



HOTEL ASSOCIATION OF CANADA
ASSOCIATION DES HÔTELS DU CANADA

Why Tourism Budgets Should Be Increased

In today's climate of government cuts, tourism spending is one of the easier targets. Legislators at all levels are looking at ways to slash costs in order to deal with deficits. The federal government of Canada is no different as it seeks up to 10 percent cuts in programs across the country. The Canadian Tourism Commission, which markets Canada internationally, is like all government departments and agencies and is being carefully scrutinized during these difficult economic times. Hoteliers welcome this scrutiny and believe it will lead to increased long term sustained funding for the CTC.

Fifty years ago most tourists preferred to visit a small number of developed countries, including Canada. In the 1950's, the top 15 destinations in the world of tourism received 97 percent of international tourist arrivals. By 2010, the top 15 destinations received only 55 percent of arrivals. In 1950, Canada was in second place behind the United States in terms of arrivals; by 2010 it had dropped to 15th place.

In 2001 the federal budget for tourism marketing directed to the CTC was \$98.7 million; all dollars matched by the private sector. Today the CTC budget has been cut by 40 percent in real terms to \$72 million. Correspondingly from 2000 to 2010, Canada's share of total international arrivals decreased from 2.9 percent to 1.7 percent and our share of total international revenues fell from

2.3 percent to 1.7 percent. This direct drop in arrivals and revenue correlates with the reduction of marketing spend and is supported by research.

A 2009 Colorado case study by Longwoods International examined the return on investment for public tourism promotion. Researchers found that cutting public tourism promotion is at best a risky proposition. It showed the consequences of a state government eliminating its successful marketing program in 1993 and cutting the budget to zero. The result: Colorado's share of U.S. travel plummeted 30% within two years, ultimately creating a revenue loss of over \$2 billion annually.

Colorado's tourism industry struggled without funding until 2000 when the new Colorado Tourism Office was formed with a \$5 million annual budget. Citing a demonstrated return on investment to the treasury of over 12:1 Governor Bill Owens increased tourism funding in 2006 to \$19 million. As a result, after languishing for over a decade, Colorado's tourism business is now back up to record levels.

In 2009 Michigan launched its first-ever national advertising campaign promoting the state. The former Governor and the legislature had just approved a one-time increase for Travel Michigan, a division of the Michigan Economic Development Corporation, which doubled the marketing budget to just under \$30 million.

Given that the Michigan treasury was under severe pressure, there was no shortage of critics opposed to singling out the tourism industry for a cash injection. On the other hand, there was a strong rationale for its many proponents to support the marketing effort. At a time when the manufacturing sector was in dire straits, tourism was seen as a promising way to drive economic development.

Fast forward to 2011, and Rick Snyder, a successful business man from Ann Arbor, is the new Republican Governor of Michigan. Inheriting a projected budget short fall of \$1.5 billion, Governor Snyder was elected on a platform of fiscal restraint and responsibility.

In his first budget, he stressed the need for shared sacrifice to get the state's financial house in order. His budget proposed contentious cuts to essential services such as education, mental health care, health promotion and correctional services. State employees would now pay 20 percent of their health insurance premiums.

In this context of cost cutting, it may come as a surprise that in March 2011 one of the first bills signed by the Governor was to add \$10 million to the "Pure Michigan" advertising campaign, raising the promotion budget to \$25 million for 2011, and identifying a funding source to maintain that \$25 million budget for future years.

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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