



TIAO's 2014 Federal Pre-Budget Submission

About the Tourism Industry Association of Ontario

The Tourism Industry Association of Ontario (TIAO) is recognized by the government of Ontario as the umbrella organization for the leading associations, destination marketing organizations, regional tourism organizations, and businesses serving Ontario's diverse tourism industry. TIAO collectively represents over 149,000 businesses and 305,000 employees that are dedicated to promoting and operating Ontario's tourism industry. TIAO advocates on issues affecting tourism and the business community to all levels of government in order to help the industry grow and prosper.

Our Goal

To position Ontario's tourism industry to keep pace with the World Travel and Tourism Council's target of 5% growth per year over the next 10 years, including tourism receipts, inbound visitation, and visitor spending.

State of the Tourism Industry in Ontario

The tourism industry is in every riding in Ontario; it is larger than the agriculture, forestry, and mining industries combined, and is responsible for 4% of the province's GDP. Tourism represents over 149,000 businesses, and employs more than 305,000 people in tourism-related industries – attractions, festivals, events, accommodations, conventions, recreational activities, camping, culinary, and more.¹

In 2012, tourism totalled an estimated \$28 billion in receipts in Ontario. Visitor expenditures were \$22.3 billion, and are forecasted to increase to \$29,974 by 2017. There were 142 million visits to Ontario in 2012, and 156 million visits are expected for 2017. Ontario residents account for the majority of visits, with roughly 8% coming from the United States and 2% from other international destinations.

Tourism remains the world's fourth fastest growing industry globally. More than one billion international visitors produce more than \$1 trillion in global revenues each year. Industry data indicates that global tourism growth is being driven in large part by the emerging middle classes of Brazil, Russia, India and China. At the same time, the US economy is recovering, the currency premium against the Canada dollar is up, US outbound trips are on the rise, and the number of US passport holders has grown to 120 million (up 100% since 2011).

Tourism is an economic driver.

Tourism creates jobs.

¹ www.mtc.gov.on.ca/en/research/historicalstats/19_employment_industry.shtml



Growing Tourism In Ontario

Through meaningful budget allocations (i.e. marketing budgets, festival and event funding, tourism development funding, and other tourism related funding) we can increase visitation to Ontario, and Canada, therefore increasing visitor spending and the tourism industry contribution to provincial and federal GDPs. Marketing is the lifeblood of tourism. Without the capacity to market broadly and consistently, to align regional-provincial-national strategies, Ontario, and Canada, will not be competitive on the global tourism market.

Since 2002, international visitor arrivals to Canada are down by 3.8 million, almost all from the U.S. The time is right for a strategically aligned, well-funded campaign to lure American visitors back across the border.

- U.S. economy is recovering
- Currency premium against the Canadian dollar is strengthening
- U.S. outbound up 16% to Europe
- 120 million U.S. passport holders (100% increase over 2001)

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.

Support for TIAC's Pre-Budget Submission

On behalf of the tourism industry in Ontario, TIAO supports the Tourism Industry Association of Canada (TIAC) pre-budget submission, including the 5% Plan, the Connecting America co-investment recommendation, the modernization of travel documentation recommendation, and the support for the inclusion of aviation cost competitiveness to be part of the Canada Transportation Act Review.

TIAO would be pleased to meet with the Standing Committee on Finance during its pre-budget consultation regional hearings.

Contact:

Beth Potter
President & CEO
Tourism Industry Association of Ontario
416-483-1691
bpotter@tiaontario.ca

Attachement: 2014 TIAC Federal Pre-Budget Submission



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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. 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 \$800M 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

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. 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 \$35M annual federal investment matched by industry totaling \$70M per year that will generate over \$200M 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 \$1.4B 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.

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

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 rollout 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 encouraged by the efforts to maximize the eTA program's efficiencies in traveller facilitation and minimize the compliance burden. It is our hope that the eTA, in concert with improved technology and efficiency, serve 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 modernize Canada's visa system, including utilizing transfer without visas 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. Millions of travellers from countries with emerging middle classes and affordable air access to new exotic destinations are making the competition for global market share extremely fierce.

The high cost of air travel to and within Canada is an impediment to growth. The tourism industry has persistently called for a review of Canada's aviation cost structure in order to remedy the current offloading of the entire cost of operation to 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 Transport Minister Raitt's decision to include aviation cost competitiveness as part of the Canada Transportation Act Review lead by Hon. David Emerson. TIAC will be directing our concerns on the subject matter through this vehicle and appreciates the Standing Committee's support.