



HOTEL ASSOCIATION OF CANADA
ASSOCIATION DES HÔTELS DU CANADA

July 15, 2011

Guyanne L. Desforges
Clerk of the Standing Committee on Finance
House of Commons
Ottawa, Ontario
K1A 0A6

Subject: Hotel Association of Canada Pre-Budget Brief

Dear Ms. Desforges:

Please find enclosed the Hotel Association of Canada Pre-Budget Brief to the House of Commons Standing Committee on Finance.

As per my email of July 4, 2011 I would also like to appear before the Committee in either Montreal or Toronto.

Thank you for your attention to this matter.

Sincerely,

Anthony P. Pollard
President



HOTEL ASSOCIATION OF CANADA
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The Hotel Lobby

Submitted

By

The Hotel Association of Canada

July 15, 2011

To

**The House of Commons
Standing Committee on Finance**

The Hotel Lobby
Presented by the Hotel Association of Canada

Background

Travel and Tourism drive economic growth and diversity in every province and territory in Canada. Tourism contributed \$29.5 billion to Canada's GDP in 2010. In 2010 Tourism accounted for 1.6 million or 9.2 percent of all jobs in Canada only exceeded by manufacturing and retail. Tourism is bigger than construction, finance and education. It is one of the fastest growing sectors in the global economy yet Canada's share is shrinking. International Tourism currently generates more than \$1 billion in export income annually and ranks 4th after fuels, chemicals and auto parts.

The \$74 billion travel and tourism industry employs 617,000 people across Canada. The lodging sector is a key component generating \$17.5 billion in revenue, employing 320,000 people and paying \$6.3 billion in taxes including \$2.8 billion to the federal government.

Like most economic sectors, Canada's tourism industry is struggling with a serious economic downturn. However the Recession and Recovery conceal a larger problem of declining competitiveness which has been evident for several years.

The Road Ahead

Key federal policy changes can have a huge impact on the strength of the travel sector and the speed with which it recovers. As one of the major beneficiaries of a vibrant travel sector, through its tax revenue as well as the owner of many of our tourism assets, the federal government has a direct interest in speeding the recovery of this industry and ensuring Canada regains its place as a competitive, high value travel destination.

As the economy rebounds around the world the hotel sector can be among the fastest growing; creating new jobs and initiating new investment more rapidly than other sectors. But this will not happen with a 'business as usual' approach. Unfortunately Canada cannot realize its true potential under the existing structure and significant change is urgently needed.

What is Needed

While the global pie is getting bigger, Canada's share is shrinking. The Canada Brand is #1, however we are 15th in foreign arrivals according to the FutureBrand Index. Strong brand interest is not converting into arrivals.

In 2000 Canada was the 7th most popular destination in the world with a travel deficit of just over \$1 billion.

Between 2002 and 2009, almost all countries posted international tourist arrival gains except Canada.

Restoring Canada back in the top 10 in foreign arrivals would bring 5.7 million more visitors, \$5.2 billion in revenue and 46,900 more jobs.

It would generate \$1.5 billion in new taxes.

Canada needs to again be ranked among the Top 10 destinations in the world.

1. Aviation Cost Structure

Last year, 21% of Canadian leisure travelers in 2010 drove to the United States to use less expensive plane tickets purchased for travel within the U.S. or internationally, according to the Canadian Travel Intentions Survey. This "leakage" amounts to millions of Canadian travelers 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, Bellingham, Bangor, Seattle, Syracuse or Grand Forks.

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 have rushed us down to 125th in the world for the competitiveness of our aviation cost structure, based on World Economic Forum rankings.

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 trouble of crossing to the United States to fly; potential visitors from overseas will avoid Canada altogether.

The travel and tourism sector needs a fair tax and regulatory regime that allows it to compete on a level playing field with the rest of the world.

Recommendation

The HAC recommends that the federal government undertake a comprehensive review of the aviation cost structure in Canada.

2. Visa

Canada requires an effective Visa system to facilitate key emerging markets including Brazil, Russia, India, China and Mexico. In addition, this will assist the availability of people to work in the lodging industry under the federal Temporary Foreign Workers Program.

Recommendation

The HAC recommends the Visa process in our Embassies and High Commissions around the world be enhanced and improved.

3. 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, globally.

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.

Recommendation

The HAC 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.

Conclusion

Tourism is one of Canada's largest employers, however it has lost market share. By enhancing Canada's promotion abroad, supporting more competitive air access and improving Visa processes we can win back market share in tourism and create thousands of jobs.

Anthony P. Pollard
President
Hotel Association of Canada
July 15, 2011

