



HOTEL ASSOCIATION OF CANADA  
ASSOCIATION DES HÔTELS DU CANADA

## **The Hotel Lobby**

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**Submitted**

**By**

**The Hotel Association of Canada**

**October 18, 2011**

**To**

**The House of Commons  
Standing Committee on Finance**

## **The Hotel Lobby**

**Presented by the Hotel Association of Canada**

### **Background**

Travel and Tourism drive economic growth and diversity in every province and territory in Canada. Tourism contributed \$29.5 billion to Canada's GDP in 2010. In 2010 Tourism accounted for 1.6 million or 9.2 percent of all jobs in Canada only exceeded by manufacturing and retail. Tourism is bigger than construction, finance and education. It is one of the fastest growing sectors in the global economy yet Canada's share is shrinking. International Tourism currently generates more than \$1 billion in export income annually and ranks 4<sup>th</sup> after fuels, chemicals and auto parts.

The \$74 billion travel and tourism industry employs 594,000 people across Canada. The lodging sector is a key component generating \$16 billion in revenue, employing 284,000 people and paying \$7.1 billion in taxes including \$3.2 billion to the federal government.

Like most economic sectors, Canada's tourism industry is struggling with a serious economic downturn. However the Recession and Recovery conceal a larger problem of declining competitiveness which has been evident for several years.

### **The Road Ahead**

Key federal policy changes can have a huge impact on the strength of the travel sector and the speed with which it recovers. As one of the major beneficiaries of a vibrant travel sector, through its tax revenue as well as the owner of many of our tourism assets, the federal government has a

direct interest in speeding the recovery of this industry and ensuring Canada regains its place as a competitive, high value travel destination.

The Hotel Association of Canada welcomed and applauded the announcement of the Federal Tourism Strategy by Minister of State for Small Business and Tourism Maxime Bernier on October 5, 2011. We commended the Government for specific initiatives namely holding all government departments accountable including Industry Canada, a Government Report Card on a yearly basis, four established priority areas of awareness of Canada, access to Canada, product development and availability of labour, support for the Canadian Tourism Human Resource Council and a confirmed national tourism budget target of \$100 billion by 2015.

### **What is needed?**

While the global pie is getting bigger, Canada's share is shrinking. The Canada Brand is #1; however we are 15<sup>th</sup> in foreign arrivals according to the FutureBrand Index. Strong brand interest is not converting into arrivals.

In 2000 Canada was the 7<sup>th</sup> most popular destination in the world with a travel deficit of just over \$1 billion.

Between 2002 and 2009, almost all countries posted international tourist arrival gains except Canada.

Restoring Canada back in the top 10 in foreign arrivals would bring 5.7 million more visitors, \$5.2 billion in revenue and 46,900 more jobs.

It would generate \$1.5 billion in new taxes.

Canada needs to again be ranked among the Top 10 destinations in the world.

### **1. Aviation Cost Structure**

Last year, 21% of Canadian leisure travelers drove to the United States to use less expensive plane tickets purchased for travel within the U.S. or internationally, according to the Canadian Travel Intentions Survey. This “leakage” amounts to millions of Canadian travelers who found the price of Canadian plane tickets more expensive than the total cost of driving to the U.S. and flying from airports like Buffalo, Detroit, Plattsburgh, Bellingham, Bangor, Seattle, Syracuse or Grand Forks.

This trend is the result of a mounting burden of taxes and fees imposed on the aviation sector that discourage competition and drive up the prices of air tickets both to and within Canada. Airport ground rents, the Air Travelers Security Charge, airport improvement fees, NAV CAN charges, payments to municipalities and aviation fuel taxes have rushed us down to 125<sup>th</sup> in the world for the competitiveness of our aviation cost structure, based on World Economic Forum rankings.

Canada is a “fly-to” destination and price competitiveness is vital to attracting visitors. The cost of flying to Canada must be comparable to, or less than, other competing destinations. If millions of Canadians are willing to endure the time and trouble of crossing to the United States to fly; potential visitors from overseas will avoid Canada altogether.

The travel and tourism sector needs a fair tax and regulatory regime that allows it to compete on a level playing field with the rest of the world.

Two days from now my colleague from the National Round Table on Travel and Tourism, David Goldstein, President of the Tourism Industry Association of Canada will be appearing before you to expand on airline and aviation issues.

### **Recommendation**

At this time the HAC recommends that the federal government undertake a comprehensive review of the aviation cost structure in Canada.

### **2. Visa**

Canada requires an effective Visa system to facilitate key emerging markets including Brazil, Russia, India, China and Mexico. In addition, this will assist the availability of people to work in the lodging industry under the federal Temporary Foreign Workers Program.

### **Recommendation**

The HAC recommends the adoption of the Australian model of securing Visas electronically.

### **3. Canadian Tourism Commission Funding**

The Canadian Tourism Commission (CTC) is responsible for marketing Canada internationally. They compete for an international tourism market worth \$3 billion a day, globally.

Core funding of the CTC has dropped year over year for most of the last decade and now rests at \$72 million for 2011/12. This is 27 per cent less than they received in 2001 or 40 per cent in real dollars. By comparison, the United States' new marketing organization will operate with an estimated budget of \$200 million. Many other countries are also making large investments in

their national tourism marketing organizations, leaving Canada 20<sup>th</sup> in the world for national tourism organization funding.

### **Recommendation**

Travel and Tourism is the largest industry in the world and one of the few with real growth potential at all levels. It creates jobs and generates incremental tax revenue for governments. Now is the time for the federal government to step up and provide the Canadian Tourism Commission with long term sustained financing.

The HAC recommends that the federal government revisit the funding model for the Canadian Tourism Commission with the objective of providing a competitive and stable base for effectively marketing Canada internationally.

### **Conclusion**

Canada's unemployment rate is 7.1 percent; there are 1.3 million Canadians looking for work. The Lodging & Service sector has created the majority of jobs in the past year. Canada's economic recovery can be sped up through government support of the Travel and Tourism Sector.

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