

**PRE-BUDGET CONSULTATIONS
SUBMISSION BY THE TOURISM INDUSTRY ASSOCIATION OF THE YUKON**

Executive Summary

The Tourism Industry Association of the Yukon (TIA Yukon) is the visitor industry association forging a common voice in the development of tourism in the Yukon.

Tourism is a pillar industry in the Yukon, accounting for 4.6% to 7.2% of Yukon's Gross Domestic Product - one of the highest in the country – and contributing from \$173M to \$197M annually to private sector revenue. Further, tourism is one of the Yukon's largest private sector employers, with 26%-29% of Yukon businesses reporting some of their revenue from tourism.

Nationwide, 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.

Tourism Priorities for Budget 2012

1. Canadian Tourism Commission (CTC) Funding - Core funding of the CTC has dropped year over year for most of the last decade, leaving Canada 20th in the world for national tourism organization funding. Yet they are competing for an international tourism market worth \$3 billion a day.

TIA Yukon recommends that the federal government revisit the funding model for the CTC with the objective of providing a competitive and stable base for effectively marketing Canada internationally, and consider supporting one or more of the strategically aligned special projects identified as priorities by the CTC.

2. Aviation Cost Structure - Measured against 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. Yukon is the smallest jurisdiction, and Whitehorse the smallest community, in North America to receive direct air access from Europe. For all Northern communities, our quality of life, our economic competitiveness, and our viability as a choice tourism destination are directly tied to the cost and accessibility of air access. The cost of flying to Canada must be comparable to, or less than, other competing destinations.

TIA Yukon 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 - In communities across Canada, festivals and events are key economic drivers in the new economy. Investments in this 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 communities where people and businesses look to live, work and play.

TIA Yukon recommends that the federal government renew investment in the economic development opportunities Canada's festivals and events sector offer through the creation of a permanent funding program. 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 recognize emerging and regional festivals and events, as well as major international ones. Selection would be based on merit-based economic criteria, while recognizing that what constitutes economic impact varies significantly from region to region. Multi-year project funding should be available within this program to maximize opportunities for product development and return on investment.

PRE-BUDGET CONSULTATIONS

SUBMISSION BY THE TOURISM INDUSTRY ASSOCIATION OF THE YUKON

Who we are

The Tourism Industry Association of the Yukon (TIA Yukon) is the visitor industry association forging a common voice and actions to influence, promote and assist in the development of tourism in the Yukon. TIA Yukon is industry-led, with more than 400 members representing every sector of the tourism industry, spanning every Yukon community.

We are members of the Provincial and Territorial Tourism Industry Association and members of the Tourism Industry Association of Canada.

Economic Impact of Tourism

Tourism is a pillar industry in the Yukon, remaining a consistent economic engine throughout the economic cycles of our other industry sectors. In any given year, tourism accounts for 4.6% to 7.2% of Yukon's Gross Domestic Product - one of the highest in the country – and contributes from \$173.5M to \$197M to private sector revenue. Tourism is one of the Yukon's largest private sector employers; and in any given year between 26%-29% of Yukon businesses (approx. 900) report some of their revenue from tourism.

Nationwide, 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

TIA Yukon 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.

TIA Yukon recommends that the Government of Canada consider supporting one or more of the following strategically aligned special projects that are priorities for the Canadian Tourism Commission.

Opportunity	Description	Recommended Investment
Promotional programs to support airlift to Canada's North	Support tourism demand generation programs for Canada's northern territories.	\$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
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
European second-tier markets	Leverage the CTC's new leaner and scalable business model to enter Tier-2 markets in Europe.	\$5.0 million
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
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 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 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 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.

Yukon is the smallest jurisdiction, and Whitehorse the smallest community, in North America to receive direct air access from Europe. For all Northern communities, our quality of life, our economic competitiveness, and our viability as a choice tourism destination are directly tied to the cost and accessibility of air access.

Recommendation

TIA Yukon 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

In communities across Canada, festivals and events are key economic drivers in the new economy, providing must-see programming for discerning travelers, and incenting year-round revenue opportunities for businesses. Investments in this 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 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

TIA Yukon recommends that the federal government renew investment in the economic development opportunities within Canada's festivals and events sector through the creation of a permanent funding program. 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:

- Allocate \$20 million dollars annually to emerging and regional festivals and events based on merit-based economic criteria and subject to regional considerations.
- Invest \$30 million annually in Canada's major international festivals and events- to be allocated by merit-based economic criteria. This fund should not be subjected to regional quotas and limitations, however it should recognize what constitutes economic impact varies significantly from region to region, and the impact of international festivals and events occurring in smaller jurisdictions.
- 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. We believe that a new program that accommodates the decision-making business cycles of our sector will yield even better results.

The ideal implementation scenario includes a program announcement in the 2011-2012 Budget; an application process commencing in September 2012 with a submission deadline of November 2012; an announcement of recipients made in January 2013 with funds flowing as of April 1, 2013. This timeline will provide applicants with the best opportunity to creatively plan successful events and develop the partnerships that drive up attendance and tourism revenues.