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Submission to the Minister of Tourism and Associate Minister of Finance, the Honourable Randy Boissonnault, for a new Federal Tourism Growth Strategy

August 3, 2022

TOURISM INDUSTRY ASSOCIATION OF CANADA

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Executive Summary

Tourism matters. It is the ultimate way to demonstrate to the world our ideals as a nation – resilience, tolerance, and inclusivity. Tourism is a crucial vehicle for fostering social cohesion and it plays an important role as head ambassador on the global stage in sharing Canada's values and principles. Our collective beliefs are needed in the world now more than ever.

Investing in tourism also leads to economic growth, job creation, environmental protection, supporting culture, fostering Indigenous heritage, as well as promoting peace, prosperity, and a respect for rights. It also generates considerable revenue in Canada for all levels of government which ultimately benefits all people across the country.

The tourism industry was the first hit, the hardest hit and it will be the last to recover from the COVID-19 pandemic. No industry sector was spared. As such, TIAC wishes to express its deepest appreciation to Minister Boissonnault for his leadership in launching this important strategy development process which is intended to result in a comprehensive action plan to help the tourism industry rebuild and to best position it for continued growth and success thereafter.

Tourism businesses across Canada continue to struggle financially, face barriers to attracting investment and have considerable challenges attracting the necessary workforce to successfully carry out their business. If the impact of COVID wasn't enough, the industry now faces new challenges. There are still considerable disruptions in supply chains. Inflation is at a 40-year high and interest rates are poised to continue rising considerably in the foreseeable future. These latest trends have a direct impact on all tourism businesses and will hamper the industry as it strives to recover.

Despite the many successes Canada's tourism industry has achieved over the years, even before the devastating impact of COVID-19, we were falling behind in our global competitive position as countries around the world increased their own efforts to compete on an increasingly crowded playing field. If Canada aims to be a premier world travel destination, this trend must be reversed.

To be meaningful and effective, to help focus both decision-making and actions, as well as to measure performance and outcomes over time, it is necessary for the new federal Tourism Growth Strategy to establish key goals and objectives within a set period of time.

We recommend using the same metrics as in the 2019 strategy but updated to reflect today's economic reality and current forecasts. Further, we would recommend including several additional metrics related to Indigenous tourism spending, the total number of international overnight visitors and the performance of Canada's tourism industry in terms of its global competitiveness.

As such, we propose that:

- A new bold and achievable target for total tourism spending in Canada be set at $134 billion by the end of 2030.
- A specific target for total spending in the Indigenous tourism sector be set at $2.5 billion by the end of 2030.
- The dispersion-related targets be maintained, as was done in the 2019 strategy.
- A total labour target be set at 2.5 million workers by the end of 2030.
- The target for the total annual international overnight visitors coming to Canada be set at 30 million by the end of 2030.
- A goal be set for Canada's tourism industry to place in the top 5 in the WEF Index by 2030.

Core to the new Strategy's likelihood of success rests in all tourism partners rowing in the same direction and never losing sight of our destination. This inevitably involves the industry staying focused. But it also means that all of the 22 federal departments and agencies now playing a role in tourism must also place those tourism goals as a top priority. We can not stress enough how critical it is that for the new Strategy to ultimately succeed the government must prioritize a whole-of-government approach to tourism policy.

There are many means through which a whole-of-government approach could be implemented given the importance of the tourism industry to Canada's economic, social, and cultural future. We outline a number of ideas in this regard later in this submission, but key is the creation of a Tourism Policy Council of Ministers, led by the Minister of Tourism, to ensure tourism is prioritized across federal departments and align decision-making.

Working in collaboration with a number of national tourism organisations and our members, we have identified four key pillars that we believe would best underpin a new federal Tourism Growth Strategy and ensure the industry achieves its key goals by 2030. These are: i) Attract and Retain a Sustainable Tourism Workforce, ii) Improve Access for Visitors to and Within Canada, iii) Develop and Promote Tourism Assets, and iv) Build a Regenerative and Inclusive Tourism Industry.

We emphasize that tourism is a broad ecosystem – a complex value chain that will only ever be as strong as its weakest link. Therefore, the new Strategy and the policy measures it ultimately entails must take this reality into consideration, must be comprehensive and must seek to bolster as much as possible each of those important links. Similarly, each of these pillars are equally important to ensure the sustainability and prosperity of our sector, no individual pillar being more important than another, and all requiring support in order for us to succeed.

Pillar One: Attract and Retain a Sustainable Tourism Workforce

The recovery and future growth of tourism in Canada largely hinges on addressing the significant labour shortages that now exist in the industry.

With a view to redressing the complex issue of labour shortages in tourism, Tourism Human Resources Canada (THRC) has outlined a comprehensive strategy encompassing a series of immediate and longer-term measures that need to be pursued.

TIAC supports THRC's strategy and recommends that the Government of Canada implement those proposed measures as soon as possible. Doing so would significantly aid in achieving the main goal of reaching a total workforce of 2.5 million by the end of 2030.

Pillar Two: Improve Access for Visitors to and within Canada

This pillar is about enabling and facilitating the movement of travellers to and within Canada, whether for leisure or business, in both densely populated markets and rural/remote areas, and across all modes of transportation. It is as much about eliminating existing barriers as it is improving efficiencies related to travel processes. By optimizing efficiency around all points of access, the competitiveness of the tourism industry will inherently improve. And it will ultimately enhance travellers' perception of Canada as a premier travel destination and, in turn, help increase demand.

We should streamline and facilitate access across our borders. This should include specific initiatives to modernize digital documentation processes for travellers in line with best practices internationally. We would contend that eliminating the existing COVID-related travel requirements, including the use of the ArriveCAN app for COVID-monitoring purposes and mandatory random testing, would help facilitate access and improve the perception of Canada being an easy and risk-free destination to travel to.

The ArriveCAN app poses particular challenges for the cruise line sector, creating an overwhelming workload on staff and producing a high degree of distress and angst in many of the guests.

CBSA has also decided to limit the clearance of ships in non-CSO ports, or not clear ships at all in small non-CSO ports across Canada in 2022. This has had a major impact especially in Newfoundland and Labrador. It is critical for CBSA to carry out FPOA clearance of ships in all small communities, as they once did.

The federal government can also take a leadership role and assist in redeveloping routes to reconnect Canada via motor coach. Privately-owned motor coach businesses across Canada continue to provide a safe and sustainable mode of transportation to connect domestic and international travellers to urban and rural destinations, key attractions, sporting events, and business meetings. Cruise line operators, in particular, are now experiencing a lack of motor coaches to transport their guests from port upon arrival.

We therefore recommend that the federal government enable and facilitate wherever possible travellers' access to and within Canada, and in both high- and low-density population markets.

Pillar Three: Develop and Promote Tourism Assets

The focus of this pillar is two-fold: i) ensuring Canada's tourism assets are world-class and ii) promoting those assets effectively and aggressively for both Canadian and world travellers to discover and experience. This is as much about leisure tourism as it is business travel. And it includes assets in urban, rural and remote communities, and involves both Indigenous and non-Indigenous assets. Many of our assets are services while some are goods.

There is a very wide spectrum in types of tourism assets. These range from accommodations and resorts to transportation modes and related infrastructure. They include attractions, festivals, exhibitions and events, business and sports events, trade and consumer shows, and entertainment. They encompass convention centres, concert halls and theatre houses. They also include museums, galleries, fairgrounds, sporting events, and, of course, food and beverage. And they comprise destination marketing organizations, travel agencies and meeting/event management firms.

If we are to achieve our total tourism spending, employment, and international competitiveness targets by 2030, a significant part of the new federal Strategy must be targeted to ensuring Canada has world-class tourism assets. And this component needs to be as much about updating existing assets as it is developing new, more competitive ones particularly in respect to under-serviced communities.

Tourism assets in Canada will require considerable investment from both public and private sources over the years to come. Much of these resources need to be earmarked to asset development and upgrading, but considerable investment will also be required to make sure those assets are promoted and marketed so all Canadians and international travellers know they are available and how to find them.

Estimates undertaken by industry experts suggest that it would take tens of billions of dollars in new capital to fully achieve our asset goals by 2030.

Support for the maintenance, creation and refurbishment of tourism assets could be allocated in a number of different forms. Ideally, it should entail a suite of financial measures with each initiative tailored to their intended purpose and objective. Support overall could involve a mix of loans, loan guarantees, contributions, grants, and tax credits. And, for much of this support, the administration could be undertaken by existing organizations.

We note in particular the need for targeted support to the creation and development of assets in the Indigenous tourism sector.

Having world-class tourism assets is only part of the answer in our drive for success. Making sure all Canadian and international tourists know about them and how to find them is just as important.

Considerable attention and resources will be required in promoting and marketing our wide scope of tourism assets and sectors if we are to achieve our key goals by 2030.

Destination Canada (DC) and the Destination Marketing Organizations (DMOs) active in many jurisdictions across Canada are the key to achieving our promotional and marketing objectives.

In this regard, we recommend the federal government incorporate a robust promotion and marketing component in its new Strategy. A key element of that component should include a significant increase in the annual allocation to DC to a level that brings it on par with its counterparts in other leading countries and a commitment to those new resource levels for 5 years.

Along the same lines, we recommend the federal government introduce a National Meetings, Incentives Conferences and Events Fund (i.e., the MICE Fund) and consider allocating to it $80 million per year. To also help stimulate the business events sector, the federal government should encourage its Regional Economic Development Agencies to provide greater assistance to DMOs.

Pillar Four: Build a Regenerative and Inclusive Tourism Industry

As the industry strives to get back to pre-pandemic levels, there is a unique opportunity to rebuild a travel and tourism industry that is more resilient, sustainable, and equitable. Canada's tourism sector needs support to enhance sustainability efforts benefitting its people, communities, economy, and the planet. Sustainable tourism development requires commitment from all relevant stakeholders.

As such, we recommend that Canada prioritize investing in regenerative tourism. We must collaborate to define and practice regenerative principles that acknowledge tourism's role in carbon reduction. The federal government should lead and create tourism-specific grant programs for new sustainable projects and retrofits for tourism businesses across the country. Canada strives to be a place of inclusivity and opportunity for all communities. Canada's journey on the path towards National Reconciliation is another manifestation of the desire to overcome past injustices and move towards a more inclusive society.

TIAC recommends that the federal government provide a tax credit for businesses that develop specialized recruitment programs for equity seeking groups. Further, TIAC recommends implementing an Indigenous-led workforce strategy, in partnership with the Indigenous Tourism Association of Canada.

Introduction

The Tourism Industry Association of Canada (TIAC) respectfully presents this submission to the Minister of Tourism and Associate Minister of Finance, the Honourable Randy Boissonnault, in the context of Innovation, Science and Economic Development Canada's (ISED) consultation on the development of a post-pandemic Federal Tourism Growth Strategy (Strategy).

Founded in 1931, TIAC serves as the national private-sector advocate for Canada's tourism industry. Acting on behalf of thousands of tourism businesses across the suite of sectors our industry encompasses, we champion positive measures to help the industry prosper. We represent tourism interests at the national level, and our advocacy work involves promoting and supporting policies, programs and initiatives that will foster the sector's overall development and growth.

On behalf of the industry from coast to coast to coast, TIAC wishes to express its deepest appreciation to Minister Boissonnault for his leadership in launching this important strategy development process. At its core, this initiative is intended to result in a comprehensive action plan to help the Canadian tourism industry rebuild from the unprecedented impact of the COVID-19 pandemic, and to best position it for continued growth and success thereafter.

As highlighted on ISED's consultation website: "*from its onset, tourism workers and businesses felt the full impact of public health measures and border closures. Despite the challenges, the tourism and hospitality sector was resilient, and it remains a key economic driver and job creator, especially for young and for rural Canadians. Thanks in part to an estimated $23 billion in support provided through the federal government's emergency programs, the sector has survived and retains its potential as an important driver of economic growth, jobs and prosperity for communities all across the country.*"

We also take this opportunity to voice our sincere gratitude to all Members of Parliament and Senators, as well as a countless number of federal officials who have not only supported tourism throughout the pandemic but who meaningfully helped address immediate critical issues over the last two and a half years. Without this unwavering support, the industry would not have the potential it has today to once again become the powerhouse it was pre-pandemic in terms of driving Canada's economic growth, stimulating job creation, and fostering prosperity for communities all across this nation. The industry will forever be grateful for the assistance it has received from the Government of Canada.

To place our specific recommendations into context, we first briefly reiterate the impact that the COVID-19 pandemic had on the tourism industry. We provide thereafter an overview of the current state of tourism operators, as well as our views on why tourism matters and why investing in it will result in significant social, cultural, and economic benefits to Canadians. We then highlight key trends in Canadian tourism's global competitiveness and outline key goals for the industry in the years to come. Our submission concludes with the key pillars and the related initiatives that we believe need to be included as part of a new federal Strategy.

Background and Context

The tourism industry was the first hit, the hardest hit and it will be the last to recover from the pandemic.

Prior to 2020, total tourism spending in Canada had been consistently growing for many years and even outpacing the annual growth rate of the economy overall. Going into 2020, total tourism spending hit an all-time high of $105 billion. One year later, however, tourism spending had dropped by half, down to just over $53 billion. Domestic spending decreased by 40% and international spending dropped very significantly by 87%.

There is a direct correlation between spending and Gross Domestic Product (GDP). Hence, tourism GDP also dropped by 50%, and in turn having a knock-on effect in terms of our contribution to Canada's total GDP which decreased from 2% to 1%.

No tourism sector was spared.

At the end of 2019, tourism accounted for 748,000 direct jobs and supported just over 2 million in total. One out of every ten workers in Canada had a job related to tourism. But, one year later, that changed drastically. The number of direct jobs decreased by close to 30%, a decline of 533,000, and all related jobs dropped by 23% to 1.6 million.

The shortage of labour in virtually all tourism sectors has long been identified as a substantial barrier to industry growth. While the dearth in supply of workers predates the pandemic, COVID vastly compounded the problem.

Because of the nature and complexity of the underlying issues, labour shortages in tourism are anticipated to be long-lasting. Sector experts estimate it could take as much as a decade before the industry reaches pre-pandemic employment levels unless immediate and concerted actions are taken.

We stress the symbiotic relationship between the tourism industry's recovery and the availability of workers. The tourism labour market is highly competitive with other tourism jurisdictions and industries. This is highly relevant because, at its core, tourism is driven by people who must, at the very least, meet traveller expectations for an exceptional experience all along the value chain, whether for leisure or for business. Thus, a lack of workers directly translates to a decline in the value-proposition and lower capacity for Canadian tourism.

As such, the recovery of Canada's tourism industry to pre-COVID levels, let alone positioning it for future growth, very largely hinges on our ability to attract and retain an adequate supply of workers across the skills spectrum. Thus, our success in rebuilding tourism is largely dependent on redressing labour shortage issues to ensure an abundant and consistent workforce.

In the fall of 2021, we were beginning to see some slivers of hope in otherwise dark clouds. But then the Omicron variant surfaced, and it spread very quickly everywhere in the world. As a consequence, tighter restrictions and requirements were reintroduced in several tourism areas. It very much seems at times that in trying to rebuild our industry, we collectively take one step forward, and then are forced to take two steps back.

If the impact of COVID wasn't enough, the industry now faces new challenges. There are still considerable disruptions in supply chains. Inflation is at a 40-year high and interest rates are poised to continue rising considerably in the foreseeable future to tamp that down.

These latest trends have a direct impact on all tourism businesses and will hamper the industry as it strives to recover. To highlight some of the effects in practical terms, we point out that gas and jet fuel costs have skyrocketed. This ultimately increases travel costs, whether going on a road trip or flying to another city. And rising key lending rates further add to the already heavy debt burden on tourism operators who have drained financial reserves and maxed out available credit to survive through the pandemic.

It is very much our hope that new variants do not emerge, that infection and hospitalization levels continue to decrease, that fully vaccinated rates continue to rise around the world, and that the current geopolitical tensions and economic instability soon ease. And, just as importantly, we hope the remaining COVID travel requirements in Canada – which very much influence tourists' perspectives and which represent a significant barrier to the industry's recovery – are fully eliminated in the very near future.

Should all this come to pass, and a new comprehensive and effective federal Strategy be put in place, we are optimistic in the tourism industry's potential to not only recover to pre-pandemic levels in the next few years but to return to the annual growth performance it was achieving up to 2020. This, we further contend, will only be possible if private- and public-sector partners continue to work together, and the right tools and measures are put in place to overcome existing issues and barriers.

Current State of Tourism

Tourism Outlook Spring 2022 Highlights

We still have a very long way to go in rebuilding Canada's travel economy to its former glory. The latest forecasts released by Destination Canada (DC) in its *Tourism Outlook Spring 2022* report (released in July 2022) (*Outlook*) estimates that under its "expected" scenario, total tourism spending in Canada was now tracking to return to pre-pandemic levels by 2025.

Outlook provides an overview of the main drivers potentially impacting the recovery of Canada's tourism industry and how they have shifted over the last year. These include the pandemic outlook, the geopolitical environment, the global economic situation, industry dynamics as well as consumer and travel sentiment and confidence. On the whole, *Outlook* highlights that momentum is positive for rebuilding tourism, but there are new uncertainties on the horizon. Among the tailwinds it notes are reduced COVID-19 stringency, consumer travel sentiment and pent-up demand. As headwinds, however, are the Russia/Ukraine war, the challenging economic environment, the pressure of surging inflation and labour shortages.

Outlook provides tourism spending forecasts using four different scenarios (i.e., upside, expected, downside and severe). Under its "expected" scenario, it is forecasting total tourism spending from both domestic and international sources at the end of 2022 to reach $79.9 billion. That is $24.7 billion (or -23.6%) short of our pre-pandemic high water mark.

Breaking out total spending by source under the same scenario, *Outlook* forecasts domestic spending to close out 2022 at $69.3 billion, representing a $12.7 billion shortfall (or -15.5%) from pre-pandemic levels. Based on current estimates, domestic spending should fully recover by the end of 2024. The pace of recovery is slower with respect to international spending. Current expected forecasts are that international spending levels will reach $10.6 billion by the end of 2022. This is $12 billion lower (or -53%) than what had been achieved pre-pandemic.

Despite some of the positive trends noted above, however, there are areas of considerable concern. These include trends related to labour, the levels of international business events coming to Canada and the number of active tourism businesses.

Outlook highlights the continued challenges related to labour shortages in the tourism industry. It notes that while employment in tourism has regained over 80% of the employment it lost at the peak of the pandemic, tourism is still facing persistent labour shortages. And while labour in the Canadian economy expanded by 3 percent in May 2022 relative to the same period in 2019, the tourism labour force still lags 9.2% below its 2019 level. This shortage represents 203,000 fewer people employed or seeking employment in the tourism sector, leaving unfilled tourism jobs, and representing a significant drag on the recovery of the tourism sector.

Looking at total tourism spending broken out by the leisure and business markets, *Outlook* forecasts that while international revenues from the leisure market are expected to fully recover by 2025, revenues from the business events segment will only likely return to their pre-pandemic levels by the end of 2025 or into 2026.

Trends related to the number of active tourism businesses is another area for concern. As a result of the pandemic, the tourism industry faced the most significant decline in active businesses. Data show that in March 2020, the number of active tourism businesses decreased to 78% of the total pre-pandemic number, while the decrease for all active Canadian businesses dropped to 89% (an 11-percentage point difference). As we strive to return to pre-pandemic levels, tourism has not kept pace with the recovery of the business sector overall. As of March 2022, the number of active tourism businesses were 2.7% below their pre-pandemic level. Meanwhile, the total number of active businesses in the Canadian economy overall has recovered to 1.2% above its pre-pandemic level.

What Tourism Operators are Reporting

In preparing for the Strategy consultation, TIAC surveyed businesses in the tourism industry in June 2022. The key areas in which the survey focused were the financial situation of businesses, debt loads on businesses, future growth prospects, investment expectations, labour market, and priorities for federal intervention. With a fairly high response rate, representative across industry sectors and geography, and including businesses in the Indigenous sector, TIAC is confident the insights garnered from our survey accurately represents the current state of businesses in the Canadian tourism industry.

Tourism businesses across Canada continue to struggle financially, face barriers to attracting investment and have considerable challenges attracting the necessary workforce to successfully carry out their business. Survey responses provided evidence in each of these areas. It is important to note that the large majority of these businesses are small, having fewer than 100 employees (79% of respondents) and less than $10 million in annual gross revenue (78% of respondents).

Financial Situation of Businesses

When asked to estimate their gross revenue levels for 2022 compared to 2019, 25% of respondents said their revenue would be between 1-25% lower, 24% reported they would be 26%-50% lower, and 18% said their revenue would be more than 50% lower.

When asked to comment on why revenue levels were not bouncing back, a majority of respondents noted it was because of COVID-related regulations and/or restrictions, a general decrease in demand, changes to their business model and other issues such as a lack of consumer confidence or labour shortages.

Revenues for most businesses, thus, still have a considerable way to go to fully recover to pre-pandemic levels. Compounding the dire financial health of businesses is a considerable increase in their costs. Considering total estimated expenditures in 2022 compared to 2019, 36% of respondents reported an increase of between 1-25% and 17% of respondents reported an increase of between 26-50%.

Of those facing increased costs, the top main drivers noted were increases in the cost of wages, general supplies and equipment, other general operating expenses, COVID-related health and safety supplies and equipment, insurance, and fuel prices.

The double impact of lackluster revenue and increased costs is therefore impacting the bottom line for the majority of businesses. When assessing their estimated net profit margin by the end of 2022 compared to 2019, 29% of respondents noted that it would be between 1% to 25% lower, 21% of respondents said 26-50% lower and 18% reported it would be over 50% lower.

The Debt Load on Businesses

Revenue, expenditure, and profit margin trends only paint part of the picture on the overall financial health of tourism businesses. Another important factor is the level of debt now being carried by those businesses, which of course directly impacts the bottom line and is a key consideration in attracting and securing future investment.

Our survey results reveal that only 27% of respondents now have a debt-to-income ratio (DTI) of between 1-25%, a range considered by many financial experts to be generally healthy. Thirteen percent of respondents (13%) reported a DTI ratio of between 25-50%, and 15% reported in the range of 50-75%. Further, 35% of our survey respondents reported that their DTI ratio will be between 1-50% higher by the end of 2022 compared to 2019. Therefore, 73% of respondents reported having a DTI generally considered problematic.

Future Growth Prospects

The above said, a majority of survey respondents were nonetheless fairly optimistic about the growth potential of their businesses over the next 3 to 5 years, with 63% of respondents reporting that their prospects were either good or very good.

For respondents who viewed their future growth prospects as poor, the significant increase in overall operating costs, difficulty increasing demand/sales and the inability to find qualified workers were noted as the main reasons.

Of those respondents who have not recovered financially from the impact of the pandemic, 51% said it would take 2-5 years to fully recover, 29% reported it would take 1-2 years, and 10% noted it would take between 5 and 10 years to recover.

For respondents who reported their business was in financial decline, assuming no significant change in the overall environment, 30% noted that they would have to wind down their businesses in the next 2-5 years, 18% in the next 1-2 years, and 11% within the next 12 months. Unless something changes in a positive direction, survey responses indicate that close to 60% of businesses now experiencing financial difficulties are at risk of closing their businesses permanently within 5 years.

Investment Expectations

Seventy-four percent (74%) and 50% of respondents, respectively, confirmed that they intended either to make their own investment in their business or to seek outside investment over the next 3 to 5 years.

For those respondents who wished to attract additional investment but believed they were not yet ready, the most prevalent barriers noted were weak balance sheets, the lack of support programs to mitigate risk, low access to investment expertise and business consultants, as well as other factors such as the lack of affordable housing for workers and the current travel requirements.

Half of the survey respondents indicated they believed they were investment ready to help build their business. But, of those who have not yet managed to secure additional investment, access to incentives to encourage investment, as well as greater access to investment expertise and investment bankers were noted as key factors that would help them secure investment.

Labour Market

When asked about employment levels in 2022 compared to 2019, 27% of respondents reported their levels to be between 1% and 25% lower, 20% said they were 26-50% lower and 12% noted over 50% lower.

Almost 60% of respondents that now had vacant positions to fill reported they needed between 1 and 5 new hires to achieve what they considered to be full employment capacity; 12% needed between 6-10 staff; 10% needed 11-20 employees; and a further 10% needed over 50 new staff. Looking at their labour shortage as a percentage of their full labour needs, 28% of respondents reported being short between 11-20% to achieve their labour force requirements; 23% reported a shortfall of between 21-50%, and 19% said the number of vacant positions represented between 6-10% of their current labour needs.

A large majority of respondents (75%) reported that between 1-5% of their total workforce was typically satisfied by workers accessed via the Temporary Foreign Workers (TFW) program. Nine percent (9%) of respondents said that the TFW accounted for between 11-20% of their workforce, and 2% reported that more than 50% of their workforce was typically secured via the TFW.

Among the main barriers to achieving full staff capacity, respondents reported difficulty finding qualified/reliable employees; shortage of skilled labour in local area; difficulty retaining qualified, reliable employees; high competition for staff from businesses in other industries/ sectors; recruitment difficulties associated with seasonal nature of business; high competition for staff from businesses in the same sector; wage expectations of potential employees too high; a lack of awareness or interest in jobs in the sector; lack of housing for potential employees; poor or limited transportation options for employees; changes/limitations to immigration programs; as well as potential workers' fear of contracting COVID-19 on the job.

In managing the current workforce shortage, 34% of respondents reported that operations had been scaled back to a level manageable with existing workers; 32% had reassigned responsibilities to existing workers; 15% said the work would simply not be done; and 11% intended to defer the work until it could be performed.

Priorities for Federal Intervention

Respondents reported a number of priorities for intervention by the Federal Government to help achieve growth, investment, and stability. In order of importance, these included addressing the labour shortage; eliminating all barriers to travel; supporting business operations; providing greater forgiveness, relief and/or longer deferrals on existing loans; supporting new product or service development; supporting destinations marketing and promotions, including addressing the current reputational damage done to the tourism industry; supporting investment in sustainability; providing travellers with incentives to travel within or to Canada; supporting investment in digitization; as well as dealing with climate change, fostering professional development, addressing transportation infrastructure issues as well as insurance cost increases and promoting more affordable housing.

And, finally, when thinking about various forms of government intervention that they believed would benefit their companies the most, in order of priority, respondents noted grants, tax credits, more optimal public services, repayable contributions as well as greater access to loans/credit.

Why Tourism Matters and Why Investing in it Will Result in Significant Social, Cultural and Economic Benefits

Tourism is the ultimate way to demonstrate to the world Canada's ideals as a nation – resilience, tolerance, and inclusivity. Our collective values are needed now more than ever on the global stage.

Before the impact of the global COVID-19 pandemic, the United Nations World Tourism Organization (UNWTO) had highlighted[1]:

> "*Over the decades, tourism has experienced continued growth and deepening diversification to become one of the fastest growing economic sectors in the world. Modern tourism is closely linked to development and encompasses a growing number of new destinations. These dynamics have turned tourism into a key driver for socio-economic progress.*
>
> *Today, the business volume of tourism equals or even surpasses that of oil exports, food products or automobiles. Tourism has become one of the major players in international commerce and represents at the same time one of the main income sources for many developing countries. This growth goes hand in hand with an increasing diversification and competition among destinations.*
>
> *International tourist arrivals (overnight visitors) grew 4% in January-March 2019 compared to the same period last year, below the 6% average growth of the past two years.*
>
> *This global spread of tourism in industrialised and developed states has produced economic and employment benefits in many related sectors - from construction to agriculture or telecommunications.*
>
> *The contribution of tourism to economic well-being depends on the quality and the revenues of the tourism offer.*"

In 2019, the Government of Canada announced its current tourism strategy *Creating Middle Class Jobs: A Federal Tourism Growth Strategy* (2019 strategy). At that time, the Honourable Mélanie Joly, then Minister of Tourism, Official Languages and La Francophonie, said:

> "*Whether it is polar bears in Churchill, wineries in Prince Edward County, getting closer to nature in Banff National Park, Niagara Falls, dining on the ocean floor in the Bay of Fundy, or world-renowned events in Toronto, Montreal and Vancouver—and of course, fascinating Indigenous cultures and people who want to share them—tourism showcases Canada's diversity, natural beauty and unique experiences. Through tourism, Canadians express our love of country and community pride, which we are only too happy to share with the world.*
>
> *Creating Middle Class Jobs: A Federal Tourism Growth Strategy will tap into this local pride and empower communities from coast to coast to coast. The sector is already booming, with Canada bringing in a record number of visitors. As an economic driver, it often outpaces more traditional industries. In the Gaspé region, for example, it has surpassed fisheries to become the leading industry and job creator. And it is among the biggest industries in Atlantic Canada, British Columbia and Yukon.*
>
> *Unfortunately, tourism is often overlooked as a viable and sustainable sector in Canada. This is despite its tremendous potential to transform communities facing economic difficulties, especially*

[1] https://www.unwto.org/why-tourism

resource-dependent and single industry towns and cities. Jobs and opportunities were created when the Inn was built on Fogo Island; when Inverness, Nova Scotia developed its world-class golf course; when Murdochville, Quebec capitalized on outdoor adventure; and when Tofino, British Columbia attracted new beach resorts. At the same time, the tourism sector has created thousands of jobs for our major urban centres. Investing in tourism is a way to provide more opportunities for Canadians to shape a positive future for themselves, their families and their communities."

Tourism Human Resources Canada (THRC)[2] has aptly outlined the many economic and social reasons for why tourism is important, and the reasons why investing in tourism employment more specifically is important to Canada. The top ten reasons noted are:

1) ***Tourism has high job growth potential***. *Tourism offers jobs that fit personal lifestyles and needs: accessible, entry-level jobs that enable people to earn an income while studying or in transition; stable, well-paid, middle-class jobs with highly sought transferable skills and multiple career paths; C-suite roles for those seeking leadership and advancement opportunities; or employment for individuals looking for adventure and wanting to augment their income.*

2) ***Tourism provides economic and business development or entrepreneurial opportunities that can help transform waning economies and increase economic diversification***. *Communities dependent on declining industries are looking to tourism as a sustainable alternative. Tourism draws on the expertise of local people to provide authentic, tailored, compelling, quality experiences. Visitors are attracted to destinations for much more than the vista: they seek transformative experiences involving local culture and customs. Diversifying economies involves an investment in human capital by reskilling or upskilling workers, thereby transforming the local workforce. Because tourism builds on local resources, it can help create reliable and stable income in a region.*

3) ***Tourism employment is multifaceted and provides a rich learning experience.*** *People in tourism acquire 'skills for life': skills that are in demand and transferable to many jobs and help people participate in society or transition into other professions. Tourism operators invest in training to enable people to gain the language skills, Canadian workplace experience, and job-related skills to succeed in the workforce and advance their career prospects.*

4) ***Tourism offers social advantages***. *Canada's tourism sector is highly diverse. Compared to the economy overall, tourism employs a higher percentage of under-represented groups in long-term, well-paid, skilled jobs. Tourism employment is one of the most important social structures that helps groups better integrate into society and the world of work. Because of the broad range of products and services, there are multiple career and worker pathways that enable people to advance rapidly.*

5) ***Tourism promotes environmental benefits.*** *The products or services offered by many tourism businesses are based on a sustainable business development model. Tourism businesses factor in land use planning and conservation, waste reduction, and eco-efficiency to help reduce*

[2] 10 Reasons Why 10% Matters: Tourism Employment Transforms Lives & Communities

ecological impacts. For many, their reputation and the very 'experience' they offer capitalize on the fact that they are environmental stewards.

6) ***Tourism creates an influx of wealth that contributes to the local economy overall.*** *Income from tourist activities has a significant "spin-off" effect. Money spent on tourism fuels economic activity in many other sectors. For example: infrastructure demands lead to construction jobs; tourists seek additional services in banking and retail; and specialized tourism—such as health tourism—requires increased capacity.*

7) ***Tourism is a stimulus for infrastructure investments.*** *The influx of new wealth derived from tourism enables communities to invest in infrastructure improvements that will serve more than visitors. Improved roads, expanded technology and communications networks, revitalized community areas, and other investments boost the quality of life for all citizens.*

8) ***Tourism contributes to political stability and is synonymous with Canadian identity.*** *Scholars have long studied how tourism is a means for political and ideological goals. For example, Edgell (1990) asserts, "the highest purpose of tourism policy is to integrate the economic, political, cultural, and intellectual benefits of tourism cohesively with people, destinations, and countries to improve global quality of life and provide a foundation for peace and prosperity." In many ways, the Canadian tourism brand is built on a reputation of political stability and safe and secure conditions. Consequently, tourism is synonymous with Canada's identity: it embodies the very values or ideals that define Canadian culture. Tourism businesses create opportunities for multicultural experiences and the ability to gain skills for cross-cultural dialogue and collaboration.*

9) ***Tourism has good jobs and jobs at a premium.*** *Good jobs are those with safe working conditions and stable, predictable incomes based on competitive salaries/wages. Good jobs provide opportunities for advancement, have flexible working hours, and accommodate personal needs. Progressive employers invest in ongoing training or professional development, offer health benefits, and create an inclusive culture. These very traits are characteristic of tourism workplaces. Many tourism jobs are also gaining prominence because of the increased value placed on personalized service (especially in a time of increased automation and use of artificial intelligence) and public safety and security. For example, tourism workers are in roles that involve critical surveillance, such as hotel room attendants, taxicab drivers, or front desk agents. Others help monitor and manage a vulnerable food supply chain or provide shelter in times of disaster.*

10) ***Tourism is everywhere****. Tourism employment exists in every corner of Canada. Tourism is foundational to the future of Canada's economy, with jobs that will continue to flourish even when other industries decline.*

THRC concludes by stating:

> *"Not only is tourism important to Canada's economy, it is uniquely positioned to increase social capital and contribute to political stability. Bottom line: tourism employment shapes Canada's*

identity by helping transform lives and communities. Investments in attracting, developing, and retaining workers are needed beyond the investments made for infrastructure or incentivizing private investments. The sector (and indeed Canada) cannot thrive without a resilient and diverse tourism labour market."

And we would emphasize that Indigenous tourism, more specifically, matters because it is reconciliation in action. It empowers Indigenous communities in generating their own economies while also providing Canadians and foreign visitors alike the opportunity to connect with Indigenous peoples and to experience their unique and diverse culture in a deeply meaningful way.

Lastly, but by no means least, tourism industry activity results in very significant revenue for all levels of government. We would highlight that existing data on total tourism industry spending includes sales taxes. Assuming we achieve our key target of $134 billion in total tourism spending by 2030, this would result in $6.7 billion of annual GST revenue flowing to the federal government alone, and another roughly $10 billion per year flowing to provincial governments. Add to those amounts the sum of all corporate and personal income taxes payable by those in our industry each year as well as property taxes to municipalities, and it becomes quickly evident the high level of revenue the tourism industry generates for governments. In fact, Statistic Canada calculated total government revenue attributable to tourism to be $28.4 billion in 2019[3] alone (i.e., the year before the pandemic).

In summary, tourism matters. And investing in it leads to economic growth, job creation, environmental protection, supporting culture, fostering Indigenous heritage, as well as promoting peace, prosperity, and a respect for rights, not to mention the considerable revenue for all levels of government. Tourism is a crucial vehicle for fostering social cohesion and it plays an important role as head ambassador on the global stage in sharing Canada's values and principles.

Canadian Tourism's Global Competitiveness

Despite the many successes Canada's tourism industry has achieved over the years, even before the devastating impact of COVID-19, we were falling behind in our global competitive position as countries around the world increased their own efforts to compete in an increasingly crowded playing field.

[3] Statistics Canada. Table 36-10-0463-01, Government revenue attributable to tourism, by source of revenue

A recent report by the World Economic Forum (WEF) confirms the backslide continues. In its Travel and Tourism Development Index report from 2021 Canada was ranked 13th in overall global tourism competitiveness out of a total of 117 countries, down from 10th place in 2019.[4]

Research undertaken by Destination Canada (DC) confirmed that while Canada generated some $105 billion in total spending and hosted almost 22 million international overnight visitors before the pandemic, Canada's tourism industry was even then not keeping pace with global growth. The key factors identified by DC at the time as undermining our competitiveness were:

- Overcrowding – in major cities, resorts and accessible spots leading to lower quality experiences and less value for money.
- High cost of air travel – mile for mile, air travel in Canada is significantly more expensive than in the USA or Europe.
- Seasonal compression – there is three times more visitors in the summer season compared to the winter, and a large majority of total tourism revenues are earned in the 120 days from May to September.
- Sub-optimal private investment – with limited investment in urban accommodations and nature-based experiences, there are billions of dollars in potential annual visitor spend that is untapped.
- Non-strategic public investment – there are few sustained and significant government investments in strategic economic development to optimize ROI for Canada.
- Concentrated demand – over 70% of visitors go to, or through, Montreal, Toronto, and Vancouver.
- Travel deficit – all of which contributed to Canada having a leisure travel market trade deficit of $17 Billion in 2019.

Many of these key challenges were also highlighted in the 2019 strategy. That strategy identified five longstanding challenges where progress was needed for Canada's tourism industry to achieve its full potential. Those were described as:

- Concentration of demand – just over three out of four international visitors travel only to Canada's largest provinces, Ontario, British Columbia and Quebec, and most go to their biggest cities: Toronto, Vancouver and Montreal.

[4] World Economic Forum, Travel and Tourism Development Index 2021 Rebuilding for a Sustainable and Resilient Future, May 2022

- **Access** – in such an immense country, making travel more convenient and affordable is a constant concern. Focus is needed on upgrading urban infrastructure and working with the private sector towards providing better services to smaller centres and low-cost travel options.

- **Labour and skills shortages** – while not unique to the tourism sector, and shared by other countries, jobs remain vacant in some regions, often due to their seasonal nature. Tourism is not always top-of-mind career choice, though its potential as a rewarding and stable career is being increasingly appreciated.

- **Availability of domestic and international investment** – especially into building hotel and convention capacity in major cities, and resorts and boutique facilities in smaller communities and rural areas.

- **Weak integration of the sector's many stakeholders and their activities** – Canada's tourism sector is fragmented, with destinations and experiences dispersed across a vast country. Funding sources and targeted programs are spread horizontally among many government departments and agencies, at the federal, provincial, and territorial levels. Many large and medium-sized municipalities have visitor promotion offices that could be more effectively connected to other players in the sector. The path to growth requires greater coordination and coherence of public and private sector actions, stronger governance mechanisms, and leadership at the national level focused on long term results.

Key Goals for Canada's Tourism Industry

To be meaningful and effective, to help focus both decision-making and actions, as well as to measure performance and outcomes over time, it is necessary for the Strategy to establish key goals and objectives within a set period of time.

The 2019 strategy set clear goals. The government said then that it was setting ambitious but achievable targets through to 2025. Using 2018 as a baseline, the three metrics identified to measure the effectiveness of that strategy were: i) revenue (i.e., total spending by tourists on goods and services), ii) tourism GDP growth, and iii) number of jobs created.

At that time, the target for total tourism spending to be achieved by 2025 was set at $128 billion, for an overall increase of 25% over five years. This target inherently estimated an annual growth rate of about 3.5%. It was also noted that growth in the visitor economy would outpace growth in the national economy, and that 54,000 new jobs would be created by 2025.

The 2019 strategy also established two dispersion-related targets. With a view to addressing the concentration of demand issue, it set a goal to increase tourism spending outside of our three largest cities and their surrounding areas (i.e., Greater Toronto Area, Montréal, and Vancouver – coast and mountains) but did not specify by how much. And, to address challenges related to seasonal compression, it set an objective to increase the number of international tourism arrivals by 1 million in the winter and shoulder seasons (i.e., from November to April).

As key goals in the new federal Strategy, we recommend using the same metrics as in the 2019 strategy but updated to reflect today's economic reality and updated forecasts. Further, we would recommend including several additional metrics related to Indigenous tourism spending, the total number of international overnight visitors and the performance of Canada's tourism industry in terms of its global competitiveness.

As such, **we propose that a new bold and achievable target for total tourism spending in Canada be set at $134 billion by the end of 2030**. This objective assumes the tourism industry recovers to $105 billion in total spending by the end of 2025 (as is now forecast by DC) and that total tourism spending thereafter continues to increase by 5% in each subsequent year from 2026 to 2030. This target would represent an increase of 67.5% in total tourism spending by the end of 2030 (from where DC estimates we will be at the end of 2022). Overall, over the next 8 years this would entail a linear average annual growth rate of 6.7%. While this may seem high, we believe it to be achievable considering the annual growth rate in the next three years is expected to be considerably higher than normal as a result of pent-up travel demand that will likely then level off to a 5% annual level as the travel economy begins to restabilize.

We also propose a specific target for total spending in the Indigenous tourism sector and would recommend setting it at $2.5 billion by the end of 2030. As with the national target, this objective assumes the Indigenous tourism sector recovers to $1.9 billion in total spending by the end of 2025 and that its annual growth level off to 5% in each subsequent year thereafter until the end of 2030.

We recommend maintaining the dispersion-related targets, as was done in the 2019 strategy. We contend that the concentration of demand and seasonal compression issues are still challenges that need to be overcome for Canada's tourism industry to achieve its full potential. As such, we would encourage officials to include such targets in the new federal Strategy.
In terms of the concentration of demand issue, consideration could be given to setting specific tourism spending targets for areas outside the GTA, Montréal, and Vancouver. Similarly, appropriate targets could be set to help encourage and measure increases in the number of international tourism arrivals in the winter and shoulder seasons.

As noted previously, the recovery of Canada's tourism industry very largely hinges on our ability to attract and retain an adequate supply of workers across the skills spectrum. Given this importance, it seems appropriate to set targets specifically related to growth in tourism labour.

In consultation with THRC, **we believe a total labour target of 2.5 million workers by the end of 2030 is both reasonable and achievable.** This assumes total tourism spending targets are achieved as expected by that time, and that considerable resources and effort are included in the new Strategy to help attract and retain workers. This would represent a 39% increase in the total number of people employed in tourism from where we stand today, but a growth of 19% from where the industry was just before the pandemic.

Setting goals for Canada's tourism industry in terms of its competitiveness globally is also appropriate. After all, Canada is not an isolated island. We must compete with many other nations for our share of the total global tourism market. And many other countries, we would point out, have recently renewed their own national strategies to aggressively grow their domestic tourism. Canada must not allow itself to be left behind. We must continually strive to stand atop the global tourism podium.

As noted earlier, the recent WEF report demonstrated Canada was losing ground in its ranking within the Travel and Tourism Development Index. If Canada aims to be a premier world travel destination, this trend must be reversed. At the very least, we should aim to regain the ground we lost between 2019 and 2021. But ideally, we believe it important to aim for better. **As such, we recommend that a target be set for Canada's tourism industry to place in the top 5 in the WEF Index by 2030**.

Consistent with our overall drive to bring Canada back into the top-5 competitive tier internationally and bolster our position as a top tourism destination worldwide, we believe it important to establish targets related to the number of international overnight visitors coming to Canada. These overnight guests tend to stay longer and spend more compared to intra-domestic travellers. **As such, we recommend that this target be set at 30 million by the end of 2030.**

Need for a Whole-of-Government Policy Priority Approach

TIAC and the businesses and organizations it represents are confident our proposed goals are achievable by 2030 if adequate financial resources are earmarked in support of the new Strategy. But, just as importantly, we believe achieving those goals will only be possible if a concerted effort is made by all of government and industry working together.

Core to the new Strategy's likelihood of success therefore rests in all tourism partners rowing in the same direction and never losing sight of our destination. This inevitably involves the industry staying focused. But it also means that all of the 22 federal departments and agencies now playing a role in tourism must also place those tourism goals as a top priority. It would make little sense to put in place a new national tourism growth plan and set performance targets if that Strategy was not fully supported financially or if all relevant federal departments and agencies were not entirely committed to its success.

From the Prime Minister's Office and Privy Council Office to the offices of the Minister of Tourism and Finance, and across all other federal departments and agencies, tourism must be made a priority in order to achieve success. As Minister Joly said in the 2019 strategy, "*tourism is often overlooked as a viable and sustainable sector in Canada.*" This does not have to be. Tourism can and should be prioritised.

There are many means through which a whole-of-government tourism policy priority approach could be implemented given the importance of the tourism industry to Canada's economic, social, and cultural future. **But key is the creation of a Tourism Policy Council of Ministers, led by the Minister of Tourism to ensure tourism is prioritized across federal departments and align decision-making.** To highlight a few other ideas:

- Update Ministers' mandate letters to prioritize tourism within their respective portfolios.
- Give specific and explicit direction to the Privy Council Office to ensure tourism is prioritized by all federal departments in their respective corporate plans and priorities.
- Identifying tourism as a priority within Canada's economic growth plan.
- Reactivating the Economic Strategy Table on Tourism.
- An oversight role could be formalized for the Parliamentary Tourism Caucus.
- Create a private/public sector advisory council to ensure tourism is made (and remains) a priority by all government departments. This committee could also play a role in measuring success against our goals and preparing annual reports on our progress.

We can not stress enough how critical it is that for the new Strategy to ultimately succeed, the government must prioritize a whole-of-government approach to tourism policy.

Key Pillars in Support of a New Federal Tourism Growth Strategy

Working in collaboration with a number of national tourism organisations and our members, we have identified four key pillars that we believe would best underpin a new federal Tourism Growth Strategy and ensure the industry achieves its key goals by 2030. These are: i) Attract and Retain a Sustainable Tourism Workforce, ii) Improve Access for visitors to and within Canada, iii) Develop and Promote Tourism Assets, and iv) Build a Regenerative and Inclusive Tourism Industry.

We emphasize that tourism is a broad ecosystem – a complex value chain that will only ever be as strong as its weakest link. Therefore, the new Strategy and the policy measures it ultimately entails must take this reality into consideration, must be comprehensive and must seek to bolster as much as possible each of those important links. Similarly, each of these pillars are equally important to ensure the sustainability and prosperity of our sector, no individual pillar being more important than another, and all requiring support in order for us to see success.

We outline our key recommendations, as follows:

Pillar One: Attract and Retain a Sustainable Tourism Workforce

To reiterate, the recovery and future growth of Canada's tourism industry largely hinges on addressing the significant labour shortages that now exist. It is also important to highlight the reputational damage the tourism labour market has suffered as a result of the on-again, off-again shutdowns and other restrictions imposed on many tourism sectors during the pandemic. The perception among many potential workers currently is that our industry is one that is unpredictable and inconsistent. This perception is hindering many operators in their ability to attract and retain workers.

With a view to redressing the complex issue of labour shortages in tourism, THRC has outlined a comprehensive strategy encompassing a series of immediate and longer-term measures that would need to be pursued. **TIAC supports THRC's strategy and recommends that the Government of Canada implement those proposed measures as soon as possible.** Doing so would significantly aid in achieving the main goal of reaching a total workforce of 2.5 million by the end of 2030.

In terms of sustained, long-term investments, THRC proposes to i) implement a comprehensive Tourism Immigration Strategy; ii) implement an Indigenous Workforce Strategy; iii) increase high school tourism programs; iv) modernize post-secondary tourism programs; v) facilitate improved worker and student mobility; and vi) incentivize public and private investments in infrastructure.

More immediate initiatives highlighted by THRC to help the industry more quickly access much needed workers include i) adjusting policies to address employment mobility barriers; ii) restoring and expanding attraction and retention programs; iii) modernizing Labour Standards Regulations and employer HR/workforce practices and supports; and iv) rationalizing and prioritizing government-funded training initiatives.

More specifically, with a view to attracting and retaining workers, **THRC is recommending that targeted domestic recruitment campaigns and a specific Indigenous Workforce Strategy be developed and launched, which it estimates would require $10 million and $5 million per year, respectively, to fully implement.**

In the area of training and skills development, **it is recommending to increase the number of tourism and hospitality high school programs (estimated to require $2 million over two years), to modernize post-secondary tourism programs (estimated to require $6 million over three years), launch comprehensive national tourism "job ready" bridging programs (estimated to cost $25 million over three years) as well as to invest in skills development and training (estimated to cost $6 million over three years).**

With regard to worker mobility, THRC **is recommending that tax credits be implemented for job seekers and students to relocate to another region for new employment opportunities as well as grants to subsidize employer-offered supports to employees to help cover some of the costs related to things like transportation and childcare.**

And to foster greater student and worker engagement, THRC **is recommending changes to increase flexibility in the use of the EI system to encourage worker participation and the introduction of a new program to enable student work experiences across Canada.**

In the short-term, THRC **is recommending that a focus be placed on prioritizing and creating efficiencies with the Temporary Foreign Worker Program, adjusting policies within existing federal and provincial streams to increase the number of workers assigned to tourism jobs, and increase opportunities for international students.**

Longer-term, a **key recommendation from THRC is to work towards creating a dedicated tourism and hospitality immigration stream with a pathway to permanent residency, as well as for governments to invest in affordable housing in close proximity to major destinations**.

Given the complex nature of the challenges related to the labour shortage in tourism, we believe it necessary to put in place appropriate oversight and accountability related to the measures that ultimately need to be put in place to redress the issue. In this regard, **we recommend the Government of Canada provide THRC with ongoing financial resources of $3.5 million per year in support of its operations in order to play this role.** THRC is a unique organization in Canada, and a centre of excellence and expertise related to tourism labour. Providing it with these resources would enable it to coordinate and facilitate a Pan-Canadian Tourism Workforce Recovery and Growth Task Force, support and facilitate the implementation of the labour elements in the Strategy, provide continued and targeted research on labour market recovery, launch skills development and labour support programs as well as measure and report on the progress being made in these areas more effectively.

Pillar Two: Improve Access for Visitors to and within Canada

At its core, this pillar is about enabling and facilitating the movement of travellers to and within Canada, whether for leisure or business, in both densely populated markets and rural/remote areas, and across all modes of transportation.

This pillar focuses on satisfying the demand-side of the economic equation. And it is as much about eliminating existing barriers as it is improving efficiencies related to travel processes and across transportation modes. By optimizing efficiency around all points of access, the competitiveness of the tourism industry will inherently improve. It will also ultimately enhance travellers' perception of Canada as a premier travel destination and, in turn, help generate increased demand. The simple fact is no traveller really wants to go to any destination that is overly difficult or expensive to get to.

To enhance access, or to provide it where there is now none, **we should streamline and facilitate access across our borders. This should include specific initiatives to modernize digital documentation processes for travellers in line with best practices internationally. We should also explore effective public-private partnerships to better communicate border process information to travellers.**

We would contend that **eliminating the existing COVID-related travel requirements, including the use of the ArriveCAN app for COVID-monitoring purposes and mandatory random testing, would help facilitate access and improve the perception of Canada being an easy and risk-free destination to travel to**. We have heard of many instances where foreign travellers looking to book a vacation have decided to avoid Canada for fear of being randomly tested and, if positive, having to isolate for 10 days. The value proposition of spending thousands of dollars on airfare and accommodations for a vacation or business trip, and then being required to spend 10 days watching television inside a hotel room is simply not appealing to travellers.

The ArriveCAN app poses particular challenges for the cruise line sector, creating an overwhelming workload on staff and producing a high degree of distress and angst in many of the guests. We have heard from our operators who are now required to host 7-hour orientation sessions and help process their guests in small groups at a time in order to successfully get all of them to complete ArriveCAN before disembarking at ports in Canada. The marine version of ArriveCAN is particularly not intuitive. Operators find that less than 10% of their cruise guests can complete it on their own. There are also a host of technical issues with the app. When travelling in remote areas there is often limited or no access to Internet. With no access the app fails to upload documents, becomes unresponsive and fails to send reference codes, making it impossible for anyone to complete ArriveCAN. Needless to say, these issues place considerable strain on cruise operators' operations.

And if the ArriveCAN app issues were not enough for cruise line operators, CBSA has decided to limit the clearance of ships in non-CSO ports, or not clear ships at all in small non-CSO ports across Canada in 2022. This has had a major impact especially in Newfoundland and Labrador. **It is critical for CBSA to carry out FPOA clearance of ships in all small communities, as they once did.**

Bolstering connectivity across Canada, including to rural and remote communities, and ensuring availability in all-seasons and across all modes of transport are also areas worth acting on. We could significantly reduce the fees and taxes now imposed on airlines and airports thus making air travel in Canada both more competitive internationally and cheaper for consumers. We noted earlier how the high cost of air travel – where mile for mile, air travel in Canada is significantly more expensive than in the USA or Europe – is a key challenge for the industry.

Along the same connectivity lines, the federal government can take a leadership role and assist in redeveloping routes to reconnect Canada via motor coach. Privately-owned motor coach businesses across Canada continue to provide a safe and sustainable mode of transportation to connect domestic and international travellers to urban and rural destinations, key attractions, sporting events, and business meetings. We note in particular that cruise line operators are now experiencing a lack of motor coaches to transport their guests from port upon arrival.
While the federal government has the constitutional responsibility for regulating motor carriers under the Motor Vehicle Transport Act, that Act delegates the authority to regulate them to the provinces. This gap in authority has generally left motor coach carriers without support or leadership both federally and provincially. **To address issues in the motor coach sector including various connectivity shortcomings, in particular, changes should be made to the provisions of that Act concerning the economic regulation of buses, a specific focus could be made to develop a national coast-to-coast motor coach network, direct or indirect subsidies could be introduced for private operators, and/or have 5% of the federal transit investment earmarked to support motor coach operators.**

We therefore recommend that the federal government enable and facilitate wherever possible travellers' access to and within Canada, and in both high- and low-density population markets.

Pillar Three: Develop and Promote Tourism Assets

The focus of this pillar is two-fold: i) ensuring Canada's tourism assets are world-class and ii) promoting those assets effectively and aggressively for both Canadian and world travellers to discover and experience.

This pillar is as much about leisure tourism as it is business travel. It includes assets in urban, rural and remote communities. It involves both Indigenous and non-Indigenous assets. Many of our assets are services while some are goods.

There is also a very wide spectrum in types of tourism assets. These range from accommodations and resorts to transportation modes and related infrastructure. They include attractions, festivals, exhibitions and events, business and sports events, trade and consumer shows, and entertainment. They encompass convention centres, concert halls and theatre houses. They also include museums, galleries, fairgrounds, sporting events, and, of course, food and beverage. And they comprise destination marketing organizations, travel agencies and meeting/event management firms.

In essence, our tourism assets are the scope of services and products we have on offer for domestic and international tourists to discover and experience in Canada.

If we are to achieve our total tourism spending, employment, and international competitiveness targets by 2030, **we firmly believe that a significant part of the new federal Strategy must be targeted at ensuring Canada has world-class tourism assets**. And this component needs to be as much about updating existing assets as it is developing new, more competitive ones particularly in respect to under-serviced communities.

To attain the top of the podium in this regard, tourism assets in Canada will require considerable investment from both public and private sources over the years to come. Much of these resources need to be earmarked to asset development and upgrading, but considerable investment will also be required to make sure those assets are promoted and marketed so that all Canadians and international travellers know they are available and how to find them.

Our tourism asset landscape is one now often characterised as lacking concerted public-private investment strategies, in which borrowing is extremely difficult, where there is inadequate infrastructure for major events and an over-reliance on the summer season. By updating our asset development and promotion strategies and making further strategic investments in new and refurbished spaces, infrastructure, festivals, events and attractions, Canada would become a more globally competitive and resilient four-season destination.

Estimates undertaken by industry experts suggest that it would take tens of billions of dollars in new capital to fully achieve our asset goals by 2030. Looking at only one tourism sector, preliminary modelling done by the Hotel Association of Canada suggests that updating aging properties and building 315,000 new hotel rooms to meet expected demand would require a total capital investment of $40 billion by 2030. While owners, mortgage lenders and crown lending agencies are expected to provide the large majority of the capital requirements, the federal government is a necessary partner in stimulating and accelerating the investments required to meet the tourism target by putting in place a number of measures and incentives.

We outline in more detail our thoughts related to both asset development and promotion, as follows.

Asset Development

Support for the maintenance, creation and refurbishment of tourism assets could be allocated in a number of different forms. Ideally, it should entail a suite of financial measures with each initiative tailored to their intended purpose and objective. Support overall could involve a mix of loans, loan guarantees, contributions, grants, and tax credits. And, for much of this support, the administration could be undertaken by existing organizations.

For example, pools of lending capital could be established by the Business Development Bank of Canada and the Canada Infrastructure Bank that specifically target tourism sectors. Or more

strategic investments for projects requiring more patient capital could be provided via the Regional Development Agencies.

Establish a dedicated Tourism Infrastructure Fund for major projects. New tax credits could also be created to incentivize investment in new assets and upgrading existing assets through programs similar to the existing R&D tax credit. Immediate or accelerated capital cost allowances could be introduced related to investments in new tangible assets. And, dedicated federal mortgage insurance could be provided on tourism assets to reduce the risk of private sector lending from Canadian financial institutions.

Moreover, provide additional and improved grants and contributions to a number of industry sectors and products, like festivals, fairs, exhibitions, and other events with targeted mechanisms to ensure elimination of key sector gaps as well as land border duty free stores. For example, by improving and increasing the annual resources to, or extending, existing programs like the Canadian Experiences Fund, the Major Festival and Events Support Initiative, the Canadian Arts Presentation Fund, the Building Communities Through Arts and Heritage program, and reviving programs like the Marquee Tourism Events Program. Or creating new grant or loan programs for specific sectors like land border duty free stores.

Investments could be made in a Destination Development Strategy to help guide federal investments and leverage private capital, led by Destination Canada.

We note in particular the need for targeted support to the creation and development of assets in the Indigenous tourism sector. This is a sector that was growing very significantly before COVID but was particularly hard hit by the pandemic. And it is one that shows considerable potential to quickly return to sustained growth. The Indigenous Tourism Association of Canada as well as the Indigenous tourism associations at the provincial and territorial levels are critical organizations that could effectively help ensure those resources are properly targeted and efficiently administered to meet visitor demand for authentic Indigenous tourism experiences.

And in certain areas it is not necessarily even money that is required to protect or develop an asset. It is to ensure that new processes or other changes being introduced do not ultimately cause barriers to or otherwise undermine existing tourism business. As an example, we highlight our concerns related to the new CBSA Assessment and Revenue Management (CARM) system now being designed and implemented by CBSA, and the potential impact that might have on the international business events sector. Unless effective solutions are found in that context to help facilitate international business events choosing Canada to host their events, or at the very bare minimum, not undermine long-standing business practices, it is conceivable that billions of dollars of tourism spending could be put at risk. We would note that we are in discussions with CBSA/CARM officials in this regard, but firm solutions to the issue have not yet been identified.

Lastly, we reiterate the high level of debt that a majority of tourism operators are now having to shoulder. And this issue will only get worse as key lending rates continue to rise. Many of these businesses availed themselves of the federal CEBA, RRRF and HASCAP lending programs to help them weather the financial storm through the pandemic. **With a view to protecting existing assets and better positioning them for stronger success going forward, increase the maximum forgivable loan amount under the CEBA, RRRF and HASCAP from 33% to 50%, and extend the 0% interest period even further until the end of 2025 when the industry is now expected to fully recover.**

Asset Promotion

Having world-class tourism assets is only part of the answer in our drive for success. Making sure all Canadian and international tourists know about them and where they are is just as important.

Considerable attention and resources will be required in promoting and marketing our wide scope of tourism assets and sectors if we are to achieve our key goals by 2030. We would highlight that tourism in Canada has now incurred significant reputational damage as a result of the pandemic and ongoing issues related to government-imposed travel requirements and delays at airports. As such, it will be critical to change that negative perception and begin doing so as quickly as possible. Redressing that sentiment will aid in restimulating demand for both business and leisure travel to Canada.

Destination Canada and the Destination Marketing Organizations (DMOs) active in many jurisdictions across Canada are the key to achieving our promotional and marketing objectives for Canada's tourism industry. Promotion and marketing stimulate demand, and increased demand, in turn, will lead to greater tourism spending in Canada and will enhance our competitive position globally.

In this regard, we recommend the federal government incorporate a robust promotion and marketing component in its new Strategy. A key element of that component should include a significant increase in the annual allocation to Destination Canada to a level that brings it on par with its counterparts in other leading countries and commit to those new resource levels for 5 years. Doubling DC's annual allocation is easily conceivable if we intend to be competitive internationally and aim to adequately resource DC to play its important role in helping the industry across many sectors achieve their full potential. A commitment to multi-year funding would allow DC to plan its priorities more effectively and confidently over a longer period of time.

This would allow DC to strengthen its efforts in a number of areas, including helping to redress the reputational damage to Canada's tourism industry and placing even greater emphasis on promoting Canadian destinations in our biggest potential traveller markets like the United States.

With greater resources, DC could also place much more emphasis on promoting the diverse asset offerings in the Indigenous tourism sector.

With regard to international business events, we would point out that this particular sector is expected to be the very last to recover from the impact of the pandemic. Additional resources allocated to DC would allow it to play a much stronger role in this area by helping to attract more international business conferences and sporting events to Canada, including supporting the underlying bidding and solicitation efforts that help Canada win those events. **DC should be encouraged to create a dedicated program in this regard and consider allocating at least 30% of its annual budget to it.**

Along the same lines, **we recommend the federal government introduce a National Meetings, Incentives Conferences and Events Fund (i.e., the MICE Fund) and consider allocating $80 million per year.** The objectives of the Fund would be to help DMOs, particularly in urban centres where much of the business events infrastructure is located, bolster their operations and marketing activities to increase the overall volume of international business events.

To also help stimulate the business events sector, **the federal government should encourage its Regional Economic Development Agencies to provide greater assistance to DMOs. Consider tax credits or other incentives to encourage meeting planners and international events to host in Canada.**

And, lastly, **consider giving other incentives that would help stimulate demand for travel in Canada, such as a foreign visitor tax refund program**.

Pillar Four: Build a Regenerative and Inclusive Tourism Industry

A Regenerative Tourism Industry

Sustainable Tourism is defined by the UN World Tourism Organization (UNWTO) as "*tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities*."

As tourism demand rises in a post pandemic world, we know that 53% of global travelers want to travel more sustainably in the future to reduce the negative impact on local cultures and the environment.[5]

In 2015 at the World Summit on Sustainable Tourism, it was stated that "*the question is no longer if sustainable tourism is a viable solution but rather, just how far can we take it to realize*

[5] https://hospitalityinsights.ehl.edu/sustinable-travel-statistics

tourism's full potential to bring benefits to local communities, support green growth and economies, foster innovation, safeguard cultural and natural heritage, and protect the environment."

The federal government has an ambitious plan for a more resilient economy and a cleaner, greener future. The visitor economy plays a big role in achieving these goals. In its 2019 tourism strategy, a key tactic to achieve success was, "*raising the profile and sustainable performance of Canada's tourism sector as a key economic driver through federal leadership*." Proactive sustainable decision-making and adaptation actions support a resilient economy, Indigenous rights, and equitable opportunities.

As the industry strives to get back to pre-pandemic levels, there is a unique opportunity to rebuild a travel and tourism industry that is more resilient, sustainable, and equitable. Canada's tourism sector needs support to enhance sustainability efforts benefitting its people, communities, economy, and the planet. Sustainable tourism development requires commitment from all relevant stakeholders.

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The 17 SDGs act as a bridge towards regeneration and while businesses across Canada are developing action plans post pandemic that include these SDGs, Canada must also prioritize doing so as a nation.

Regenerative tourism is an aspect of sustainability that looks at ways of leaving things better than you found them, creating a net-positive impact. This often requires a place-based approach that considers the unique circumstances and opportunities in host-communities.

As such, we recommend that Canada prioritize investing in regenerative tourism. We must collaborate to define and practice regenerative principles that acknowledge tourism's role in carbon reduction. The federal government should lead and create tourism-specific grant programs for new sustainable projects and retrofits for tourism businesses across the country.

Canada has an opportunity to prioritize thoughtful, sustainable destination development moving forward. Tourism can contribute meaningfully to Canada's ability to meet its 2030 climate goals. Canada has much to offer in all regions of the country, and we know that some destinations are indeed harder to reach than others due to distance and lack of infrastructure. **TIAC recommends that the federal government invest in infrastructure to encourage energy efficient travel to harder to reach destinations**. Investment in thoughtful destination development that enhances sustainability through seasonal and geographic dispersion is important. **This includes ensuring all destinations, including parks in lesser-known areas, are equipped with the funding to market their properties to potential guests, in the case of parks large and small, through Parks Canada.**

Parks Canada's core responsibility of protecting and presenting Canada's Natural and Cultural Heritage ties into our goals of a more regenerative industry.

Regenerative tourism includes creating conditions for employment where people can thrive and grow. Development of a qualified travel and tourism workforce is essential to its growth, as laid out in the first pillar. Tourism also aims to be an inclusive industry, which means prioritizing equal access and opportunities by removing discrimination, intolerance, and barriers. **TIAC contends the federal government can assist communities in being able to offer work readiness programs including apprenticeships, education and training support, by investing in tourism specific training and skills development programs for equity seeking groups.**

An Inclusive Tourism Industry

As defined by Canada Council of Arts, equity seeking groups are those that "*identify barriers to equal access, opportunities and resources due to disadvantage and discrimination and actively seek social justice and reparation*." Canada strives to be a place of inclusivity and opportunity for all communities. Canada's journey on the path towards National Reconciliation is another manifestation of the desire to overcome past injustices and move towards a more inclusive society.

The country has a beautiful mosaic of global and Indigenous cultures that is worth sharing with the world. Our peaceful, welcoming society is fundamental to Canada's brand on the world stage. Therefore, **TIAC recommends that the federal government provide a tax credit for businesses that develop specialized recruitment programs for equity seeking groups. Further, TIAC recommends implementing an Indigenous-led workforce strategy, in partnership with the Indigenous Tourism Association of Canada (ITAC).**

TIAC supports dedicated measures to help recover the Indigenous tourism sector, in light of its economic importance to Canada and especially its significance providing Canadian and foreign travellers with the opportunity to appreciate and witness firsthand genuine Indigenous cultural experiences. **As such, we recommend that the Government allocate the necessary resources to help the Indigenous tourism sector recover from the impact of the pandemic and ensure such resources are made available equitably to Indigenous communities across Canada**.

This includes establishing stable, multi-year funding to ITAC to plan and implement long-term Indigenous-led domestic and international awareness marketing campaigns and destination development support to meet visitor demand for authentic Indigenous tourism experiences.

As stewards of the Canadian tourism industry, it is our responsibility to act on the Truth and Reconciliation Commission's Calls to Action. As a country, we have an obligation to build mutually beneficial and positive working relationships, have meaningful engagements with Indigenous people, ensure Indigenous people have equitable access to jobs, training, and education opportunities within the tourism sector, commit to truth-telling through marketing and destination development initiatives and collaborate on employment opportunities. **TIAC recommends investment to support the Canadian tourism industry in understanding and responding to the Truth and Reconciliation Commissions' Calls to Action.**

Accessible tourism is also a critical step to becoming an inclusive industry. According to the World Health Organization (WHO), 15% of the world's population lives with some form of disability. **Accessibility for all to tour facilities, sample products, and enjoy services should be a central part of any responsible and sustainable tourism policy, and TIAC recommends this be included in the Federal Tourism Growth Strategy**.

LGBTQ2+ tourism is an area to be focused on for inclusive, economic development with great potential for profitable, long-term products and services. **The new Strategy should aim to increase Canada's national profile as a premier tourism destination for the LGBTQ2+ market: one where LGBTQ2 customers are respected, welcomed, and can socialize and travel safely.**

TIAC's membership with the World Travel and Tourism Council (WTTC) allows us to be at the table for important conversations on sustainable, inclusive and regenerative efforts across the globe. As stated by the WTTC, "*The growth of Travel & Tourism continues to outpace that of the global economy for the ninth consecutive year. What's more, international arrivals, which reached 1.5 billion in 2019, are forecast to reach 1.8 billion by 2030. It is essential, that together, we ensure that this growth is sustainable & inclusive and that it contributes positively to the communities, natural ecosystems, and cultural heritage upon which our sector depends*."

TIAC has also recently become the newest Affiliate Member of the UNWTO (the United Nations World Tourism Organization). The UNTWO is the United Nations' agency responsible for promoting world tourism and has a mission to achieve responsible, sustainable, and universally accessible tourism. The decision was made official recently at the 116th Session of the UNWTO Executive Council, held in Jeddah (Saudi Arabia). With its admission acceptance, TIAC is bringing Canada's private sector tourism industry to the world stage.

Conclusion

In closing, we reiterate our appreciation to Minister Boissonnault for launching this important policy process. We trust TIAC's views and recommendations expressed in this submission will be helpful to the Minister, his team and to the officials at ISED in developing a new comprehensive Tourism Growth Strategy to rebuild the tourism industry from the unprecedented impact of the COVID-19 pandemic and best position it for continued growth and success thereafter.

As always, TIAC is available at your convenience to expand on our views or assist in any other way we can.