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Tourism Industry Association of Canada · Association de l'industrie touristique du Canada

Travel Industry Priorities 2017-2018

Pre-budget Submission

November 2016

Travel Industry Priorities 2017-2018

The Tourism Industry Association of Canada (TIAC) is the only business association in Canada representing the full breadth of the travel and tourism industry, including the four main pillars of transportation, accommodations, destinations and attractions. TIAC works collaboratively with Destination Canada (DC), Canada's national tourism marketing organization to advance Canada's competitiveness as an international destination for business, study and leisure travel.

Travel is a $90.3 billion sector, comprising nearly 2% of Canada's GDP, larger than Agriculture, Forestry, Fishing and Hunting combined. With annual revenues of $17.2 billion, travel is Canada's largest export service sector, contributing an estimated **$9.6 billion** a year to federal coffers.

Travel and tourism is a dynamic, sustainable and vastly diverse industry, comprised of innovative businesses in every region of the country. It employs over 1.7 million Canadians, with 1 in 11 Canadian jobs directly involved with travellers and with over half its workforce under the age of 35, travel is the largest employer of Canadian youth.

Following a decade of significant decline, Canada's growth rate in attracting international visitors began to improve in 2014 which continued in 2015 registering year over year growth of 8.4%. To date 2016 has been a banner year with growth through August at 10.5% and experiencing the best summer numbers to date, welcoming 8.5 million visitors from June to August.

Not Your Mother's Tourism Industry

TIAC invites you to put aside outdated perceptions and stereotypes of tourism. Don't think of the industry through the lens of old Polaroids, souvenirs and post cards, but rather focus on state-of-the-art convention centres, modern airports, innovative hotels, sumptuous restaurants, vibrant cultural festivals, pristine landscapes, and intriguing communities. Modern travel and tourism is about improving the quality of life for Canadians and inviting the world to come share our experiences.

Canada's travel industry is comprised of innovative leaders in the new economy, positioning Canada as a leader in sustainability, cultural, social and economic entrepreneurship.

Tourism marketing tells the story of a place, its people and their values. It connects with people and compels them to participate in what they see. Whether it's the exhilaration of hiking in the Rockies; dining in elegant city restaurants; the majesty of an up-close encounter with a whale; or the freedom of experiencing one of Canada's cultural festivals or Pride events, the message is clear-Canada's is a modern, progressive nation where everyone is welcome, diversity is celebrated and freedom is protected.

Tourism marketing sells more than room nights. It promotes trade, drives business travel, investment and immigration. It highlights Canada's ingenuity, natural environment, safe metropolitan cities, cultural diversity and opportunity. Investments in tourism marketing help to tell Canada's story and ultimately define Canada's place in the world.

The opportunity

The travel industry is a fiercely competitive global sector where effective advertising, quality of experience, ease of access and price point dictate competitiveness. Canada is a compelling destination with unsurpassed geographic beauty, quality infrastructure and is currently benefitting from favourable currency exchange rates that serve to lower the price of entry.

The travel industry is experiencing a period of strong performance; however, Canada has not yet reached its growth potential, nor is the current growth level sustainable without government action to address the fundamental issues impacting Canada's competitiveness. TIAC has categorized these factors into Marketing, Access and Product/People which form the map to success in sustainable growth for Canada's travel industry.

Canada's increased travel performance is due in great part to the economic recovery in the United States and the increase in outbound travel by Americans. While American travel to Canada increased in 2015 and 2016, Canada's market share of US travellers has declined. In 2012 Canada welcomed **19.6%** of the **60 million** Americans travelling internationally. In 2015 Canada's take of the **75 million** outbound Americans dropped to **16.8%.**

Destination Canada has established a stretch goal for Canada to **attract 22 million international visitors**, **generating $22 billion dollars in export revenue by 2022**. TIAC is fully supportive of this initiative and is working with Destination Canada to align industry partners including provincial, territorial and destination marketing organizations, large corporations and exporting Canadian SMEs to engage in this exciting strategy. The most important partner required to achieve this goal is the federal government.

TIAC eagerly anticipates the Government of Canada's **New Vision for Tourism** and hopes that this new federal industrial strategy will address cost competitiveness as a destination, travel access to Canada, labour supply, access to capital and product investment.

TIAC continues to be actively engaged in several government consultations pertaining to the Canada Transportation Act Review, the Temporary Foreign Worker Program Review, immigration reform and issues pertaining to border access. While TIAC continues to engage these fora to address industry priorities, a listing of key recommendations is included in this document to provide a holistic perspective on the issues impacting Canada's competitiveness.

As a result, this Pre-Budget submission seeks to establish adequate and predictable annual funding for national tourism brand marketing to be administered through Destination Canada, and other policy changes that will bolster Canada's ability to remain a competitive travel destination.

Marketing

TIAC applauds the supplemental investments made in Destination Canada marketing funding in Federal Budgets 2015 and 2016 which raised the overall marketing budget from $58 million to $99.5 million annually through 2017. These investments, while crucial, created very challenging timelines for industry to adequately co-invest with Destination Canada (DC).

Industry decisions on marketing investments are made up to 18 months in advance, based on research, consultations and co-investments with local partners. Because of this, it can be very difficult to participate in DC initiatives arriving out of federal budget project funding requiring immediate turn around.

Regardless of the funding-level, TIAC recommends that Destination Canada budget allocations be announced in 5 year commitments thereby providing the certainty and predictability required for industry to maximize its participation DC initiatives.

Destination Canada has undertaken a strategic review to deliver wide ranging value for Canada – the creation of jobs, economic opportunity for entrepreneurs, and tax revenues to fund public sector priorities. The NorthStar 2022 initiative has a goal for Canada to out-perform most of its rivals in the OECD with an average annual growth rate of 5.2% requiring an annual federal investment of $120-$140 million, co-invested with industry in order to attract 22 million international visitors, generating $22 billion in export revenue by or before 2022.

According to Destination Canada research an additional annual investment of $25-$45 million in DC's marketing budget would generate an increase of 300,000 visitors spending $400 million annually. These revenues will go a long way in assisting the Government's agenda to improve the quality of life for all Canadians.

TIAC recommends that the Government of Canada announce a 5 year budgetary commitment of $120-$140 million in annual national tourism marketing funding to be administered by Destination Canada.

Canada's Competitiveness

While effective marketing is vital to generating tourism demand, ease of access and price are crucial to converting interest to sales. **The high cost of air travel to and within in Canada is one of the largest factors undermining Canada's competitiveness as an international travel destination.**

According to the Kiwi.com Aviation Price index of **75** countries, based on the cost of travel per 100kms, Canada placed **last** as the most expensive country for international flights. When domestic flights are factored in Canada places **70th** while our competitors the United States placed 17th, Germany 16th, France 28th, the United Kingdom 32nd and China 11th.

Canada is one of the only countries in the world employing a "user-pay" system to fully fund the security and operational costs of its aviation sector. The government of Canada not only recoups these costs, but also generates significant revenues from the fees, taxes and levies added to the base fares charged by airlines.

The **World Economic Forum Travel and Tourism Competitiveness Report** publishes an annual list ranking the competitiveness of 141 country destinations based on a series of social and economic policy categories and operational realities. In 2015, Canada placed **10/141** in total competitiveness, much of this value is attributed to Canada's quality of life as a G-7 nation. A closer examination of the categories reveals a clear distinction between the performance of industry and government in enhancing Canada's competitiveness.

While Canada ranks number **1/141** in quality of airport infrastructure, financed primarily through user fees. The cumulative impact of the fees taxes and levies drops Canada to **130/141** in cost competitiveness, pricing Canada out of the reach of many potential visitors. Despite Canada performing well in terms of safety and security **(21/141),** the complexity of our visa application process ranks very low **(118/141).** Further illustrating the low ranking, the Government of Canada scores **(56/141)** in terms of prioritization of the travel and tourism industry.

TIAC looks for the New Tourism Vision to bring a priority focus to the travel and tourism industry. The pan-government initiative should incorporate the findings of existing consultation initiatives such as the Canada Transportation Act Review, the review of the Temporary Foreign Worker Program, and changes to Immigration policies surrounding the Electronic Travel Authorization (eTA) and visa application process. It should also consider unfair taxation policies that have seriously impacted Canada's smallest campgrounds.

The following is a re-iteration of TIAC's positions and recommendations on these priority issues. While these recommendations do not contain direct spending requests, they must be considered in the broader policy discussions over the diversification of Canada's economy.

Aviation Cost Structure

TIAC has long advocated for a federal review of the impact of fees, taxes and levies imposed on air travel to and within Canada. Government revenues generated through the Canada's "user-pay" model can be offset and surpassed through increased volumes of international visitors by creating more-competitively priced access to Canada from priority markets across the globe.

TIAC believes that reducing the cost burden borne by the air transportation industry would improve its overall competitiveness, entice new entrants to the Canadian market, and allow existing air carriers to re-invest any potential savings into training, fleet renewals, and the development of new routes and markets for travellers.

TIAC is a member of the National Round Table on Travel and Tourism (NRTT), which includes the Canadian Airports Council, the Hotel Association of Canada, the International Air Transport Association and the National Airlines Council of Canada. The NRTT produced a joint submission for the Canadian Transportation Act Review panel emphasizing the economic and social importance of air travel in a country of Canada's size. TIAC is calling on the Government of Canada to enact the following recommendations which were endorsed in Canada Transportation Act Review Panel's report:

- **That the government better understand how the aviation industry works in tandem with destination marketing, traveller documentation rules and product investment as an integral part of supporting Canada's wider services and trade-based economy.**
- **That the government consider the nation-wide role of aviation as an economic enabler and re-evaluate the roles and responsibilities of travellers, the public, government and industry.**
    - **Reconsider the structure and, more broadly, the existence of airport rent. NRTT recommends immediate incremental reduction in airport rents through a restructuring of the rent formula including omitting non-aeronautical revenue from formula with the ultimate goal to eliminate rents completely.**
    - **Re-evaluate the value received in exchange for user fees. For example, the increased revenue collected via the ATSC do not align with budget reductions for CATSA that have created lower service standard levels for increasing passengers. Users should receive value for the money they spend that is designed to support services.**
- **That the government explore how Canada can better take advantage of its geographic position between Asia/Europe and the Americas to capture a greater share of growing traffic between these regions.**
    - **Simplification of the visa process and expansion of Transit Without Visa are fundamental to being more globally competitive in these areas.**

Immigration and Visa Reform

Over the course of the past four years TIAC has been successful in ensuring that the travel and tourism industry has a voice in developing a modern and efficient traveler documentation process while maintaining necessary security precautions.

TIAC is pleased to see continued incremental improvement to Canada's visa processing system. In particular, the CAN+ program which expedites the application process for legitimate travelers from priority markets, granting visa-waiver status for Mexico and the expansion of Visa Application Centers to additional Chinese cities have been positive steps forward.

However, Canada continues to lag behind its competitors in terms of requirements, processing times and reciprocity programs. The complexity of entering Canada was compounded by the imposition of the Electronic Travel Authorization (eTA) requirement on travelers from visa-waiver countries (excluding US citizens) who were previously able to access Canada with only a passport. The travel and tourism industry is also bracing for the mandatory biometric requirements for all visa applicants commencing in 2018.

TIAC recognizes that physical security is a national priority and is essential to Canada's economic and human sovereignty. Over the past decade governments have invested billions of dollars in security infrastructure, monitoring and information sharing networks. TIAC believes that such investments must deliver efficiency in processing the movement of legitimate travelers across our borders. In 2018, Canada will require the collection of biometric data from each visa applicant, and TIAC will continue to pressure the federal government to achieve the requisite policy and regulatory efficiency to position Canada competitively as a world leader in international visitation despite these new requirements. There are several ways that TIAC believes processing could be expedited and simplified:

- **Invest in more Visa Application Centres (VACs) in key markets that are necessary for all levels of visa processing including work and temporary resident visas**
- **Make visa applications and assistance available in more languages**
- **With the movement towards mandatory biometric information collection during the visa application process, it is essential to investigate and invest in new technologies that will expedite this process**
- **In addition to new biometric technologies, the government should aim to take advantage of the new eTA process and move more low-risk countries to the eTA rather than visa process to avoid inevitable issues in biometric data collection for applicants without easy access to VACs**
- **Ensure that Service Canada representatives are informed and aware of the rules and requirements of various TFW streams.**

Labour shortage

The Tourism Industry Association of Canada (TIAC) believes that as a part of a robust immigration strategy, the government of Canada should consider industries facing imminent labour shortages when assessing who and how many newcomers are accepted into Canada.

Lower birth rates and an aging population mean that while baby boomers are retiring and travelling more, there are fewer workers available to serve them. Tourism is already the top employer of youth in Canada, but as the travel industry becomes less seasonal, (an encouraging sign of industry growth) businesses are unable to rely simply on students and younger Canadians to fulfill labour needs. And while entry-level positions continue to be difficult to fill in some regions, skilled positions are also facing a challenge such as pilots, ski instructors, or tour guides. According to research conducted by the Tourism HR Canada, it is estimated that, by **2030**, tourism labour shortages could surpass **250,000 jobs**, costing the sector **$31.4 billion** in foregone revenues and over **$4 billion in taxes**.

Because of these factors, TIAC believes that at least **250,000** workers in the low-skilled category should be eligible to come to Canada between **2017 and 2030**. We believe that a path to citizenship through the Temporary Foreign Worker Program (TFWP) is the best method to recruit and retain these immigrants.

In the absence of available Canadian workers, many tourism employers report having to rely on Temporary Foreign Workers (TFWs). However, low-skilled temporary foreign workers –even if they have access to a permanent job and have a clean record during their previous stays in Canada – are not eligible for the economic immigration streams in Canada. The Canadian Experience Class and the Federal Skilled Worker Program do not allow low-skilled applicants. Modeling by the Conference Board of Canada suggests that accelerating the pace at which new immigrants enter the tourism workforce, and increasing the attractiveness of entry-level occupations by just 1% per year each over the coming decade could alleviate up to 85% of the projected labour gap.

One priority that should be made is recruiting immigrants willing to live in non-urban areas. Many of Canada's most popular destinations are remote, resort communities that showcase Canada's natural beauty and breathtaking landscapes. While these places are iconically Canadian, they are not places many will relocate to for work, thus adding to labour shortage issues in high traffic tourist areas.

TIAC's 2015 study of the labour shortages in the Banff and Lake Louise resort communities showed how desperate labour needs are in peak season. In July, respondents to our study reported a shortage of over 400 workers, and that over 9000 hours of overtime were paid out to make labour ends meet. This is leading to employee burnout, turnover, and businesses being unable to work at full capacity. Ensuring that we are not further saturating urban job markets, and are at least able to find immigrants willing to live and work in more remote areas, could help ease these significant labour gaps. This could be accomplished by offering an expedited permanent residency process (under 1 year) for those who complete work terms in rural areas.

In September 2016, The House of Commons Standing Committee on Human Resources and Persons with Disabilities (HUMA) released a report on its review of the TFWP. **TIAC is calling on the Government of Canada to implement the following HUMA recommendations in a timely fashion to help alleviate the acute labour shortage experienced by many Canadian travel and tourism employers across Canada:**

- **ESDC review the LMIA by considering NOC codes**
- **ESDC create a "Trusted Employer Program" for businesses who have proven trusting employers through the program**
- **ESDC keep cap at 20% of workforce, BUT review based on sector and geographic considerations**
- **ESDC review how market data is collected and review geographic zones currently used**
- **Multiple entry work visas be allowed for seasonal workers so they can continue to leave and return to Canada on extended visas despite off-seasons**
- **IRCC review pathways to permanent residency for TFWs and allocate resources to the timely processing of permanent residency applications by foreign workers**
- **IRCC work with provinces and territories to share information related to the Provincial Nominee Program (PNPs)**
- **Allow term-contracts to have the same number of "points" allocated toward residency as permanent contracts**
- **Move enforcement measures from reactionary (based on complaints) to a proactive model**
- **ESDC restructure the TFWP into more specific program areas**
- **ESDC invest more in training and educational resources in fields likely to face labour shortages**
- **ESDC work with industry and businesses to continually monitor current and future employment needs**

Tax Fairness for Campgrounds

Canada Revenue Agency (CRA) rules unfairly increased the tax burden on Canadian campgrounds by grouping them in the same category as apartment buildings, mobile home parks and other full time residential complexes. Under the current CRA rules, campgrounds are classified as a "specified investment business" and as a result are not eligible for the small business tax deduction.

TIAC echoes the Canadian Camping and RV Council (CCRVC) position that Campgrounds be re-classified as an active business. Campgrounds are recreational facilities that offer the travelling and vacationing public access to campsites on a defined and seasonal basis. Unlike mobile home parks or other permanent residence properties, campgrounds do not offer space for the purpose of principal/permanent occupancy. In addition, campgrounds offer a range of recreational and retail services that are critical to maintaining their business operations that are not offered by residential complexes.

TIAC recommends that the federal government review the inaccuracy in the Income Tax Act and change the classification of campgrounds to an "active" business to better reflect the industry's business model and grant campgrounds eligibility for the small business tax rate.

Summary of Recommendations

Marketing

TIAC recommends that the Government of Canada announce a 5 year budgetary commitment of $120-$140 million in annual national tourism marketing funding to be administered by Destination Canada.

Aviation Cost Structure

TIAC and the NRTT recommend that the Government adopt the following recommendations that were endorsed by the CTA Review panel:

- **That the government better understand how the aviation industry works in tandem with destination marketing, traveller documentation rules and product investment as an integral part of supporting Canada's wider services and trade-based economy.**
- **That the government consider the nation-wide role of aviation as an economic enabler and re-evaluate the roles and responsibilities of travellers, the public, government and industry.**
    - **Reconsider the structure and, more broadly, the existence of airport rent. NRTT recommends immediate incremental reduction in airport rents through a restructuring of the rent formula including omitting non-aeronautical revenue from formula with the ultimate goal to eliminate rents completely.**
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Immigration Visa Reform

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