs for Canadians.

Opportunity	Description	Recommended Investment
China post-Approved Destination Status	Investment to increase “direct-to-consumer” marketing in light of the 2010 Canada-China Approved Destination Status (ADS) Agreement.	\$5.0 million
Return to direct-to consumer advertising in Japan	Investment to allow the CTC to re-enter the Japan market, leveraging the “direct-to-consumer” channel, which was ceased following the Strategic Review.	\$2.0 million
Global promotional initiative	Leverage and partner with a global platform leader to increase awareness of Canada as a tourism destination.	\$6.0 million
European second-tier markets	Leverage the CTC’s new leaner and scalable business model to enter Tier-2 markets in Europe.	\$5.0 million
Promotional programs to support airlift to Canada’s North	Support tourism demand generation programs for Canada’s northern territories.	\$2.0 million
TOTAL:		\$20.0 million

2. Aviation Cost Structure

Last year, 21% of Canadian leisure travellers in 2010 drove to the United States to use less expensive plane tickets purchased for travel within the U.S. or internationally, according to a recent Canadian Travel Intentions survey. This “leakage” amounts to millions of Canadian travellers who found the price of Canadian plane tickets more expensive than the total cost of driving to the U.S. and flying from airports like Buffalo, Detroit, Plattsburgh or Bellingham.

This trend is the result of a mounting burden of taxes and fees imposed on the aviation sector that discourage competition and drive up the prices of air tickets both to and within Canada. Airport ground rents, the Air Travelers Security Charge, airport improvement fees, NAV CAN charges, payments to municipalities and aviation fuel taxes are all piled in to the final price of a ticket. These infrastructure funding and user-pay policies imposed by the Canadian government add upwards of \$160 to the cost of an overseas trip to Canada compared with the United States, where the aviation sector operates in a far more supportive environment. Measured against the rest of the world, the competitiveness of our aviation cost structure is ranked 125th by the World Economic Forum.

Canada is a “fly-to” destination and price competitiveness is vital to attracting visitors. The cost of flying to Canada must be comparable to, or less than, other competing destinations. If millions of Canadians are willing to endure the time and hassle of crossing to the United States to fly, potential visitors from overseas will avoid Canada altogether.

Recommendation

HNL recommends that the federal government undertake a comprehensive review of the aviation cost structure in Canada with a view to achieving a fair tax and regulatory regime that would allow the travel and tourism sector to compete on a level playing field with the rest of the world.

3. Enhanced Funding for Government Agencies and Tourism Support Organizations

Through strategic funding and partnerships with government agencies and tourism support organizations, Atlantic Canada's competitive advantage can be strengthened and the foundation set for future efficiencies.

Access to business development and capital investment is often difficult for tourism operations. As such, the Atlantic Canada Opportunities Agency (ACOA) has become a vital business development support for the tourism industry in Atlantic Canada. The Agency has assisted private industry invest in tourism products and services and supported industry at large initiatives which help the region become more competitive. To ensure the tourism industry is able to develop the products and services necessary to become a national and international destination of choice, ACOA must continue to receive support for initiatives pertaining to tourism.

Parks Canada plays a pivotal role in the tourism industry in Newfoundland and Labrador and Canada as a whole. The Parks Canada National Parks and National Historic Sites are major attractions for resident and non-resident travellers. As a product from which many private businesses rely heavily upon to attract visitors to their region, it is the responsibility of Parks Canada to have the infrastructure, staff, products and experiences required to be a true player in the tourism industry. Parks Canada, in many regions, requires significant recapitalization and continued investment.

The Canadian Tourism Human Resource Council (CTHRC) is a leading sector council in Canada and abroad and is emulated for its success. In order for the CTHRC to continue to address labour market issues and promote professionalism in the Canadian tourism sector in support of a globally robust and sustainable industry, competitive and continuous funding is required. Despite the effects of the recent economic recession, the potential demand for tourism goods and services is projected to grow at a healthy pace over the long term, fuelling the demand for labour. By 2025, the tourism sector's supply of labour is expected to fall short of demand by 219,000 jobs. The CTHRC plays a critical role in preparing workers to competently fill these vacancies and ensure the continued growth and success of the tourism industry.

Recommendation

HNL recommends that the federal government commit to providing continuous and competitive funding to key government agencies and tourism support organizations with the objective of providing a stable base that will facilitate strategic investment, economic development and sustainable job creation in Atlantic Canada.

Tourism is a renewable resource that is proven to stimulate and diversify the Canadian economy. With a strong commitment and deliberative action on behalf of the federal government, tourism will bring further stability to the recovering economy and prosperity to Canadians.

Sincerely,



John Dicks
Chair, Hospitality Newfoundland and Labrador