Association québécoise
de l'industrie touristique
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Québec, Tuesday, July 29, 2014

2014 federal pre-budget brief

Executive Summary

The Association québécoise de l'industrie touristique (AQIT), a member of the provincial/territorial committee of the Tourism Industry Association of Canada (TIAC), is pleased to be taking part in the Standing Committee on Finance's 2014 national pre-budget consultations.

Tourism plays an important economic role in every riding across Canada. Despite everything, however, in 2014 it still remains economically undervalued and inadequately supported.

To maximize Canada's competitiveness in an extremely lucrative but also extremely competitive global market, an action plan that features clear priorities is more essential than ever. We need initiatives that aim to increase private investment and stimulate our exports, while fostering economic development and job creation—especially for Canadian youth.

With annual growth in international arrivals of around 5%, tourism and travel are among the best-performing industries in the global economy. In 2013, over a billion travellers worldwide generated revenue of over a trillion dollars. Canada is lagging behind, however, for its annual growth rate is only 1.5%, which is less than a third of the international average.

In 2000, Canada received close to 20 million international visitors, representing nearly 40% of total demand. Thirteen years later, the number of foreign visitors has dropped to under 17 million, which is less than 20% of total demand. This worrying situation is making Canada ever more dependent on its domestic market.

To address this decline and make Canada more competitive as an international destination of choice, the TIAC has developed the 5% Plan, named after the objective to be achieved by 2017, the country's 150th anniversary.

A 5% growth plan, with four specific initiatives:

- The *Connecting America* partnership proposal
- Modernize the process for obtaining travel documents
- Reduce red tape and update regulations that have become outdated
- Reduce taxes and other fees imposed on air transport to and within Canada

The tourism industry

The tourism industry is an essential economic engine for Canada. As the most important service-related export sector, tourism generated receipts of roughly $84.3 billion in 2013, $18 billion of which was export revenue.

In addition to being the country's biggest employer of young people aged 25 or under, the approximately 157,000 companies operating in the tourism sector employ more than 618,000 Canadians, nearly half of whom are under the age of 35.

International visitors contribute to the growth of our economy by staying longer in the country and spending more. On average, visitors to Canada from the 10 main international target markets spend $1,547 per trip, compared with $260 for domestic visitors.

In Quebec, tourism is the third largest export sector. In 2013 it meant receipts of $12.8 billion, 30,000 companies and 400,000 direct and related jobs. One dollar of public money invested in tourism generates $20 in receipts, $5 of which goes back into the government's coffers. So this is an investment that pays off!

The 5% Plan

If it should attain the average global growth rate of 5%, Canada would generate additional receipts of $600 million and $80 million in tax revenue for the Canadian government, and create 4,500 more jobs, 2,200 of them for young people, whose unemployment rate is 14%.

For Canada to realize this kind of growth, our national tourism promotion agency needs financial resources comparable to those of our competition, so that it can effectively canvas our lead markets, including the United States. Demand must to be stimulated!

Reduction of the costs associated with air transportation and modernization of the processing of travel documents are other factors that will help to meet this target. Access must be facilitated!

As demonstrated in a recent econometric study published by the Deloitte company, countries that are reciprocal hosts to a great many travellers tend to increase their trade and investment. An increase of 1% in international arrivals would generate more than $800 million in export revenue.

The mere fact of reaching the 5% target, i.e. the average growth rate elsewhere in the world, would translate into nearly $4 billion in additional commercial activity.

➢ The *Connecting America* partnership project

Since 2001, the number of trips to Canada has fallen by over 3.5 million per year, a decrease for which American travellers are mainly responsible. There are a number of factors behind this reduction, such as national and international security policies, the economic slowdown, the exchange rate, and travel documentation requirements. At the moment, therefore, we are far too dependent on domestic travel, when the only way that receipts can grow is by increasing the number of international visits.

The situation is improving on the U.S. side. 120 million Americans hold a passport, the economy is recovering, and the U.S. dollar is once again trading above the Canadian dollar. So the time is right to make a serious move back into the American leisure market, and the ***Connecting America*** proposal is proving the best short-term strategy for generating positive economic benefits for Canadians.

The AQIT recommends that the government support the ***Connecting America*** proposal, which is a national promotional campaign in the form of a public-private investment partnership. This coordinated campaign will target consumers who have never been canvassed before by Canada, influential travellers from key American regions situated within four hours of an airport offering direct flights to most provinces. These travellers become agents of influence whose habits are imitated by the general population. Studies demonstrate that promotional initiatives targeting the regions around six main U.S. airports can attract visitors to 17 domestic destinations.

This three-year program requires an annual investment from the federal government of up to $35 million, which will be matched by the Canadian tourism industry for a total investment of $70 million per year. Over three years, this investment will make it possible to generate additional tourism receipts of approximately $1.4 billion, increase the number of visitors by about 2.6 million, create 5,000 more jobs and produce over $200 million in tax revenue for the federal government.

The demand thus stimulated will spur private investment in accommodation, product innovation, infrastructure renewal, additional flights, and airline interest in Canada as a destination.

Recommendation 1

That the federal government partner with the travel and tourism industry in the *Connecting America* proposal, an unprecedented joint strategic promotional initiative designed to stimulate demand in the U.S. leisure market for holiday tourism products and services all across Canada.

➢ Modernization of the process of obtaining travel documents

The industry would like to move quickly to set up an electronic authorization process which would phase out the need to hold a visa, particularly for our principal trading partners in North America.

The government has made some progress in establishing the program for processing CAN+ visa applications for Mexico and India. We encourage Minister Alexander to extend this excellent program to the other priority markets targeted by Canada. We note that the United States has abolished the visa requirement for Chile.

In 2015, the government will officially launch the *Electronic Travel Authorization* (eTA) program. We would like to see the eTA program, combined with greater efficiency and more advanced technology, replace the visa obligations imposed on travellers from our principal markets.

Recommendation 2

i) Ensure that the new rules for the eTA program contribute to making things easier for travellers, and not to making their lives even more difficult.

ii) Set in motion a pilot project to speed up the processing of visa applications for legitimate travellers from the principal markets in the Americas, so as to stimulate participation in the 2015 Pan American Games in Toronto.

iii) Continue the efforts to modernize the Canadian visa application processing system, including the right to make stopovers without a visa in the principal airport platforms, thereby enabling Canada to become an international air traffic exchange destination.

➢ Reduce red tape and update rules that have become outdated

Canada's Federal Tourism Strategy is designed to encourage an intergovernmental approach so that programs can stimulate tourism development.

The government is therefore reminded that it should examine a number of now-outdated regulations and policies which are doing harm to growth and to economic development opportunities.

Recommendation 3

That the government make use of Canada's Federal Tourism Strategy to:

i) Make promotional initiatives on international markets more consistent. Better coordination is to be desired with Quebec's tourism industry development plan as part of CED's international marketing program for Quebec regions.

ii) Amend the Medical Devices Regulations made under the Food and Drugs Act so as to abolish an outdated rule confining the promotion and sale of products and devices to persons attending a convention. This would enable Canada to compete on a level playing field in

attracting various medical conferences here, a particularly lucrative segment of the symposium and conference industry, while permitting the country to better showcase an industry with a world-class reputation, namely the life sciences industry.

iii) Restore corporate confidence in the Foreign Convention and Tour Incentive Program. The TIAC is asking the government to make changes to the regulations that would exempt educational and instructional content offered during foreign conventions from the HST, as was the case in the past.

iv) Undertake a parliamentary review of the Parks Canada Agency Act, so as to seek to maximize industry participation in the creation of commercial and animation activities, as well as public-private partnerships on the various Parks Canada properties.

➢ Reduce taxes and other fees imposed on air transport to and within Canada

Competition among international destinations is increasingly stiff, because all of them know that tourism pays. Millions of travellers from countries with an emerging middle class are opting for destinations that can offer them facilitated access.

The high cost of air transport to and within Canada is a serious curb on growth. All the pre-budget briefs of recent years have emphasized the importance of conducting an exhaustive review of the cost structure of air transport to Canada in order to find a solution to the many operating fees charged to consumers. All of these recommendations have been highlighted in reports submitted to the Standing Committee on Finance as well as the Standing Committee on Transport.

The tourism industry welcomes the decision by transport minister Lisa Raitt to include the competitiveness of air transport costs among the various elements that will be reviewed under the *Canada Transportation Act*. The TIAC, representing the Canadian tourism industry, will take advantage of this platform to repeat its concerns and solicit the support of the Committee.

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Member of the TIAC provincial/territorial committee
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