

TIAC Leadership Report

David F. Goldstein, President and CEO



The Canadian Tourism Industry:

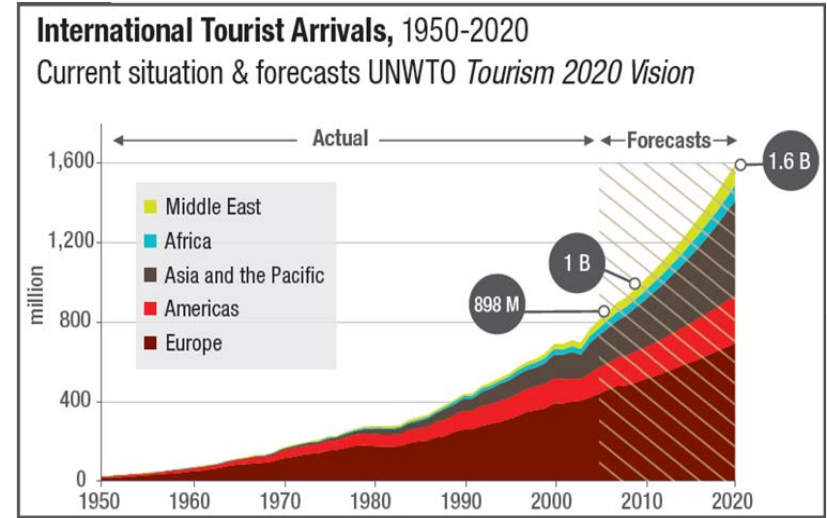
A Snapshot



TIAC  AITC

The Global Tourism Economy

- Tourism is the world's 4th fastest growing industry
 - **One billion** international travellers
 - **\$1 trillion** in global revenues
 - **4% growth** globally per year
- Future growth coming from emerging middle classes of Brazil, Russia, India, China



i Includes direct and indirect taxes, parks and museum fees, etc

An Untapped Canadian Economic Opportunity

- In 2011, the tourism industry:
 - Represented more of Canada's GDP than agriculture, forestry and fisheries combined*
 - Generated \$78.8 billion in economic activity
 - Was responsible for more than \$15.9B in export revenue despite a growing travel deficit
 - Generated \$10.2 billion in federal government revenue**
 - Tourism drives trade between countries***

Tourism fosters 603,400 jobs – Across the country, in all 308 ridings

* StatsCan

** from GST on tourism-related goods and services, income and business taxes as well as the sale of government goods and services related to tourism (ex. campground fees).

*** Tourism Economics, Volume 17, Number 5, October 2011

International Tourist Arrivals (Top 20 Countries – in millions)				
Rank	2002		2011	
1	France	77.0	France	77.1
2	Spain	52.3	U.S.	62.3
3	U.S.	43.6	China	57.6
4	Italy	39.8	Spain	56.7
5	China	36.8	Italy	46.1
6	U.K.	24.2	Turkey	29.3
7	Canada	20.1	U.K.	28.3
8	Mexico	19.7	Germany	28.4
9	Austria	18.6	Malaysia	24.7
10	Germany	18.0	Austria	23.0
11	Hong Kong	16.6	Russian Fed.	22.7
12	Hungary	15.9	Mexico	22.7
13	Greece	14.2	Hong Kong	22.3
14	Poland	14.0	Ukraine	21.4
15	Malaysia	13.3	Thailand	19.1
16	Turkey	12.8	Saudi Arabia	17.3
17	Portugal	11.6	Greece	16.4
18	Thailand	10.9	Canada	16.0
19	Ukraine	10.5	Poland	13.4
20	Netherlands	9.6	Macao (China)	12.9

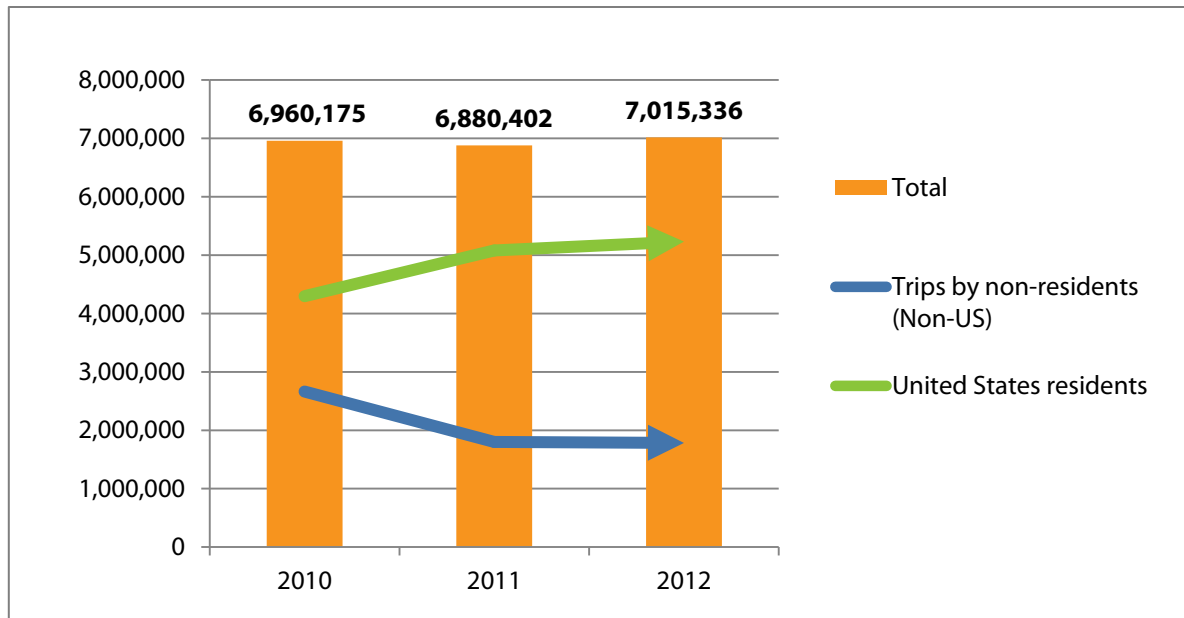
Source: UN World Tourism Organization

Losing our Competitive Footing

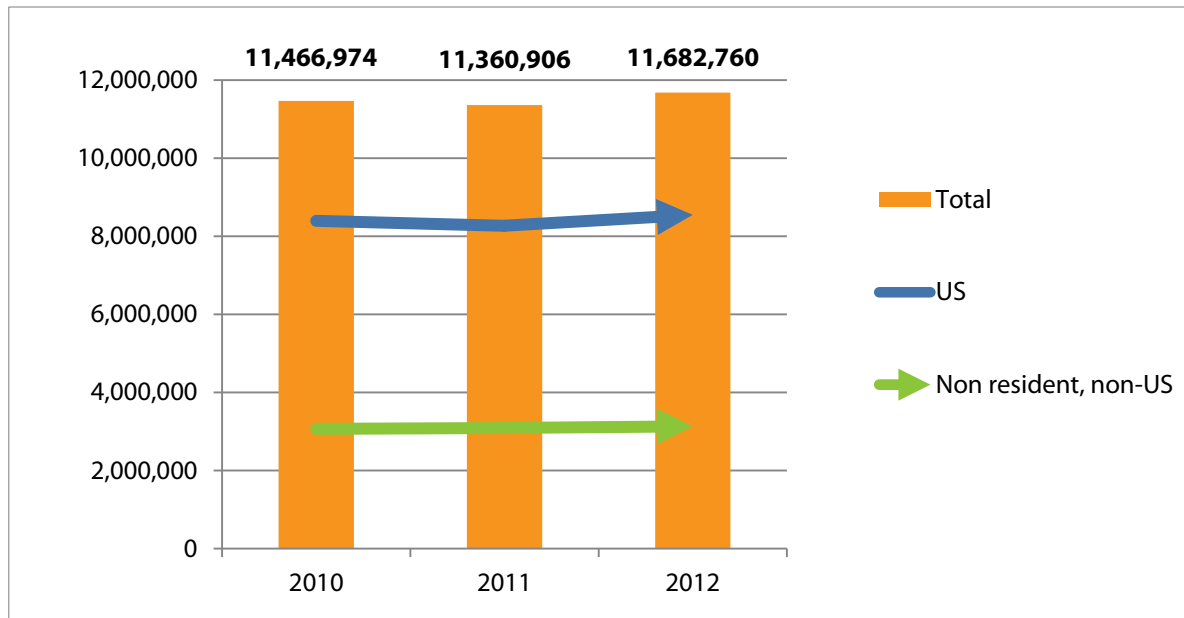
- At 2% growth in Canada, the sector looks superficially healthy, but we are losing share
- Modest gains in recent years don't begin to recapture ground lost in the last decade

Between 2002 and 2011, almost all countries posted gains in international arrivals — ***except Canada***

Summer International Arrivals, 2010-2012



Year-to-Date: International Arrivals, 2010-2012



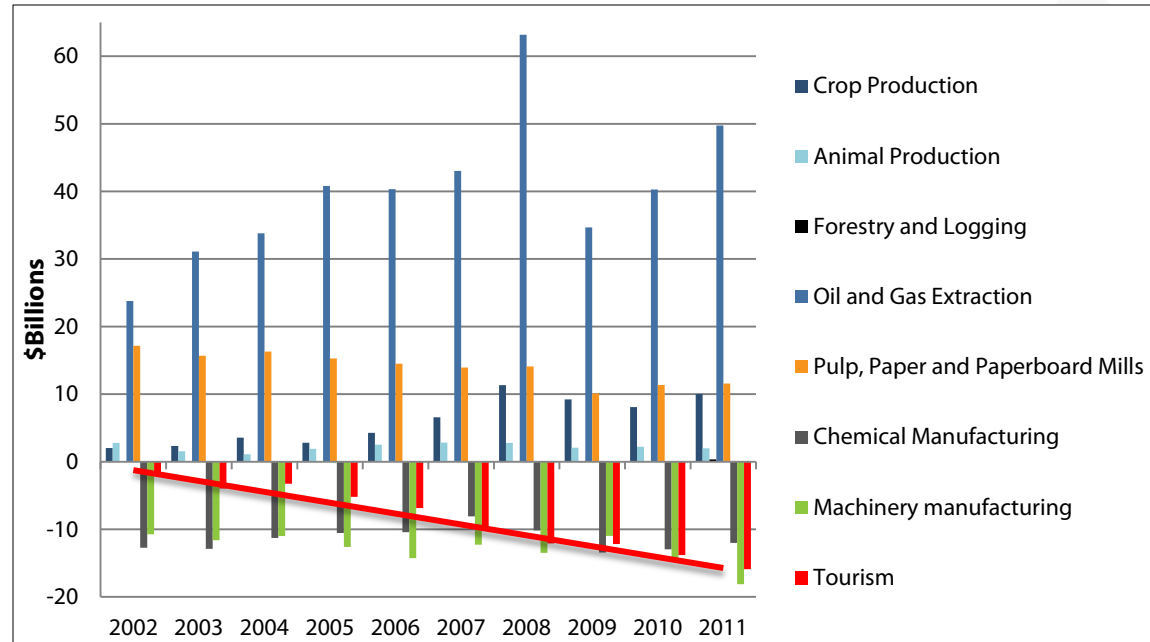
Int'l Visitors are Key to Capitalizing on this Opportunity

- Canadians love to travel abroad, but we are not attracting enough foreign visitors to compensate
- Travel deficit is exploding: Canada's travel deficit, almost \$16 billion at the end of 2011, has increased six-fold in just the past decade.



Travel: An Unnecessary Drag on Canada's Trade Balance

- Despite Canada's potential, tourism is one of the fastest-dropping sectors in the Canadian economy



How is our travel deficit affecting the Canadian economy?

- Canada's international travel balance: -\$15.9B or 1/3 of our total trade deficit

Canada's Trade Balance: -\$48.3 B

All Other Categories
(Includes Goods, Transportation,
Commercial Services, Government
Services, Investments and transfers):

-32.4 Billion
67.1% of overall total



Travel balance:

-\$15.9 Billion
32.9% of overall total

The Year in Review



2012 In Review

- Second full year under our 5-year plan, ***Towards 2017***
- Continued progress on all three key priorities:

1

Build Political Capital

2

Industry Alignment / Unified Voice

3

Fiscal Sustainability

Towards 2017:
A Strategic Blueprint for TIAC

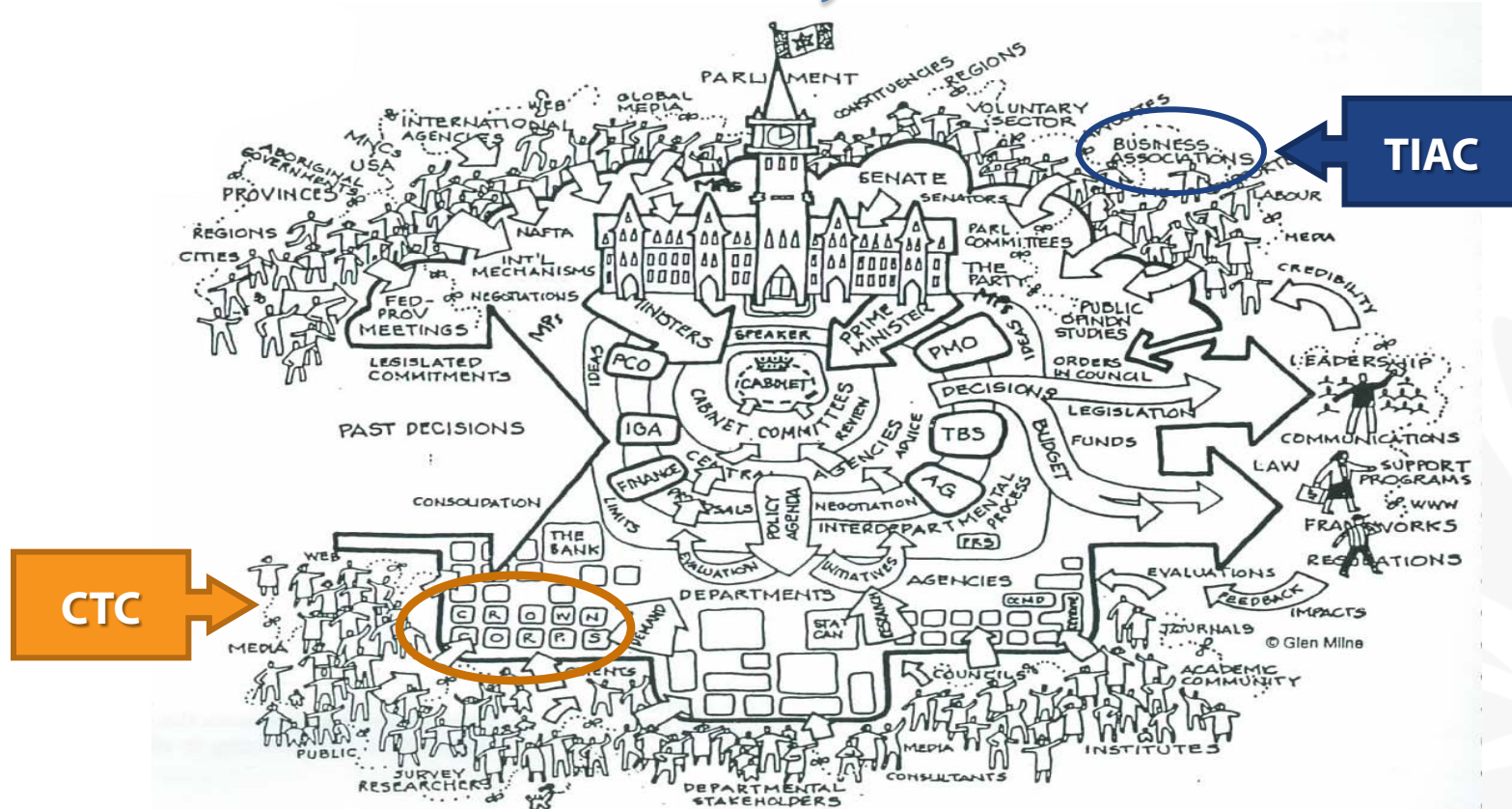
TIAC & AITC
Summer, 2010

TIAC's Key Challenge: Advancing the Policy Agenda



- Under right circumstances, tourism can make a more meaningful contribution to the Canadian economy
- **There is no easy button.** Industry has to make case for change *compelling* in an environment where interest groups are clamouring for attention

The Public Policy Environment



FTS: Two Steps Forward, One Step Back

- Many positives since the launch of the FTS:
 - ✓ Air access agreement with Brazil
 - ✓ 10 year multi-entry visas
 - ✓ FTS Roundtable meetings in Ottawa
 - ✓ Parks Canada support for Glacier Discovery Walk in Jasper
 - ✓ Reasonable admissibility policy
 - ✓ Commitment to expand global network of VACs to 150 by 2014
- But – Tourism took a hit across the board through D.R.A.P.

Policy & Research

- Analysis of key StatsCan indicators and global data
- New primary research from Nanos
- Deloitte Navigate series
- Involvement in the TTRA Research Community
- Success of Aviation and Visa Whitepapers led to new special report



Grassroots Engagement

- Grassroots advocacy campaign
- TIAC e-communications now reaching almost 10,000 subscribers
- New website (traffic up by 60%-70% in key metrics)
- Leveraging advocacy into key industry events (Rendez-vous Canada, Tourism Congress)



Launch of Tourism Town Halls

- Partnership with the CTC, with support from IHG and WestJet
- First held in Kelowna on Nov. 2nd with plans to visit centres across the country

the tourism town hall series

The Tourism Industry Association of Canada and the Canadian Tourism Commission cordially invite you to take part in a very special Tourism Town Hall session near you.

This interactive session will provide you with unparalleled insight on how TIAC and the CTC are working to grow the visitor economy. This open forum will also provide a unique opportunity to share your ideas on how we can make Canada's tourism industry more competitive.

Hosted by:

Presenting Partners:

featured speakers

David Goldstein
President and Chief Executive Officer,
Tourism Industry Association of Canada

Greg Klassen
Senior Vice-President,
Marketing Strategy and Communications
Canadian Tourism Commission

the format

Tourism and hospitality business operators, tourism marketers, travel industry employees, government stakeholders, and local media are all welcome and encouraged to participate in this open dialogue.

Bring forward your ideas, questions and concerns in this unprecedented meeting series. The town hall format ensures your voice and your concerns are heard.

register today

For more information on the Tourism Town Hall Series, including a list of dates and times near you, please visit www.tiac.travel and click on "Events".

Registration is complimentary and all are welcome to attend this very special event. Register at www.tiac.travel (click on "Events").

Topics:

- Domestic policy challenges
- International travel trends
- Export readiness
- National marketing strategy

Government Relations/Advocacy



- TIAC Top 50 Strategy
 - More than 60 meetings with cabinet ministers, MPs and senior civil servants
 - Regular dialogue PMO and key ministers' offices
- Federal Tourism Strategy Roundtable meetings
- CIC Deputy Minister's Advisory Committee
- CBSA Advisory Group, etc.
- Key committees, incl. Finance, Transport, Communications, Citizenship and Immigration, etc.
- Formalization of Parliamentary Tourism Caucus

Government Relations/Advocacy

- Senate Transport Committee Report
- Title ***The Future of Canadian Air Travel: Toll Booth or Spark Plug?*** was a nod to TIAC and its written submission



TIAC Emissary Program

- Coach “tourism champions” in a lobbying 101 public relations boot camp
- Create local ambassadors for the sector in communities across Canada



Earned Media: Broadcast

- Concerted focus on business talk radio, local morning television and national evening news
- “Consumerization of the message” to build broader political sensitivity



Earned Media: Print

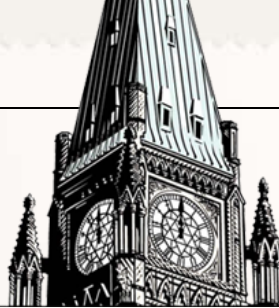


- Continue moving message out of the travel section, into the business & news sections
- Earned media strategy paying dividends:
 - TIAC reached 6.4 million readers in 71 pieces of earned media, with a total ad value of \$756,287.



Monday, July 9, 2012

OTTAWA CITIZEN



Its Time to Revisit Decision to

Scale Back

Mark Sutcliffe
Ottawa Citizen

Just over a decade ago, Ottawa was among the top 10 destinations in the world. Last year, it had fallen to 15th. And since its investment in tourism marketing, many as the lifeblood of the industry, is being cut, there's not much chance of improvement in the

"We're going in the wrong direction," says David Goldstein,

But by last year, arrivals from tourists to Canada had fallen to

16 million, a drop of 20 per cent. Every

"...tourism officials are perplexed. Why is tourism, which brings business to Canada, getting slashed more than other expenditures?"

that while other countries see tourism as a huge opportunity and increasing their investment," Goldstein says.

"In the U.S., for the first time since the Reagan administration, they're really



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CANADA'S ARRIVAL CHALLENGES GO BEYOND AIRPORT RENTS

Canada's airports, airlines and tourism industry are right: They need more travellers, from Canadians within Canada, and from foreigners to Canada.

Eliminating ground rents by airports to government, as a Senate report recommended this week, is a correct

recommendation as far as it goes, except that the challenge of generating more business goes much, much deeper.

The ground rents are a throwback to an era when Transport Canada ran all the country's airports. It no longer does – the government still owns the largest airports, but

leases them to local authorities. The government gives these large airports no service, yet charges ground rents calculated on gross revenues; for the 11 largest, these rents totalled \$268-million in 2009.

CALGARY SINCE 1883 HERALD



November 16, 2012

herald.com

W The federal government should be listening to Goldstein's group and making public policy decisions that help, not hamper, Canada's \$78.8-billion tourism industry.

It isn't just Canada's sticker shock with the number of fees and airline tickets. The Industry Association cites aviation tax as a major impediment to greater numbers of foreign visitors.

that have helped Canada drop from seventh in the world in 2002 to 18th in 2011 when it comes to the number of

Saudi Arabia, Ukraine and Mexico. Today, about 20 per cent of tourism receipts are generated by foreign visitors, down from 35 per cent a decade ago. The

believe that in getting back into the top 10 list, that would mean an extra \$5.5 billion to the Canadian economy," association president David Goldstein said.

nadians

TIMES COLONIST

October 4, 2012

www.timescolonist.com

TOURISM GROUP URGES OTTAWA TO BOOST FUNDING

Andrew A. Duffy
Times Colonist

Canada has a golden opportunity to increase tourism spending and draw more visitors, but there are key problems holding the country back, according to the head of the Tourism Industry Association of Canada.

TIAC chief executive David Goldstein said improving airline access to Canada and ramping up the national marketing effort has to be top of mind.

"They are significant barriers," said Goldstein, who was on the West Coast to take part in the

Western Canadian Hotel and Resort Investment Conference in Vancouver.

"The international travel base is growing and will continue to grow exponentially," he said with a nod to expanding middle classes in emerging markets like China,

Brazil, India and Russia. "There's a huge opportunity. We are blessed with the basics, now it's a matter of focusing the minds of public policy makers in Ottawa."

He said time is of the essence as there is still some "gas in the tank" from the Olympics in 2010 and the Canadian brand remains strong.

"The decisions that take place in the next 12 to 14 months could shape travel patterns to Canada for the next 12 to 14 years," he said

The Edmonton Journal

ESTABLISHED 1903



"Once the federal cuts begin to take hold [...] Australia will be spending almost three-to-one what Canada will be spending on international marketing for tourists," Goldstein said.

double

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Canadian
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that promotes

"It's really unfortunate that at the most important time, when the big giant in the

Edmonton-region travel operators.

"My personal opinion is they need to rethink that budget cut."

travel in Canada is expected to decrease to \$58 million in 2013-2014 from \$72 million in 2011. The commission's budget was about \$100 million just a few years ago.

What's Holding Canada Back?

Structural Challenges are Impeding our Success

- Public policy challenges in three key areas (M.A.P.) are inhibiting growth in the sector:



Marketing

Access

Product

What's Holding Canada Back? The Experts' Take...

Canadian Business Magazine, August 2012

- **#11. Insufficient Tourism Marketing**

"...while other nations are aggressively promoting themselves, Ottawa chose to slash the tourism commission's budget ..."

- **# 13. Pricey Plane Seats**

"Time for Ottawa to stop viewing airlines as revenue sources and see them as tools for economic growth."



What's Holding Canada Back? The Experts' Take...



"But no single factor can be identified as the overwhelming cause for this gap [between Canadian and U.S. airfares].

Rather, a large number of relatively small factors all contribute to the gap, with the result being a loss in passengers for Canadian airports, along with their business revenues and related government tax receipts."

Key Competitive Challenge: Marketing Investment

2011 Global Tourism Marketing Budgets			
Country	Budget	Budget Growth	Growth in arrivals from key markets 2011/96
Ireland	\$211M	↑	14%
Mexico	\$153M	↑	4%
Australia	\$147M	↑	30%
Malaysia	\$128M	↑	257%
S. Africa	\$118M	↑	7.30%
France	\$112M	↑	13%
Korea	\$94M	↑	158%
NZ	\$89M	↑	83%
Brazil	\$84M	↑	100%
Switzerland	\$80M	↑	23%
CANADA	\$72M	↓	-10%

- All of Canada's major competitors are making greater investments in tourism marketing.
- However, by cutting the CTC's budget Canada is moving in the opposite direction.



*Slated to decrease to \$58M
in 2013-2014*

Competitive and Sustainable Funding: Sources

- Two main options being discussed:
 1. Visitor levy
 2. Foreign GST Index
- BC Premier Christy Clark recently unveiled **Destination BC**, a new industry-led, success-based Crown corporation

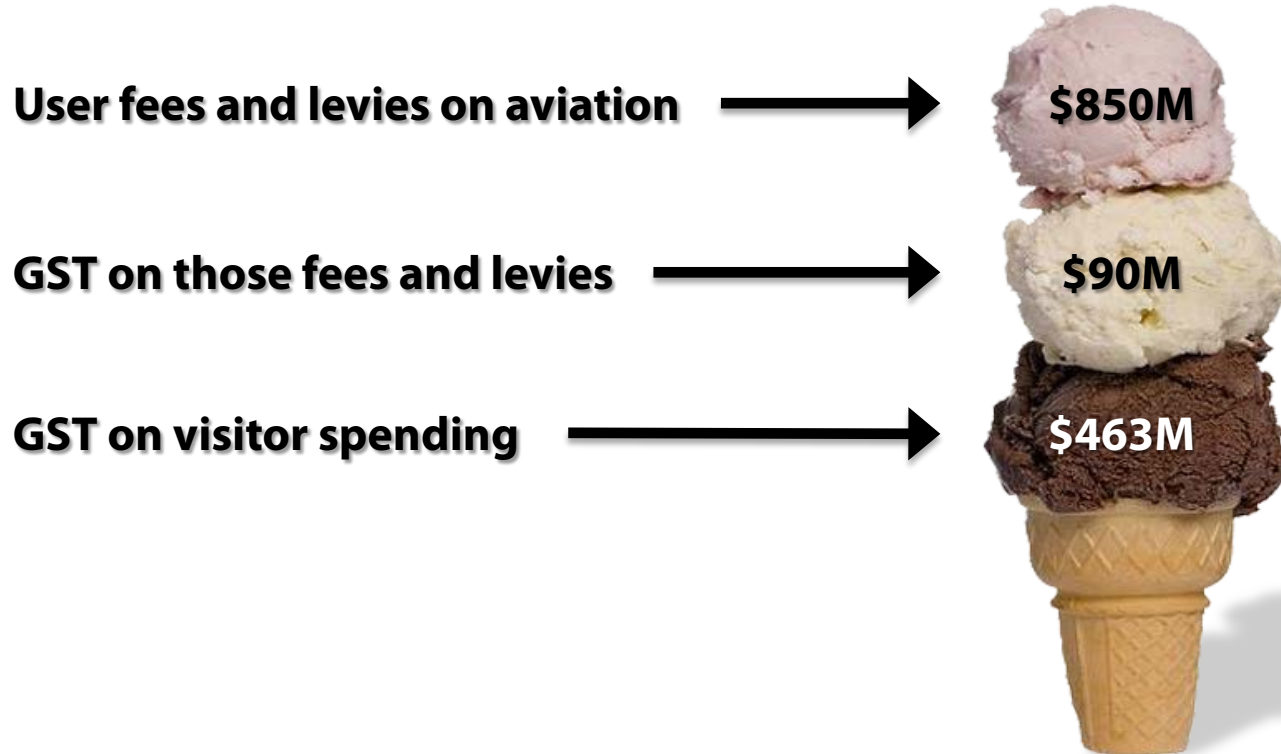


Key Competitive Challenge: Taxes, Fees & Levies



- Tourism disproportionately hit with taxes and fees:
 - Only export sector not “zero-rated” for GST.
 - Only G8 country without value-added tax (VAT) rebate
 - Costly aviation cost structure ranked 105th in the world.

The Triple Dip of Taxes and Fees



A woman with curly brown hair, wearing an orange sleeveless top, is seen from the side, driving a car. She is holding the steering wheel with both hands. The car's interior is visible, including the dashboard and center console. Outside the car, a bright yellow tent is set up on a grassy area. In the background, there is a calm lake under a blue sky with some clouds. The overall scene suggests a peaceful outdoor vacation.

Prospects for the Canadian Tourism Industry

Prospects for Canada's Tourism Industry

- Strong domestic sector, pacing better than the Canadian economy
- Competitiveness thwarted by a series of historical decisions
- Industry has incredible potential and structural impediments are not insurmountable

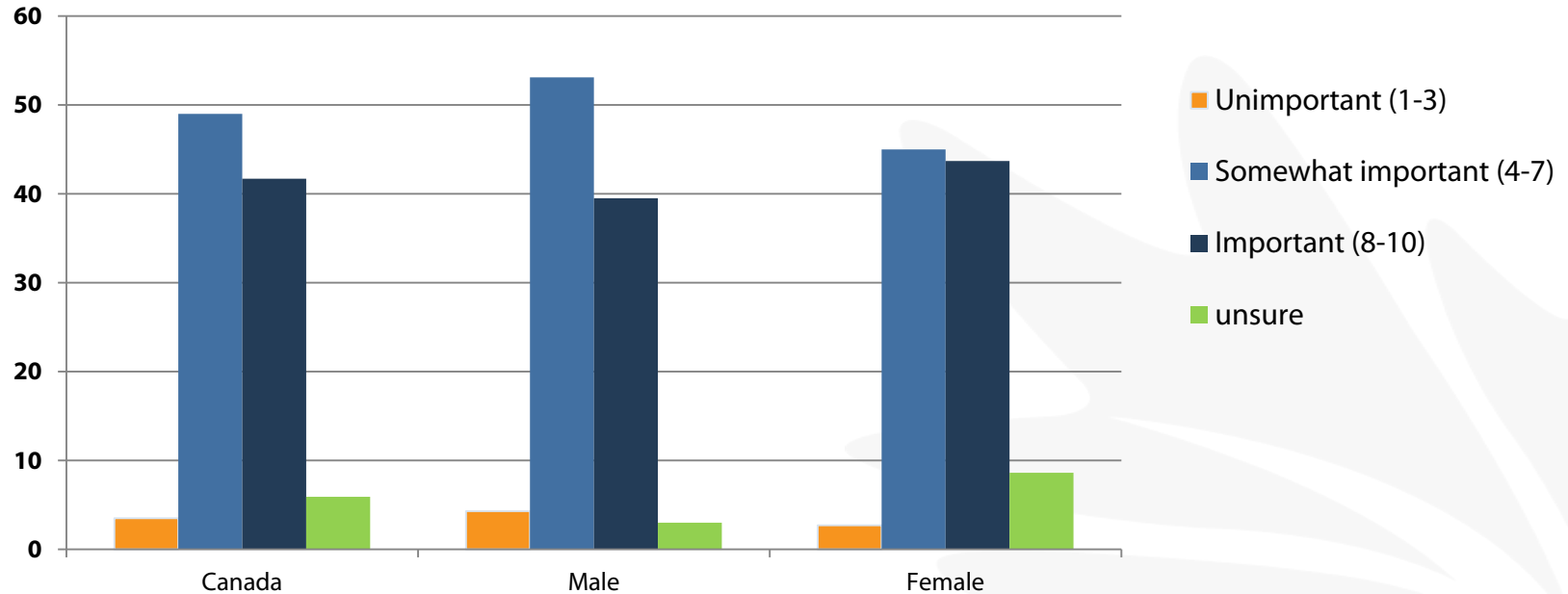


Canadians Agree With Us

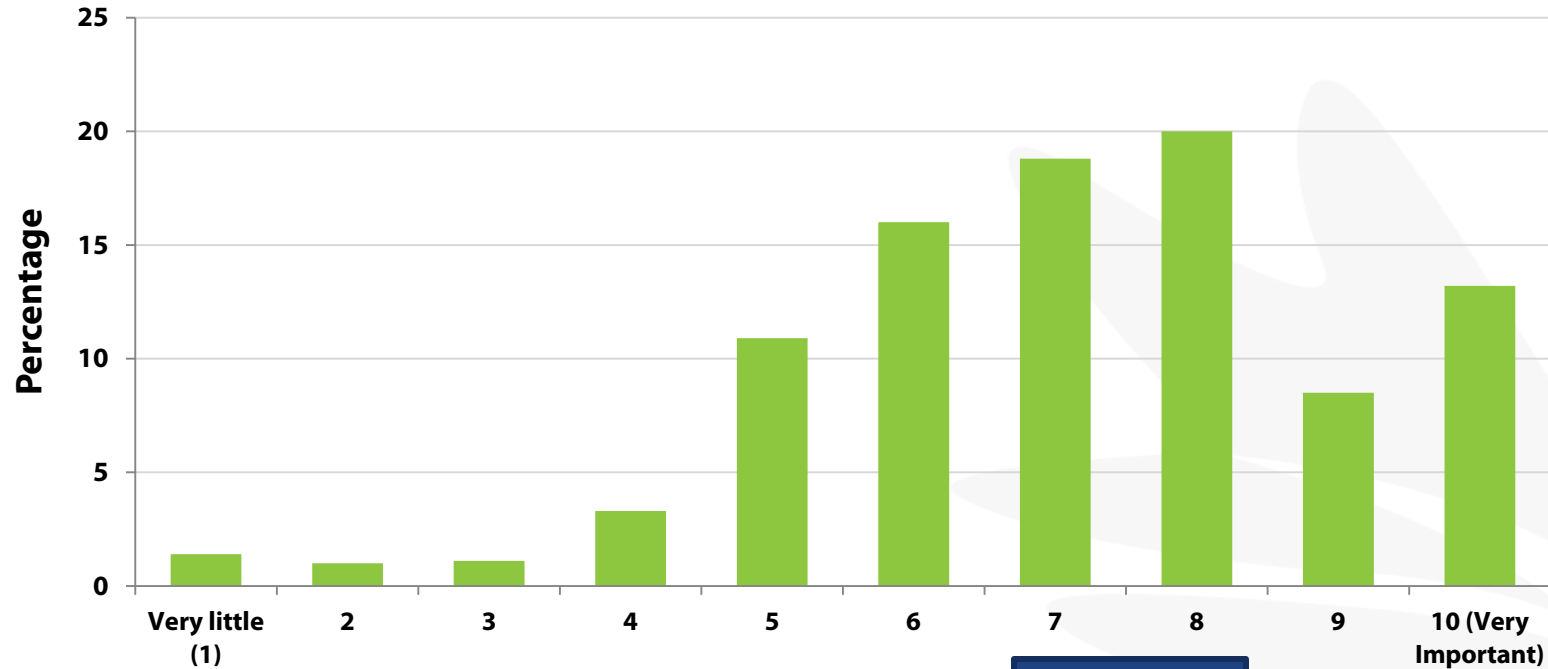
- Canadians agree that travel and tourism is important to the Canadian economy



On a scale of 1 to 10, how would you rate the tourism industry in terms of its contribution to Canada's economy?

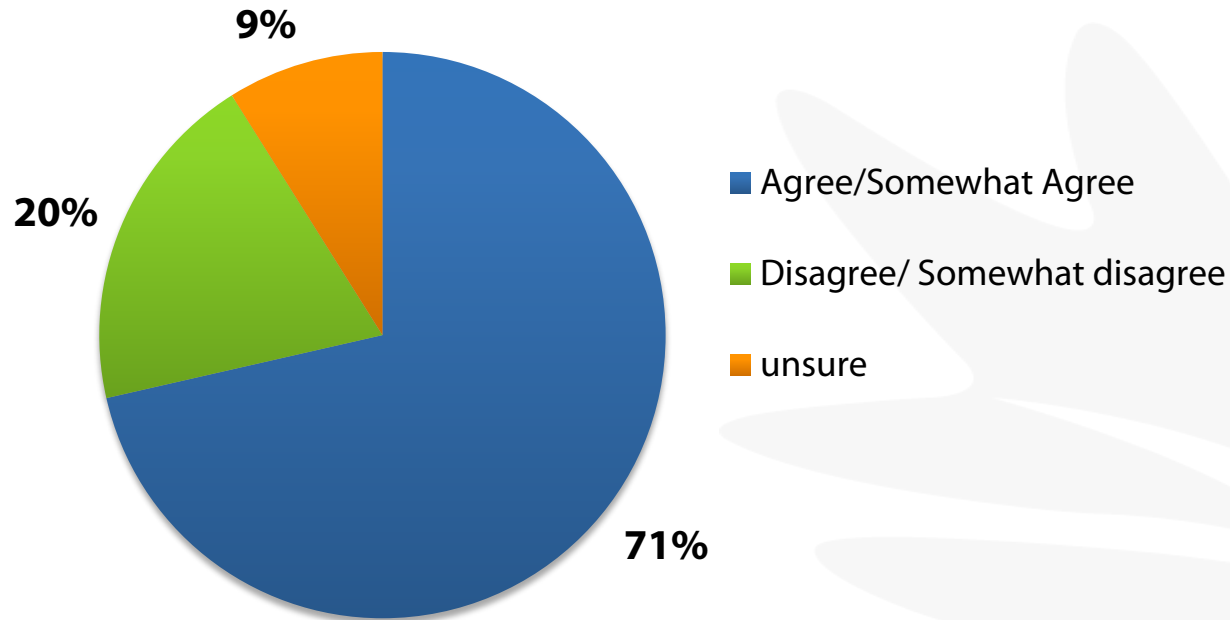


How much does Tourism contribute to the Canadian economy on a scale from 1-10?

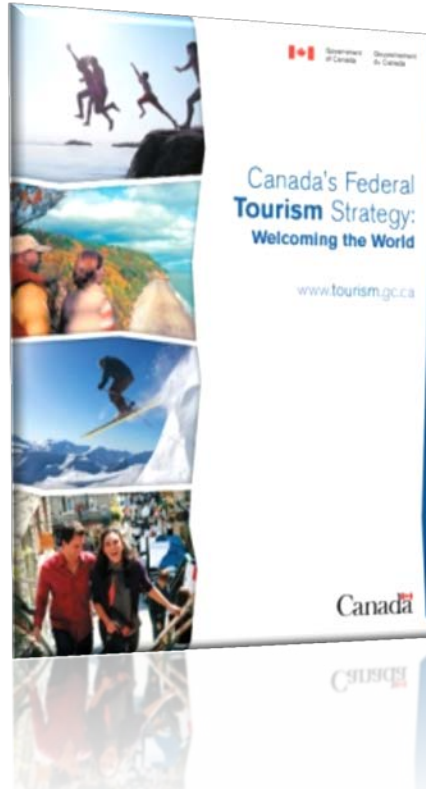


Avg.: 7.2

71% of Canadians agree that the Government should help fund an international marketing strategy to attract more visitors to Canada:



Federal Tourism Strategy: Next Steps



- We've managed to deal with some of the “low-hanging fruit” initiatives.
- For FTS to provide for real and sustainable economic growth, we need to address the key structural issues of marketing and market access

How Can I Help?



- Get involved at local, provincial or national level
- Engage your local politicians and opinion-leaders and media
- Alignment: Help TIAC speak with a unified voice and cohesive message