

# National Roundtable on Travel and Tourism Submission to the House of Commons Standing Committee on Finance

## Pre-Budget Consultations

August 10, 2011



## **Executive Summary**

The National Roundtable on Travel and Tourism (NRTT) is comprised of industry associations within the travel and tourism sector in Canada and North America.

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 past year, the sector is an important contributor to sustained economic recovery in Canada.

## **Recommendations**

### **1. Canadian Tourism Commission Funding**

The NRTT 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**

The NRTT 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. Support for Festival and Event Programming**

The NRTT recommends that the federal government reconvene investment in the economic development opportunities in Canada's major festivals and events sector through the creation of a permanent funding program administered by Industry Canada.

## **Who We Are**

The National Roundtable on Travel and Tourism (NRTT) is comprised of industry associations within the travel and tourism sector in Canada and North America.

As one of Canada's most important and strategic economic sectors, the NRTT's mission is to promote innovative public policy that enhances the global competitiveness of Canada's travel and tourism industry and ensures its future positioning as one of the leading players in the worldwide travel and tourism market.

The NRTT's vision is that, by 2020, 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 4<sup>th</sup> 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 20<sup>th</sup> 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.

### Recommendation

The NRTT 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
<b>TOTAL:</b>		<b>\$20.0 million</b>

## **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 rest of the world, the competitiveness of our aviation cost structure is ranked 125<sup>th</sup> 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**

The NRTT 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. Support for Festival and Event Programming**

Major international festivals and events are key economic drivers in the new economy, providing must-see, sophisticated programming for discerning travellers. Investments in our sector have a beneficial flow through effect for transportation, hospitality, accommodations, and the greater tourism industry.

Behind the stages, venues and programming are burgeoning centres of innovation, creativity and commerce that enrich the quality of life in vibrant communities where people and businesses look to live, work and play.

A recent study commissioned by the Canadian Festivals Coalition estimated that 15 of the largest festivals and events in Canada attract 12,600,000 attendees annually, contribute \$650 million in GDP to their local economies, and support the equivalent of 15,600 full-year jobs nationwide.

Canada's major festivals and events are among the best in the world and Canada's competitive advantage can be strengthened through augmented strategic partnerships with government.

### **Recommendation**

The NRTT recommends that the federal government reconvene investment in the economic development opportunities in Canada's major festivals and events sector through the creation of a permanent funding program administered by Industry Canada. The Marquee Tourism Events Program (MTEP), as a pilot project, provided the opportunity for festival and event administrators, and government officials, to better understand each other's corporate cultures and set the foundation for future efficiencies.

We believe that a new program of matching federal funds with resources raised from private sources will have a catalytic effect on sectoral growth while providing a significant return to Canadians. An ideal funding program would:

- Invest \$30 million annually in Canada's major international festivals and events- to be allocated by merit-based economic criteria and not subjected to regional quotas and limitations.
- Allocate \$20 million dollars annually to emerging and regional festivals and events based on merit-based economic criteria and subject to regional considerations.
- Collaborate with the industry to perfect the application, qualification and remittance practices informed by the successes and challenges of MTEP and reflective of the operational realities of the sector.
- Provide for multi-year project funding to maximize opportunities for product development and return on investment.

MTEP was a tremendous success. The associated timelines were developed in the interests of quickly distributing stimulus funding in a time of dire economic uncertainty. We believe that a new program that accommodates the decision making business cycles of our sector will yield even better results.

Sincerely,



David Goldstein  
President and Chief Executive Officer  
Tourism Industry Association of Canada



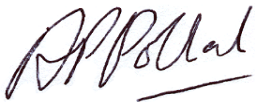
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