

**RE: Submission to the 2014 House of Commons Standing Committee on Finance
National Pre-Budget Consultation**

Executive Summary

The Tourism Industry Association of Canada (TIAC) is pleased to participate in the 2014 National Pre-Budget Consultations. TIAC's 5% Plan endeavours to sharpen Canada's global competitiveness, attract investment, and expand exports while driving economic development and job creation; particularly for youth.

The pre-Budget process provides the venue to look past the immediacy of crisis and address the policy, regulatory and investment opportunities that will deliver real economic benefits to every region of the country.

Canada's success is measured in its ability to compete as a top destination for international visitors. This segment provides incremental growth to the economy driving profitability and attracting investment.

In 2000 Canada welcomed nearly 20 million international visitors representing nearly 40% of total tourism demand. By 2013 foreign visitation dropped to less than 17 million or less than 20% of total demand. TIAC has developed the 5% Plan to increase Canada's competitiveness as an international destination leading up to 2017, Canada's 150th birthday. The plan sets out a timely investment opportunity and a series of priority policy initiatives that can be implemented, with little or no cost, under the Federal Tourism Strategy to reduce barriers to success.

Central to the strategy is reasserting our once strong presence in the US. *Connecting America* is a dollar-for-dollar co-investment proposal between the federal government and the tourism sector in an unprecedented marketing initiative to engage the US leisure market led by the Canadian Tourism Commission, and driven by industry priorities.. If fully funded, this investment will generate an estimated \$1.4B in incremental tourism revenue, 2.6 million incremental US visitors and grow or sustain over 5,000 Canadian jobs.

Summary of Recommendations

- Co-invest in Connecting America, an unprecedented marketing partnership to drive US leisure demand for Canadian vacations.
- Ensure new eTA rules help, not hinder, traveller facilitation.
- Commence a pilot project to expedite visitation from key markets for the 2015 Pan American Games.
- Pursue transfer without visa to position Canada as a competitive international aviation hub.

Canada's Tourism Industry

TIAC is the only national organization representing the full breadth of the travel and tourism industry which includes the transportation, accommodation, destination and attraction sectors.

Travel and tourism is a vital economic driver in every riding across Canada. As Canada's largest service export sector, tourism generated annual receipts of \$84.3 billion in 2013, including \$18 billion of export revenue. Tourism is also Canada's largest employer of youth under age 25; 157,000 businesses employ over 618,000 Canadians with half the workforce under the age of 35.

The 5% Plan

Travel and tourism is among the highest performing sectors of the global economy, experiencing average growth of 5% in 2013 and generating over \$1 trillion of annual revenue from over a billion travellers. International visitors 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.

Canada is lagging far behind with a 1.5% growth rate or less than 1/3 of the global average. By just matching the 5% growth rate Canada will generate \$600 million more in total receipts, \$80 million in additional federal tax revenue while creating 4,500 more jobs including 2,200 jobs for youth.

Canada's path to 5% annual growth requires a competitively resourced national marketing agency that balances key markets (including the US), a reduction in the cost of air travel to and within Canada and a modernized traveller documentation process.

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.

Connecting America Co-investment

Consultation Themes: *Balancing the federal budget to ensure fiscal sustainability and economic growth * Ensuring prosperous and secure communities, including through support for infrastructure * Increasing the competitiveness of Canadian businesses through research, development, innovation and commercialization * Maximizing the number and types of jobs for Canadians.*

Since 2001 international visitation to Canada has dropped by over 3.5 million trips per year with American travellers accounting for the vast majority of the decline. This decrease is attributable to various factors including international and domestic security policies, economic downturn, currency issues and travel documentation requirements.

The conditions are improving in the United States - 120 million Americans now own passports, the US economy is in recovery and the US dollar is trading at a premium to the Canadian dollar. The time is right to re-engage the US leisure market and TIAC's **Connecting America** proposal is the vehicle to deliver significant economic returns to Canadians in the short term.

TIAC recommends that the 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. 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 and Labrador.

Connecting America will drive an estimated \$1.4 billion in incremental tourism revenue, attract 2.6 million 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.

In 2015 the government will launch the electronic Travel Authorization Program. Aside from US citizens, all travellers from visa-exempt countries will be required to apply for an on-line pre-authorization and pay a \$7 fee prior to travel to Canada. Only US citizens are exempt from this requirement placing heightened importance on demand generation from this most important market.

Recommendation 1

That the federal government partner with the travel and tourism industry in *Connecting America*, an unprecedented strategically-aligned marketing initiative to drive US leisure demand for tourism vacation product across Canada

Modernization of Travel Documentation

Consultation Themes: *Increasing the competitiveness of Canadian businesses through research, development, innovation and commercialization * Ensuring prosperous and secure communities, including through support for infrastructure * Maximizing the number and types of jobs for Canadians.*

TIAC continues to work with CIC on the modernization process, and wants to ensure the swift implementation of a fair electronic travel authorization process that will help us wean off our need for visas in key markets, in particular, key trading partners in the Americas. It is important to note that the US just lifted visa requirements with Chile. We encourage Canada to take similar action with Chile and step up efforts to expedite visa processing, including a pilot project for Columbian and Brazilian nationals prior to the 2015 Pan American Games in Toronto.

TIAC would like to acknowledge the progress made by the government in the roll out of the CAN+ visa processing programs for Mexico and India. We encourage Minister Alexander to expand this great program to Canada's key tourism source markets around the world.

The government will be launching the Electronic Travel Authorization (eTA) program in 2015. TIAC remains engaged to maximize the eTA program's efficiencies in traveller facilitation and minimize compliance burden. It is our vision that the eTA, in concert with improved technology and efficiency, serves to replace visa requirements for legitimate travellers from key source markets.

Recommendation 2

- i) **Ensure new eTA rules help, not hinder, traveller facilitation.**
- ii) **Commence a pilot project to expedite visa processing for legitimate travellers from key markets in the Americas in order to incent attendance at the 2015 Pan American Games in Toronto.**
- iii) **Continue efforts to modernizing Canada's visa system, including utilizing transfer without visa at major hub airports in order to enable Canada to become an international aviation hub.**

Reduction in taxes and levies on air travel to and within Canada

Canada is increasingly becoming a fly-to destination however, we are losing global market share to emerging trendy and exotic destinations with affordable air access. The competition for international travelers is fierce where quality of experience, ease of access, price point and service standards dictate value.

While Canada's tourism experiences are of high quality and competitively priced, the cost of air travel to and within Canada is prohibitive. The World Economic Forum's Travel and Tourism Competitiveness Index (TTCI) reveals Canada's competitive shortcomings by placing 124/140 in *Price Competitiveness*, dragged down by Canada's 136/140 ranking on *Ticket Taxes and Airport Charges*.

The high cost of air travel to and within Canada is impeding growth. TIAC has long-advocated for a government review of Canada's aviation cost structure to replace the current practice of offloading the entire operational and security costs onto the aviation consumer. TIAC's recommendations have been amplified in recent reports from this Standing Committee and the Senate Standing Committee on Transportation.

TIAC applauds the Transport Minister's recent announcement to include aviation cost competitiveness as part of the Canada Transportation Act Review lead by Hon. David Emerson. The tourism industry will be directing its concerns on the subject matter through the CTA review and the Federal Tourism Strategy framework. We appreciate the Standing Committee's continued support on this matter.