

2013 GATEWAY TO GROWTH DRIVING GLOBAL OPPORTUNITY

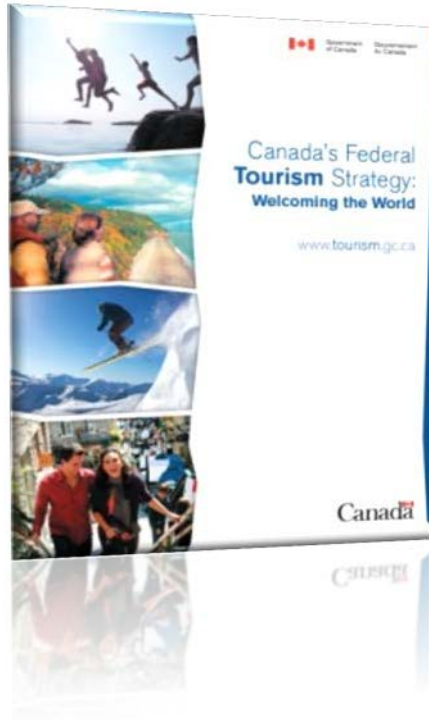
An Unparalleled Economic Opportunity



- Tourism is the world's 4th fastest growing industry
 - **1 billion** international travellers **\$1 trillion** in revenues
 - **4% growth** globally per year
- Tourism's footprint in Canada alone:
 - **\$84.8 B** in economic activity
 - **\$17.3 B** in export revenue (#1 service export sector)
 - **\$9.6 B** in federal government revenue
 - **614,600** jobs

Canada is performing well domestically – but falling behind internationally
continued barrier deductions will improve Canada's competitive advantage

Federal Tourism Strategy – Instrument For Barrier Reduction



Challenge – 15 Federal departments and agencies setting policy impacting our sector.

Several “wins” since the launch of the FTS, including:

- Air access agreement with Brazil & China
- 10 year multi-entry visas
- Beyond the Border recommendations
- Parks Canada support for Glacier Discovery Walk in Jasper
- Reasonable admissibility policy
- Commitment to expand global network of VACs to 150 by 2014

Now need to address key structural barriers to reach our goal – 4% international growth.

TIAC's Focus – Towards 2017

TIAC is the national advocacy organization representing the full value chain of Canada's \$84.8 billion tourism sector.

- **Challenge: Over-reliance on domestic revenue**
- **Mandate: Foster policy changes to drive incremental international visitation**
- **Goal: International growth in-line with global growth rate of 4% by 2017**

Many competitive elements beyond our control – but public policy can create success.

What Would 4% Mean to Canada?

	1.7% Decline ¹	4.0% Growth	7.0% Growth
Change in Arrivals ²	-267,060	638,880	1,118,040
Change in Spending ³	\$-205,102,241	\$490,659,840	\$858,654,720
Change in Room Nights ⁴	-218,504	522,720	914,760
Government Revenues Attributed		\$151,368,561	\$264,894,981

1) Based on the average annual change from 2000 to 2012

2) Decline/Increase from 2012 level.

3) Based on 2012 spend per overnight visitor of \$768.

4) Assumes 45.0% of overnight visitors stay in paid accommodation; an overnight visitor stays (on average) 5 nights; and a hotel room accommodates 2.75 persons.

Source: HLT Advisory Inc.

Capital is “Oxygen” for the Value Chain



Competitive Challenge – Investor Confidence

Investor Confidence or “Access to Capital” unique to Canada:

- Capital is global and portable
- Investors assess different sectors – and different jurisdictions
- Travel & Tourism is an enormous global opportunity
- Investors use a series of criteria to balance investment risk – one criteria is the policy/regulatory environment



Many investors (including Canadians) are bypassing Canada for jurisdictions that present a better growth trajectory.

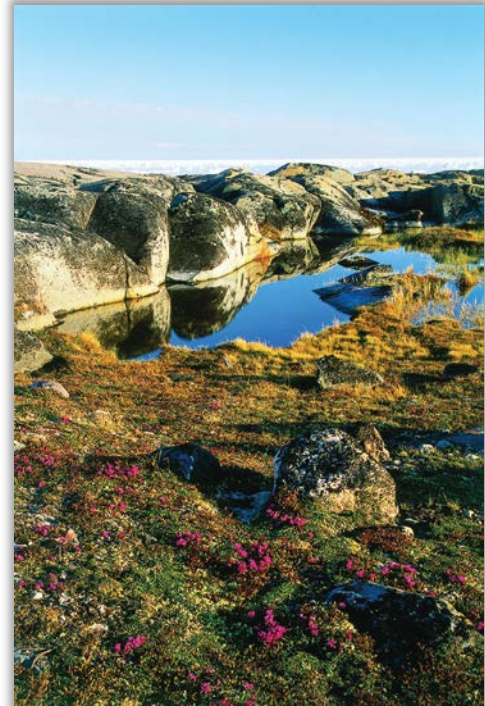
Competitive Challenge - Investor Confidence

Asset values identify health/risky investments by taking a range of factors into account:

- Stabilized returns with low volatility and incremental growth
- Market size and diversity (in this case, domestic and international markets)
- Control over labour cost
- Sustainability of the customer base
- Government intervention (positive and negative) - measured by policies and regulations that encourage the industry to grow

Implications for the tourism sector in Canada:

- Decreased capital investment has wide-reaching effects beyond the industry in question; develop infrastructure, attract talented people, acquire new assets, increase property tax values and attract foreign capital



Competitive Challenge – Investor Confidence

- Positive growth in surface indicators like GDP gloss over troubling trend of decreasing investment in tourism
- The tourism industry components of transport, accommodation and food and beverage have all declined in their financial rankings which are based on profit margins, investments and revenues – important indicators of the health of the sector and its industries
- Investment has eroded due, in large part, to plummeting asset valuation of Canadian investments



Opportunity Lost: The Cost of Inaction

“The hotel sector is a non-strategic sector. We are leaving the hotel sector”

– Daniel Fournier, CEO, Ivanhoe Cambridge. (Caisse de Depot et Placement du Quebec), February 2013

Canadian Public and Private Real Estate Investors Looking for opportunity elsewhere...	
American Hotel Income Properties	<ul style="list-style-type: none">• Canadian Real Estate Investment Trusts investing exclusively in US properties
Pacrim Hospitality Services	<ul style="list-style-type: none">• Nova Scotia private equity owner/operator increasing investing in the US• Within five years is expected to represent nearly \$100 million in hotels in Florida

Policy / Regulatory environment an important part of risk assessment.

International Visitation - A Long Climb Back

International Tourist Arrivals - (Top 20 Countries – in millions)						
Rank	2002		2011		2012	
1	France	77.0	France (2010)	77.1	France	83.0
2	Spain	52.3	U.S.	62.3	U.S. (2011)	62.3
3	U.S.	43.6	China	57.6	China	57.7
4	Italy	39.8	Spain	56.7	Spain	57.7
5	China	36.8	Italy	46.1	Italy	46.4
6	U.K.	24.2	Turkey	29.3	Turkey	35.7
7	Canada	20.1	U.K. (2010)	28.3	Germany	30.4
8	Mexico	19.7	Germany	28.4	U.K.	29.3
9	Austria	18.6	Malaysia	24.7	Russian Fed.	25.7
10	Germany	18.0	Austria	23.0	Malaysia	25.0
11	Hong Kong	16.6	Russian Fed.	22.7	Austria	24.2
12	Hungary	15.9	Mexico	22.7	Hong Kong	23.8
13	Greece	14.2	Hong Kong	22.3	Mexico	23.1
14	Poland	14.0	Ukraine	21.4	Ukraine	23.0
15	Malaysia	13.3	Thailand	19.1	Thailand	22.4
16	Turkey	12.8	Saudi Arabia	17.3	Canada	16.3
17	Portugal	11.6	Greece	16.4	Greece	15.5
18	Thailand	10.9	Canada	16.0	Poland	14.8
19	Ukraine	10.5	Poland	13.4	Saudi Arabia	13.7
20	Netherlands	9.6	Macau	12.9	Macao (China)	13.6



- In 2012, Canada improved to 16th in international arrivals (from 18th)
- Despite this modest improvement, we're still short of 2002 levels by about 3.8 million visitors

Competitiveness Challenges : Policy Measures



MARKETING

A competitively funded marketing effort that drives alignment and can balance key and emerging markets – including US.

ACCESS

A modern aviation and visitor facilitation structure enabling the “mobility economy”.

PRODUCT & PEOPLE

Addressing infrastructure, programming and labour market issues.

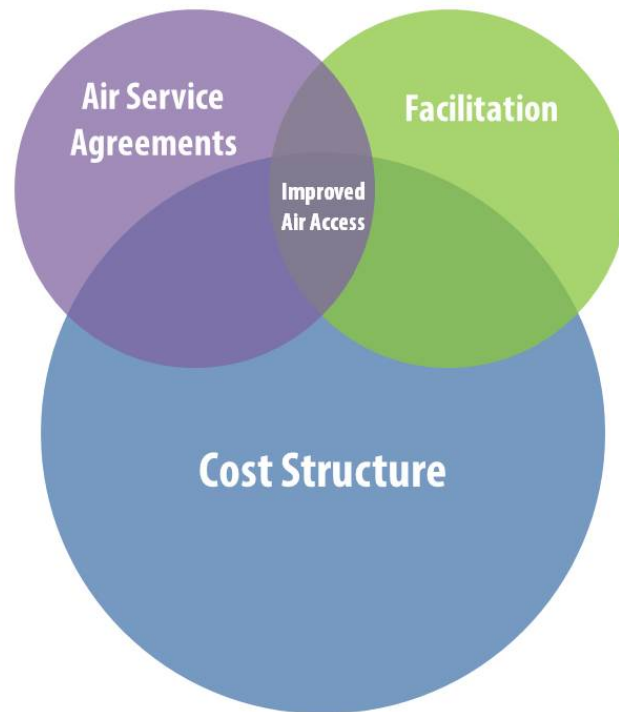
Competitive Challenge: Marketing Investment & Alignment



- All of Canada's major competitors have increased international tourism marketing investments – i.e. Brand USA into Canada
- Decreased investments have reduced Canada's exposure in critical markets – including a departure from the US
- Timing is right to re-evaluate approach to the US market
- While there is significant money in the system, Canada requires a cooperative and coordinated national marketing strategy that includes provincial/territorial, local and private investment

Competitive Challenge: Air Access

- Canada is a small market and needs to lever public policy to punch above our competitive weight.
- Canada is a “fly-to” destination, but our cost structure is a barrier to success
- Canada is ranked 5th with regards to access, but 136th based on aviation cost structure*
- Increasing competition requires:
 - Aviation cost structure
 - Passenger Facilitation
 - Air Access Agreements



*Source: World Economic Forum Travel and Tourism Competitiveness Report

Competitive Challenge: Facilitation

(Visa and Border Issues)



Significant progress made - more to do!

Current Recommendations:

- Reducing red tape using technology (ETA) – leading to Visa Waiver for markets like Mexico & Brazil
- Optimizing Existing Security Infrastructure (Beyond the Borders)
- Reinvest in Visa Processing

Competitive Challenge: Product and People

Product

- Support for Festivals and Events
- Parks, museums and cultural infrastructure

People

- Labour supply and skills development
 - Temporary Foreign Worker Program
 - Provincial Nominee Program



Courageous Capitalists

- This is a proven resilient sector that provides tangible growth across Canada
- Drives our broader trade agenda
- Industry is prepared to invest – policy environment impacts private sector investment decisions

Addressing competitive challenges will drive growth (4%), jobs & investment

