

Standing Committee on Finance (FINA)

Pre-budget consultations 2012

Tourism Burnaby

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

Tourism Burnaby supports the government's strategy of diversifying Canada's economy by increasing foreign trade. Canada's tourism industry is an important part of this strategy and, if supported effectively, can further contribute to the sustained recovery and enhanced growth of Canada's economy. In 2011 the Canadian tourism industry was worth \$78.8 billion and comprised mostly small and medium enterprises. Entrepreneurs from all regions bring a breadth to the tourism industry that helps diversify the economy and create jobs across the country. Generating \$15 billion in exports a year, the industry contributes to Canada's growing reputation as a powerful player in international trade. In the 2012 budget speech the government signalled it would diversify Canada's export markets. Tourism is especially well-positioned for this strategy as visitors from Brazil, China and India –priority trade markets identified by the government –are increasing annually. The current climate of fiscal restraint means governments must make sound investments. Despite the international economic downturn, the tourism market is booming and is expected to reach \$1 trillion in 2012. The growth of this market has created tremendous economic opportunities. Unfortunately, while other countries are investing aggressively in tourism marketing, core funding for the national marketing organization, the Canadian Tourism Commission (CTC) has dropped year-over-year. A well-funded national marketing organization is essential as research has consistently demonstrated that travellers chose "Canada" first, and then subsequently decide on province, region or specific destination. With its current marketing funding of \$72 million (slated to drop to \$58 million), Canada will fail to capitalize on growing economic opportunities internationally as the US, Mexico, South Africa, New Zealand, Switzerland and Australia will all outspend Canada this year. Budget Recommendation: Revisit the funding model for the Canadian Tourism Commission with the objective of providing a competitive and stable base for effectively marketing Canada internationally. Tourism Burnaby would be pleased to further discuss this issue and answer questions before the Finance Committee in the fall.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

The tourism industry employs over 600,000 Canadians across the country – more than all the jobs created by the gas and oil industry. This private sector economic workhorse spans all regions of the country, four seasons and employs everyone from marketing and finance executives and entrepreneurs to part time jobs for young Canadians and semi-retired workers. While other sectors of the global economy are suffering, the world tourism market is exploding. In 2011, 940 million travelled internationally spending \$1 trillion –an increase of 3.9% from the previous year that shows no signs of stopping. Tourism is especially well-positioned to take advantage of economic boom-times in emerging markets with the highest growth in outbound travellers coming from China, Brazil and India. Canada's

share of this lucrative export sector, however, continues to erode. International spending in Canada was at \$15 billion in 2011 up a mere one percent from the previous year. Canada's diminishing share of the international tourism market means tourism jobs at home are in peril. Canada needs a competitively funded national marketing organization to capitalize on the economic opportunities surfacing internationally. Other countries are investing aggressively in tourism marketing to take advantage of trade opportunities. Despite proven results from its marketing campaigns, the CTC simply cannot create awareness and demand – and with it, economic growth and jobs – with its proposed level of funding. Budget Recommendation: Revisit the funding model for the Canadian Tourism Commission with the objective of providing a competitive and stable base for effectively marketing Canada internationally. Tourism Burnaby would be pleased to further discuss this issue and answer questions before the Finance Committee in the fall.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

The far-reaching economic impact of tourism means it is in an ideal position to address market challenges presented by an aging population. In addition to creating jobs at all levels and across the country, tourism attracts international visitors who consume goods and services and pay value-added taxes – without putting pressure on social programs or other government benefits. In 2010, foreign visitors accounted for approximately 120 million person nights in Canada. This is the equivalent of adding almost 325,000 additional “super consumers” in the Canadian economy, roughly the population of Windsor, ON. In essence, tourism spending creates government revenue that will support programs for the country's aging population. Canada needs a competitively-funded national marketing organization to capitalize on the growing opportunities in the international tourism market. Yet, while other countries are investing aggressively in tourism marketing, core funding for the CTC has dropped year over year. Budget Recommendation: Revisit the funding model for the Canadian Tourism Commission with the objective of providing a competitive and stable base for effectively marketing Canada internationally. Tourism Burnaby would be pleased to further discuss this issue and answer questions before the Finance Committee in the fall.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

The Canadian tourism sector is far-reaching and economically diverse, enabling it to contribute to productivity while meeting market challenges presented by an aging population. Not only is the tourism industry one of Canada's leading job creators, those jobs span the geographic, skill set and seasonal conditions of the country. The industry also presents great opportunities to increase productivity as the global tourism market is booming and is expected to reach \$1 trillion in 2012. However, without marketing support, the Canadian tourism industry will have difficulty staying competitive. Many other countries are investing heavily in their national tourism marketing organizations and reaping the benefit from increased international arrivals. For example, the United States' new marketing organization, Brand U.S.A. will operate with an estimated budget of \$200 million with a large portion earmarked for the Canadian market. Not only is the U.S. creating competition for inbound markets targeted by Canada but, by targeting Canadians, is also endangering our domestic market. The tourism industry needs a strong national marketing campaign to be competitive. Research has consistently demonstrated that travellers choose “Canada” first, and then subsequently decide on

province, region or specific destination. The CTC's marketing campaigns have proven results, and the key going forward is to provide the money national tourism marketers need to operate in more of our key inbound markets. Budget Recommendation: Revisit the funding model for the Canadian Tourism Commission with the objective of providing a competitive and stable base for effectively marketing Canada internationally. Tourism Burnaby would be pleased to further discuss this issue and answer questions before the Finance Committee in the fall.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

Tourism enterprises in Canada are being stifled by taxes and red tape diminishing their ability to create jobs and attract investments. In addition to creating jobs across the country, the tourism industry generated \$15 billion in export revenue – on top of \$64 billion in domestic demand. Despite these major contributions to the Canadian economy, tourism spending is the only export in Canada that is not “zero-rated” (exempted) for GST. Also, Canada is the only G8 country with a national value added tax (VAT) that does not provide a whole or partial rebate to individual international travellers. While it is true that tourism, like all sectors, has benefited from the government's policy to lower federal corporate taxes, unlike other export sectors, tourism is subject to an annual “triple dip” of taxes, fees and levies: • User fees and levies on aviation - \$850 million • GST on those fees and levies - \$90 million • GST on visitor spending - \$463 million As one of Canada's leading export industries, the GST non-resident tourists pay is essentially an export tax and Tourism Burnaby believes that taxing our way to prosperity is not a sound plan for economic growth. To mitigate the stifling effect of these additional taxes and export fees the government should re-invest in the industry and fund the CTC to stimulate more growth. The tourism industry needs a strong national marketing campaign to fully take advantage of the tremendous opportunity in the international tourism market. Research has consistently demonstrated that travellers choose “Canada” first, and then subsequently decide on province, region or specific destination. Budget Recommendation: Revisit the funding model for the Canadian Tourism Commission with the objective of providing a competitive and stable base for effectively marketing Canada internationally. Tourism Burnaby would be pleased to further discuss this issue and answer questions before the Finance Committee in the fall.