

## **Hospitality Newfoundland and Labrador**

### **Responses**

#### **1. Economic Recovery and Growth**

*Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?*

Hospitality Newfoundland and Labrador (HNL) supports the government's strategy of diversifying Canada's economy by increasing foreign trade. While Newfoundland and Labrador's tourism industry has fared well during global economic uncertainty, HNL understands the importance Canada's tourism industry plays. Only with the appropriate support can Newfoundland and Labrador's tourism industry, as a part of the greater Canadian tourism industry, further contribute to the sustained recovery and enhanced growth of Canada's economy. In 2011 the Canadian tourism industry was worth \$78.8 billion and comprised mostly small and medium enterprises. Entrepreneurs from all regions bring a breadth to the tourism industry that helps diversify the economy and create jobs across the country. Generating \$15 billion in exports a year, the industry contributes to Canada's growing reputation as a powerful player in international trade. In the 2012 budget speech the government signalled it would diversify Canada's export markets. Tourism is especially well-positioned for this strategy as visitors from Brazil, China and India –priority trade markets identified by the government –are increasing annually. The current climate of fiscal restraint means governments must make sound investments. Despite the international economic downturn, the tourism market is booming and is expected to reach \$1 trillion in 2012. The growth of this market has created tremendous economic opportunities. Unfortunately, while other countries are investing aggressively in tourism marketing, core funding for the national marketing organization, the Canadian Tourism Commission (CTC) has dropped year-over-year. A well-funded national marketing organization is essential as research has consistently demonstrated that travellers chose "Canada" first, and then subsequently decide on province, region or specific destination. With its current marketing funding of \$72 million (slated to drop to \$58 million), Canada will fail to capitalize on growing economic opportunities internationally as the US, Mexico, South Africa, New Zealand, Switzerland and Australia will all outspend Canada this year. Budget Recommendation: • Revisit the funding model for the Canadian Tourism Commission with the objective of providing a competitive and stable base for effectively marketing Canada internationally.

#### **2. Job Creation**

*As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?*

The tourism industry employs over 600,000 Canadians across the country, over 12,000 people in Newfoundland and Labrador – more than all the jobs created by the gas and oil industry. This private sector economic workhorse spans all regions of the country, four seasons and employs everyone from marketing and finance executives and entrepreneurs to part time jobs for young Canadians and semi-retired workers. A huge component of job creation is access to business development and capital investment which 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 not only develop the products and services necessary to become a national and international destination of choice but also continue be a significant employer, ACOA must continue to receive support for initiatives pertaining to tourism. Canada's diminishing share of the international tourism market means tourism jobs at home are in peril. Canada needs a competitively funded national marketing organization to capitalize on the economic opportunities surfacing internationally. Other countries are investing aggressively in tourism marketing and programs to take advantage of trade opportunities. Despite proven results, agencies like ACOA and the Canadian Tourism Commission cannot remain effective with continued financial cuts. Budget Recommendation: • Revisit the funding model for the Canadian Tourism Commission with the objective of providing a competitive and stable base for effectively marketing Canada internationally. • Continue to invest in the Atlantic Canada Opportunities Agency as an economic driver that support business development and as such, job creation.

### **3. Demographic Change**

*What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?*

The far-reaching economic impact of tourism means it is in an ideal position to addresses market challenges presented by an aging population. In addition to creating jobs at all levels and across the country, tourism attracts international visitors who consume goods and services and pay value-added taxes – without putting pressure on social programs or other government benefits. In 2010, foreign visitors accounted for approximately 120 million person nights in Canada. This is the equivalent of adding almost 325,000 additional “super consumers” in the Canadian economy. In essence, tourism spending creates government revenue that will support programs for the country's aging population. Canada needs a competitively-funded national marketing organization to capitalize on the growing opportunities in the international tourism market. Yet, while other countries are investing aggressively in tourism marketing, core funding for the Canadian Tourism Commission has dropped year over year. The Canadian Tourism Human Resource Council (CTHRC) is a leading sector council in Canada and abroad and is also 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. The potential demand for tourism goods and services is projected to grow at a healthy pace over the long term, continuing to fuel 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. Budget Recommendation: • Revisit the funding model for the Canadian Tourism Commission with the objective of providing a competitive and stable base for effectively marketing Canada internationally. • Continue to support the Canadian Tourism Human Resource Council with the objective of creating a workforce that can fill anticipated vacancies caused by growing demand and a shortage of labour.

### **4. Productivity**

*With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?*

The Canadian tourism sector is far-reaching and economically diverse, enabling it to contribute to productivity while meeting market challenges presented by an aging population. Not only is the

tourism industry one of Canada's leading job creators, those jobs span the geographic, skill set and seasonal conditions of the country. The industry also presents great opportunities to increase productivity as the global tourism market is booming and is expected to reach \$1 trillion in 2012. However, without marketing support, the Canadian tourism industry will have difficulty staying competitive. Many other countries are investing heavily in their national tourism marketing organizations and reaping the benefit from increased international arrivals. For example, the United States' new marketing organization, Brand U.S.A. will operate with an estimated budget of \$200 million with a large portion earmarked for the Canadian market. Not only is the U.S. creating competition for inbound markets targeted by Canada but, by targeting Canadians, is also endangering our domestic market. The tourism industry needs a strong national marketing campaign to be competitive. Newfoundland and Labrador recognizes that an attractive Canadian market will further encourage travellers to all provinces. While provincial marketing efforts are key, the Canadian Tourism Commission's marketing campaigns have proven results in attracting travellers to "Canada" first. Budget Recommendation: • Revisit the funding model for the Canadian Tourism Commission with the objective of providing a competitive and stable base for effectively marketing Canada internationally.

## **5. Other Challenges**

*With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?*

Tourism enterprises in Canada are being stifled by taxes and red tape diminishing their ability to create jobs and attract investments. In addition to creating jobs across the country, the tourism industry generated \$15 billion in export revenue – on top of \$64 billion in domestic demand. Despite these major contributions to the Canadian economy, tourism spending is the only export in Canada that is not "zero-rated" (exempted) for GST. Also, Canada is the only G8 country with a national value added tax (VAT) that does not provide a whole or partial rebate to individual international travellers. While it is true that tourism, like all sectors, has benefited from the government's policy to lower federal corporate taxes, unlike other export sectors, tourism is subject to an annual "triple dip" of taxes, fees and levies: • User fees and levies on aviation - \$850 million • GST on those fees and levies - \$90 million • GST on visitor spending - \$463 million As one of Canada's leading export industries, the GST non-resident tourists pay is essentially an export tax and HNL believes that taxing our way to prosperity is not a sound plan for economic growth. To mitigate the stifling effect of these additional taxes and export fees the government should re-invest in the industry and fund the Canadian Tourism Commission to stimulate more growth. The tourism industry needs a strong national marketing campaign to fully take advantage of the tremendous opportunity in the international tourism market. Research has consistently demonstrated that travellers choose "Canada" first, and then subsequently decide on province, region or specific destination. Budget Recommendation: • Revisit the funding model for the Canadian Tourism Commission with the objective of providing a competitive and stable base for effectively marketing Canada internationally.