



Hospitality NL Federal Pre-Budget Submission

On behalf of the more than 500 members and Board of Directors of Hospitality Newfoundland and Labrador, I would like to thank you for the opportunity to participate in the consultation process for the 2015 Federal Budget and share our perspective on how the federal government can ensure fiscal sustainability and economic growth while maximizing the number and types of jobs for Canadians, thereby ensuring prosperous and secure communities.

Travel and tourism is among the highest performing sectors of the global economy, growing at an annual rate of 5%; however, Canada is lagging far behind with a 1.5% growth rate or less than 1/3 of the global average. In 2013, over a billion travellers worldwide generated over \$1 trillion in revenue. By just matching the 5% growth rate, Canada will generate \$600 million more in total receipts and \$80 million in additional federal tax revenue, while creating 4,500 more jobs, including 2,200 jobs for youth.

The foundation of our industry, accommodations, food & beverage, attractions, travel services and transportation, not only generate new export dollars from travellers, but they also serve as vital infrastructure serving business travellers that other sectors need in order to grow, attract workers and leverage private investment. As the federal government continues to build a stronger, more prosperous Canada, the tourism and travel industry offers real and sustainable economic development opportunities, versatile employment, and prosperity for all Canadians.

Hospitality NL Recommendations:

#1: Long-term sustainable funding for Marine Atlantic Inc.

Hospitality NL recommends that the federal government commit to funding for Marine Atlantic at appropriate levels over an extended period so that it enables longer-term planning and reliability, allows for pricing that does not erode the level of service or deter travellers and is sufficient to drive continuous improvement and cost efficiency in the service.

In Newfoundland and Labrador, the tourism industry generates more than a billion dollars in annual spending. Led by hard-working and innovative people, non-resident visitation, driven primarily by air travel, has increased 21% since 2009 and non-resident spending has increased by 27%. Supplying more than 8% of provincial jobs and encompassing more than 2,400 tourism businesses in NL, tourism is an important source of employment, especially in rural communities. The growth and achievements to date are a direct result of our innovative private-public partnership and the commitments made to develop our industry through *Uncommon Potential: A Vision for Newfoundland and Labrador Tourism (Vision 2020)*. In order to seize the tremendous economic opportunities before us, our industry has identified seven strategic priorities of focus. Included among the priorities is the development of a *Sustainable Transportation Network*, an essential component to our industry's ability to reach our goal of doubling annual tourism revenues by 2020.

A sustainable, reliable and affordable transportation system that meets the evolving needs of travelers will serve as a conduit of growth for the tourism industry. The role of Marine Atlantic Inc. in our growth cannot be overstated.

Non-resident automobile visitors, who use Marine Atlantic Inc. as the primary transportation supplier, are an important market segment for our industry; these visitors stay considerably longer and spend more money than those visiting by air and we cannot afford to lose ground in this significant market. Furthermore, steadily increasing costs for commercial traffic is concerning as it places further financial pressures on tourism operators trying to obtain the goods and services required to meet the needs of travelers. User fees must be set at affordable levels, for extended periods, which facilitate an increase in ferry usage rates.

While we appreciate the fiscal realities facing the Government of Canada and the fact that there has to be some cost recovery from users, the ever-increasing portion of operating costs that users are having to bear is very concerning to us. Passenger traffic has declined in each of the last few years, and has been on a downward trend since 2002. Price is a deterrent and certainly putting downward pressure on the number of travellers; continued price increases are not sustainable.

Marine Atlantic Inc., a primary gateway for growing inbound tourism, is an essential link not only for the future growth and development of the tourism industry but also for all residents and industries. It is a critical enabler of private industry investment and with a solid commitment to sufficient, sustained funding Marine Atlantic Inc. can help drive job creation, community development and economic diversity throughout Atlantic Canada. Enhanced multi-year funding with the objective of providing a stable base that facilitates strategic investment, economic development, diversity and job creation would ensure the tourism industry is able to develop the products and services necessary to become a national and international destination of choice.

#2: Canadian Tourism Commission (CTC) Funding

In addition to supporting CTC campaigns in developing markets, Hospitality NL recommends government support **Connecting America**, a fully matched, private/public co-investment national marketing campaign in the US leisure market. This strategically aligned, well-funded 3-year campaign will reach US consumers never before targeted by Canada and introduce them to interesting, international exotic experiences within a few hours' flight or drive from home.

This 3-year program will require up to \$35 million annual federal investment matched by industry totaling \$70 million per year that will generate over \$200 million in federal tax revenue over a 3-year period. This campaign will utilize existing transport connectivity and capacity to increase visitation from key regions across the US directly into almost every key Canadian international airport.

Travel and tourism is economically important to every riding across Canada. Connecting America will target high yield travelers from key US regions within four hours of an airport offering direct access into almost every province in Canada. These travelers act as influencers whose habits trend to the mainstream fairly quickly. Early research suggests that marketing in regions that support six key US airports will reach 17 key Canadian airports in almost every province with one hop to the Territories and Newfoundland. American travelers will then be encouraged to explore regional experiences.

The Canadian travel and tourism industry is over-reliant on domestic travel. Growth requires increased international visitation. **Connecting America** will drive an estimated \$1.4 billion in incremental tourism revenue, attract 2.6M incremental visitors and sustain 5,000 additional Canadian jobs over 3 years. This added demand is the impetus for investments in hotel real estate, product innovation, infrastructure renewal, additional flights and airlines to Canada and overall increased competition. All factors that drive real and sustainable economic development, jobs and prosperity for Canadians.

#3: Significant recapitalization and continued investment in Parks Canada

Parks Canada plays a pivotal role in the tourism industry in Canada with National Parks and National Historic Sites constituting major attractions for resident and non-resident travellers. A key driver of the travel and tourism industry in every province and territory, and a product upon which many private businesses rely heavily to attract visitors to their region, it is essential that Parks Canada have the infrastructure, staff, products and experiences, and marketing required to be a true player in the tourism industry.

Significant recapitalization and continued investment in Parks Canada would benefit a wide range of groups across Canada. There are many high traffic tourism regions whose primary attraction is a National Park or

National Historic Site, for example, Gros Morne National Park on the west coast of Newfoundland. Many small businesses and tourism operators rely on such anchor attractions and the fact that these sites attract so many visitors to their regions throughout the year. Communities benefit from the presence of National Parks and Historic Sites in terms of their economy, spin-off development and enhanced pride. Investment in Parks Canada not only facilitates the preservation and sharing of the history and culture of communities, it ensures the creation of prosperous, healthy communities.

Travel and tourism is a vital economic driver in every riding across Canada. No other sector is so widely represented in Parliament and yet so universally misunderstood and under-valued. Everyone has their own perspective of tourism, informed by their own experiences and local reality. Yet Canada's global competitiveness in this fierce and lucrative sector requires a cogent and prioritized action plan to maximize performance.

As Canada's largest service export sector, tourism generated annual receipts of \$84.3 billion in 2013, including \$18 billion of export revenue. As Canada's largest employer of youth under age 25, tourism's 157,000 businesses employ over 618,000 Canadians, with half the workforce under the age of 35.

International visitors provide incremental growth to the economy; they stay longer and spend more. On average, visitors from Canada's top 10 international markets spend \$1,547 per trip compared to \$260 for domestic visitors.

In 2000, Canada welcomed nearly 20 million international visitors representing nearly 40% of total demand; by 2013 foreign visitation dropped to less than 17 million or less than 20% of total demand. Increasing travel to Canada is not just about airlines, hotels, restaurants, retail and attractions. Travel is our gateway to growth as a proven economic accelerator for other export sectors. Intuitively, people do business with people they know and like. Perhaps more importantly – as outlined in a recent econometric study by Deloitte – countries that experience higher levels of reciprocal travel create increased trade and investment. Deloitte quantifies that every one percent increase in international arrivals to Canada stimulates over \$800 million in broader exports with our trading partners. Achieving the global average of 5% increased visitation would create almost \$4 billion in incremental trade activity.

The national youth unemployment rate is 14% and a serious issue across the country. Travel and Tourism is the largest employer of Canadians age 15-24, employing over 300,000 Canadians under the age of 35. Under the 5% Plan, every 1% increase in international visitors to Canada will create approximately 2,500 jobs for young Canadians.

Travel and tourism is economically important to every riding across Canada and one of Atlantic Canada's most important and strategic economic sectors. A renewable resource that is proven to stimulate and diversify the Canadian economy, tourism offers opportunities and benefits for small businesses, businesses that are providing the bulk of growth in today's service-oriented economies and providing good jobs at all levels across the country. In addition to job creation, tourism attracts international visitors who consume goods and services and pay value-added taxes, without putting pressure on social programs or other government benefits, an essential consideration during a fragile economic recovery. With a strong commitment and strategic, deliberative action on behalf of the federal government, tourism will bring further stability and diversity to the economy and prosperity to Canadians.

Sincerely,



Rex Avery
Chair

Cc Honourable Rob Moore, Regional Minister for Newfoundland and Labrador
Scott Brison, MP Wolfville, Nova Scotia