



2014 GATEWAY TO GROWTH

CREATING INVESTMENT OPPORTUNITY IN THE CANADIAN HOTEL INDUSTRY



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



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EXECUTIVE SUMMARY

Similar to new housing starts, hotel construction and renovations are key indicators of an industry's economic health and confidence. Considering that in 2013 travellers spent over \$12 billion on accommodations in Canada, tourism, in particular the hotel industry, is a major economic contributor to the country's economy.¹ In 2013 the Tourism Industry Association of Canada (TIAC), The Canadian Tourism Commission (CTC) and the Conference Board of Canada published *Gateway to Growth: Tourism Competitive Benchmarking Study* which reported a 30% drop in investment in Canada's tourism sector since 2007.

This follow-up review of Canada's hotel industry, *Gateway to Growth: Creating Investment Opportunity in the Canadian Hotel Industry*, examines the current investment climate, identifies the challenges undermining profitability and provides practical recommendations to address the public policy issues which impede growth and deter investment.

Investors look to specific indicators to help them decide where to invest. Hotel performance, market demand and government policies all factor into the equation. And it's from these indicators that two desirable characteristics of an asset need to be satisfied: stability and growth.

Accommodations Investment Drivers

1. Hotel Performance
2. Demand
3. Government Policies

**Capital is not patriotic –
it will follow opportunity.**

Canada's accommodations industry is intrinsically linked to Canada's tourism sector, Canada needs to maintain a healthy mix of both international and domestic travellers vital to the growth in the sector and consequently in investment.

Of recent, Canada's tourism sector has been overly reliant on domestic travellers. In 2000, international travellers made up a 33% share of all travel in Canada. By 2013, this share dropped to 19%. This drop in international travel demand has had negative consequences for Canada's hotel industry and travel sector at large.

$$\begin{aligned} &+ \text{INTERNATIONAL VISITOR MIX} \\ &+ \text{DEMAND GROWTH} \\ &= \text{INCREASED ROOM RATES} \\ &\text{REVENUES} \\ &\text{INVESTMENT VALUE} \end{aligned}$$

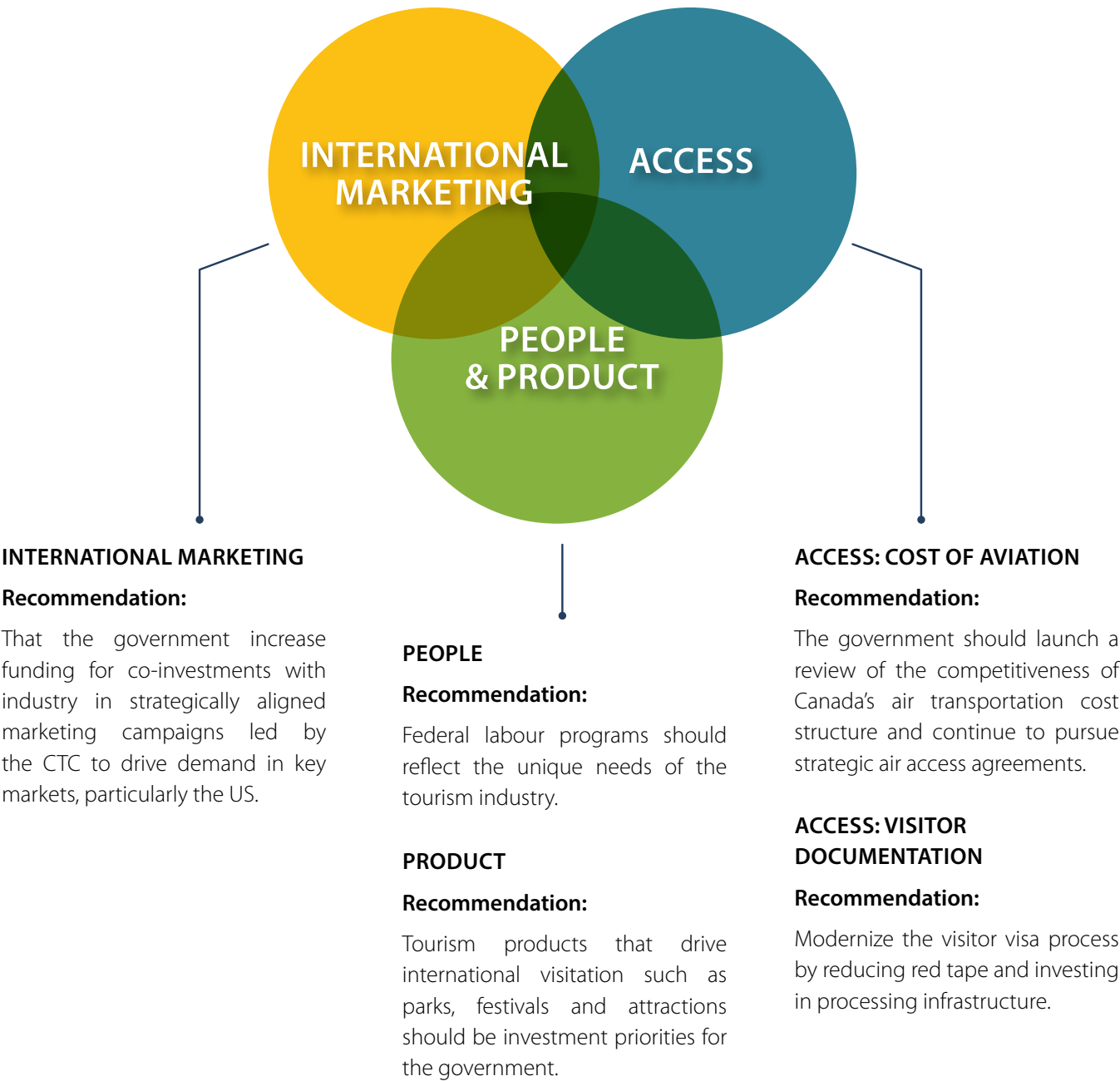
Canada's hotel performance has eroded as a result of this drop in international demand. Average Daily Rate (ADR) and Revenue per Available Room (RevPAR), both key indicators for the health of the accommodations sector, are not meeting their potential for the industry.

Moreover, while Canada saw the most hotel transactions in history in 2013, the market has also been experiencing a higher number of property conversions, fewer builds and fewer brand expansions relative to other competitive markets.

It doesn't have to be this way. World tourism is growing at an average pace of 5%, or rather by 43 million incremental international arrivals per year. Canada, with its wealth of compelling tourism experiences, considerable market demand from the US and overseas, along with its strong brand worldwide is in an opportune position to realize significant growth.

HOW CAN CANADA INCENT HOTEL INVESTMENT?

Policy barriers around marketing support, aviation costs, traveller documentation requirements, investment in tourism products and labour issues must be fixed so Canada can attract more travellers and reach its full potential as a hot market for hotel investment.



CONVERSION FOR ALTERNATE USE

There has been a recent trend towards buying hotels for conversion to school or retirement residences or other uses. Since 2010, there have been over 4300 rooms converted for alternate use. The majority of these are in urban areas and other places frequented by tourists – indicating a lack of tourism demand to sustain these properties. (*Appendix A - Colliers International Hotels: Canadian Hotel Investment Reports 2011-2014*)



SECTION 1:

HOTEL MARKET INVESTMENT PERFORMANCE IN CANADA

Investors look for income growth that is stronger than other investment choices, therefore strong demand in the tourism sector means attractive hotel investment options. We can use hotel investment as a barometer for the tourism sector by considering the following measures:

- Price per room
- Room and property growth
- Profit margins
- Supply and demand balance
- Growth in areas and properties catering to international visitors

On each of the above measurements Canada is performing adequately but not to its full potential and the lack of visitor mix is a contributing factor.

The Canadian hotel industry took a large hit in investments during the recession but seems to be rebounding at a cautious pace. However, if comparing the price per room in 2013 dollars, investments are still worth 26% less than they were before the recession. Investment volume tells the same story: there are definite signs of recovery but still less than half of 2007 volumes.

INVESTOR SENTIMENT IN CANADA

Investor confidence is satisfactory and seems to be improving. However, it could be a true pillar of strength for the investment community and the Canadian economy. Figure 1 illustrates investor sentiment from the hotel investment community. With generally positive attitudes about the growth of tourism and a healthy proportion of investors planning on buying hotels, we see that this sector is primed for growth – it just needs the right conditions to reach its potential.

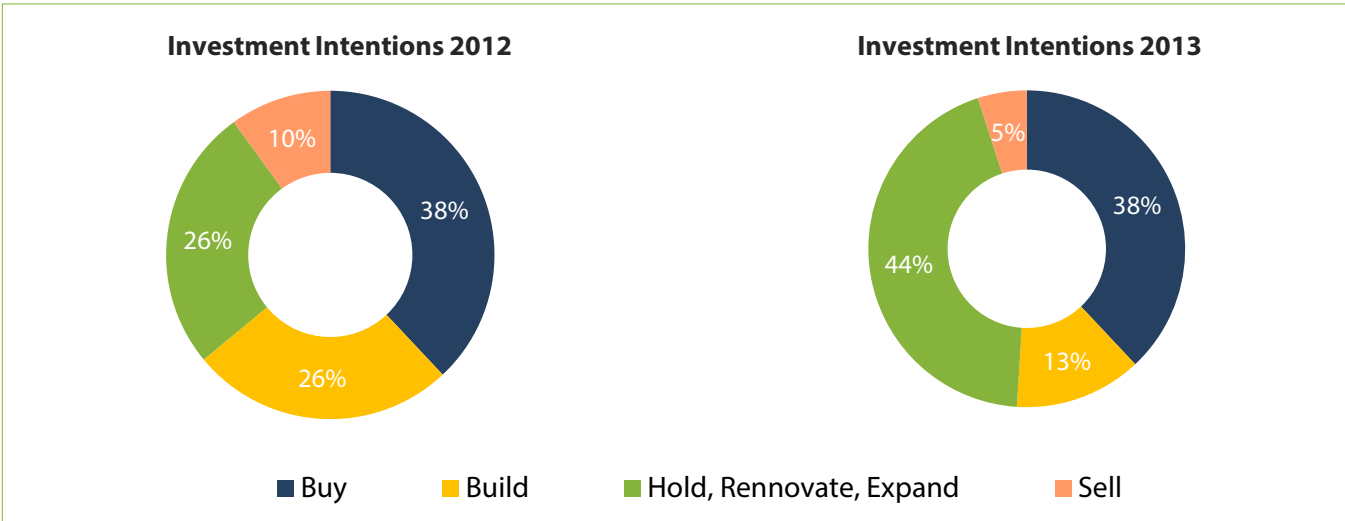
**Capital Investment Long
Term Growth World Rank³
Canada - 125/184**

TABLE 1

CANADA HOTEL MARKET INVESTMENT: ACTIVITY AND VALUE 2007-2013 ²							
	2007	2008	2009	2010	2011	2012	2013
Investment Volume (\$M)	\$4,580.00	\$1,072.00	\$414.00	\$717.00	\$1,107.00	\$1,178.20	\$2,020.00
Growth Investment Volume (\$M)	55.30%	-76.60%	-61.40%	73.30%	54.30%	64.00%	71.45%
Price per room \$K	\$154,200.00	\$116,500.00	\$65,500.00	\$83,000.00	\$108,000.00	\$83,600.00	\$133,000.00
Price per room \$K (adjusted for inflation 2013)	\$173,510.24	\$128,275.04	\$71,354.42	\$88,768.90	\$112,859.08	\$85,262.30	\$133,000.00

Source: Colliers International (2010-2014). 2014 Canadian Hotel Investment Reports 2010-2014.

FIGURE 1



Source: Colliers International Hotels(2014). INNvestment Canada: Canadian Hotel Investment Sentiment Survey.

Overall, industry players and investors are generally optimistic. Encouraging signs include the drop from 10% of investors to 5% intending to divest themselves of hotel assets. The significant growth in investors who want to hold, renovate or expand their properties is another good sign. However, the steep drop of investors who are willing to enter the market by building new properties is worrisome, indicating a slowdown of incremental capital investment.

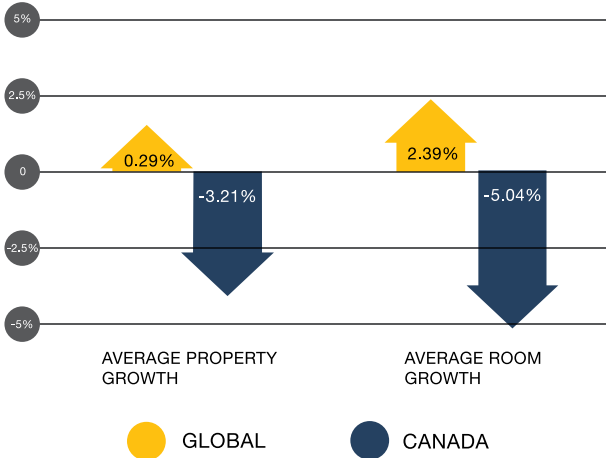
HOTEL MARKET DEVELOPMENT AND INVESTMENT IN CANADA AND THE WORLD

Canada is not only struggling to keep up with its own pre-recession performance, it is among the weaker investment performers in the world for long-term tourism investment as evidenced from World Travel and Tourism Council's long term growth projections for 2013-2023.

Every year hotel groups desire to grow their business by building new properties, buying existing assets or renovating to increase both demand and price. Given Canadian visitation performance, accommodation investment activity is relatively less compelling in Canada than around the globe.

Comparing the global and Canadian room and property growth rates for major hotel groups we can see that while these groups are adding to their portfolios they are not investing (and sometimes actually divesting) in Canada at the global rate.

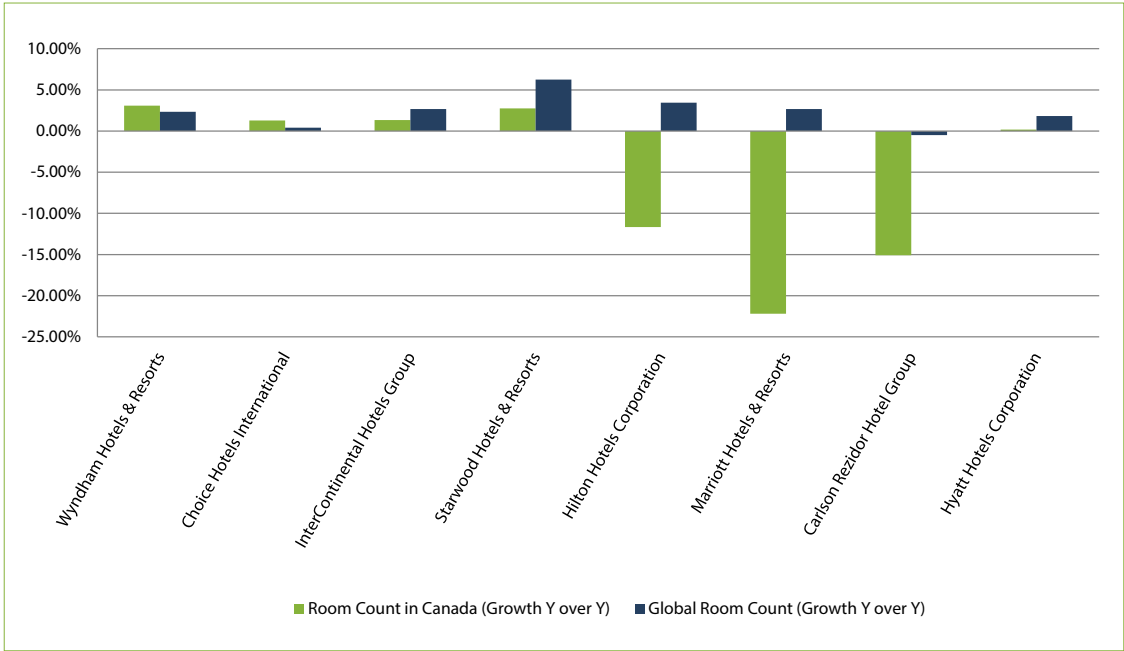
Average Growth Rates for Top Ten International Hotel Groups in Canada Versus Global 2012



Source: Hotel Group Annual Reports

2012 ROOM GROWTH IN CANADA AND THE WORLD

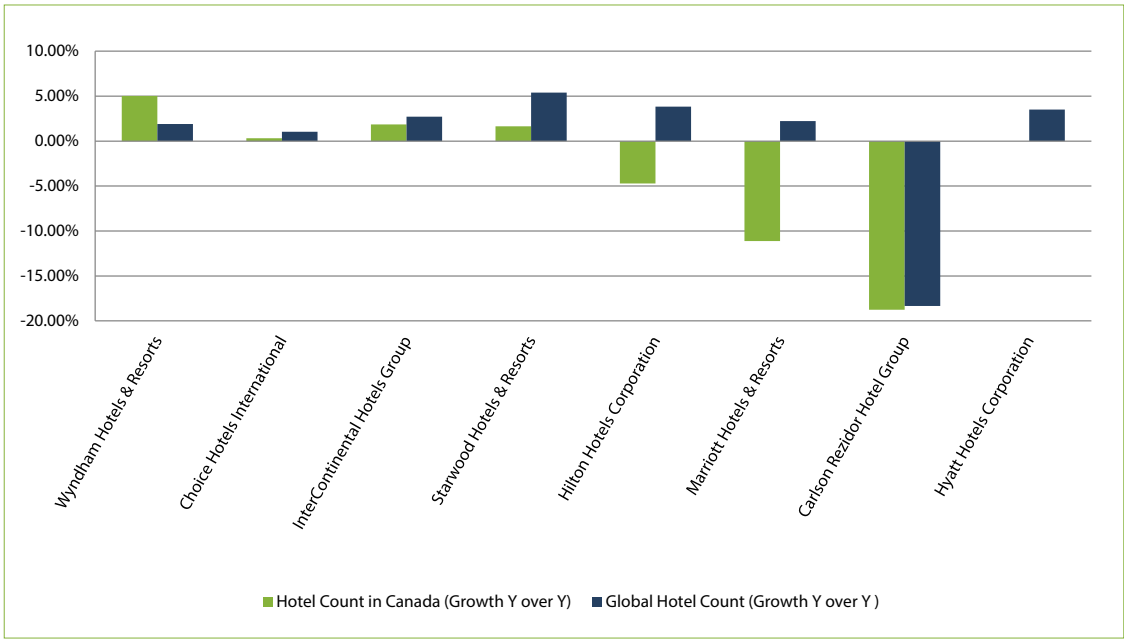
FIGURE 2



Source: Hotel Group Annual Reports

2012 HOTEL PROPERTY GROWTH IN CANADA AND THE WORLD

FIGURE 3



Source: Hotel Group Annual Reports

MEASURING HOTEL INVESTMENT AND THE TOURISM SECTOR AGAINST THE LARGER CANADIAN ECONOMY

A recent study from the Conference Board of Canada shows that while tourism is a robust sector with much potential, cracks are starting to show in its foundation.⁴ A set of 10 performance indicators was chosen to assess the economic and financial performance of the tourism sector as well as the “sub” industries that make up the sector. The study looked at both economic indicators (which include measures such as GDP, employment, labour productivity and wages) and more foundational financial indicators (investment, revenues, costs, profits and bankruptcies) for the sector (i.e. tourism) and industry (i.e. transport, accommodations, etc) and compared these indicators to other sectors and industries in the economy.

LOOKING BENEATH THE SURFACE: ECONOMIC VS FINANCIAL PERFORMANCE

In 2012, the tourism sector improved its economic performance but slipped on its financial performance. In essence, while surface indicators such as GDP and employment show growth and potential, foundational indicators such as investment and revenues were weaker.

In particular, the 30% drop in investment since the recession will restrict tourism demand growth in the future.

Indicators of the financial health of the tourism sector are often buried under rosier economic measures. In many respects the financial aspects of a sector such as profit margins and investments influence economic performance.

For example, if profits are waning, there will be less incentive to invest in new products. Eventually, a sector that is not creating new products will stagnate and its contribution to the labour force and GDP will fall with it. Financial indicators give us a veritable “heads’ up” as to where employment, wages, GDP and labour productivity are headed.

Given our economic basis, tourism has lost ground, but performed better than many other areas of the economy during the recent downturn demonstrating the resilience of this naturally diversified sector. However, when measured for financial performance, accommodations rank 29th out of 48 industries –relaying the under-performance of accommodation investments in Canada.



TABLE 2

RANKING TOURISM AGAINST THE ECONOMY			
	Economic	Financial	Overall
Sectors			
Tourism Sector (ranked against 10 other economic sectors ⁵)	6/11	8/11	6/11
Industry⁶			
Tourism Transport	18/48	42/48	32/48
Tourism Accommodation	9/48	29/48	19/48
Tourism Food and Beverage	5/48	22/48	11/48
Tourism Other (recreation, entertainment, travel services etc.)	17/48	3/48	5/48

Source: Conference Board of Canada (2013). Gateway to Growth: Tourism Competitive Benchmarking Study. Retrieved at http://tiac.travel/Library/TIAC_Publications/2013_Domestic_Tourism_Benchmarking_WEB_FINAL_EN.pdf

SECTION 2:

WHAT MOTIVATES INVESTORS?

Just as housing starts are used as a measure of the health of the whole economy, we can look to hotel investment as a bellwether for the tourism sector.

Hotels are unique real estate investments that carry a certain level of investment risk but also high rewards. Compared with traditional commercial real estate, hotel investments carry a higher level of capital and labour intensity, making hotels a hybrid of both real estate and operating businesses. On the one hand, hotel rooms are perishable products that add volatility risk to the investor while on the other hand, accommodation investments benefit immediately from economic growth unlike commercial real estate that is locked into long term leases.

Investors look to specific indicators to help them decide where to invest. Hotel performance, market demand and government policies all factor into the equation. And it is from these indicators that two desirable characteristics of an asset need to be satisfied: stability and growth.

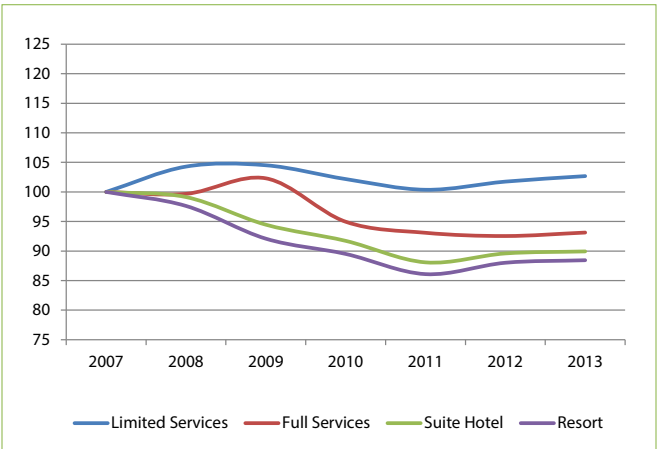
- Investment Driver #1: Hotel Performance
- Investment Driver #2: Demand and Hotel Guest Profiles (visitor mix)
- Investment Driver #3: Government policies

INVESTMENT DRIVER #1: HOTEL PERFORMANCE

Hotel performance is largely measured by the following indicators: Occupancy which measures demand, Average Daily Rate (ADR) which measures ability to draw revenue, Revenue Per Available Room (RevPAR) which measures profit by dividing a hotel's total guest room revenue by the number of available rooms and occupancy levels.

While Canadian hotel performance is recovering from the recession it has still not made a full recovery and shows little signs of doing so as evidence by this time series of the ADR for a hotel room in Canada. Canada's increasing reliance on the domestic market is demonstrated by the relative success of limited service hotels which are booked mainly by domestic travellers.⁷

**ADR by Property Type Constant 2007 Dollars,
Index 100 = 2007**
FIGURE 4



Source: Statistics Canada, National Tourism Indicators and PKF Consulting Inc, Trends in the Canadian Hotel Industry

Despite gains in some areas, when compared to major competitors, Canada seems to be lagging behind in a number of key performance indicators:

TABLE 3

	Revenue Per Available Room	Average Daily Rate	Occupancy
Canada⁸	2.56%	1.57%	1.6%
Australia⁹	1.90%	2.60%	-0.5%
UK¹⁰	1.4%	2.7%	1.6%
Germany¹¹	5.70%	3.40%	1.40%
US¹²	6.73%	4.38%	2.33%

The US, our largest competitor, far outperformed Canada on RevPAR, ADR, and Occupancy growth. The US has a healthy international visitor growth rate of 5% and a successful Brand USA marketing program and will only continue to push further ahead. In fact, a comparison of US and Canadian cities with similar tourism products (e.g. attractions, climate) further illustrates the positive impact of international visitation growth on hotel revenues.¹³

ACCOMMODATIONS SUPPLY AND DEMAND

While comparing room volume for global hotel groups gives us an idea of the overall picture, total supply (number of rooms) is another measure of industry's interest in investing in Canada. The supply of hotels rooms has grown at a very slow pace indicating low investment interest. On the surface the fact that demand is out-pacing supply seems positive as it will lead to higher RevPAR and ADR. However, RevPAR and ADR that are pushed by scarcity rather than demand are in fact indicators of the rust out effect. Sustainable growth in RevPAR and ADR will come from increased demand.

Average Daily Room Rate and International Visitation Growth



TABLE 4

HOTEL SUPPLY AND DEMAND IN CANADA ¹⁴						
	2007	2008	2009	2010	2011	2012
Supply (Room #s)	349,450	356,525	363,150	367,760	372,105	374,945
Supply (Room #s) - Growth	1.6%	2%	1.9%	1.3%	1.2%	0.8%
Avg Demand Per Day (Room #s)	226,793	226,037	211,716	221,392	227,356	231,716
Average Demand Per Day (Room #s) - Growth	2.2%	-0.3%	-6.3%	4.6%	2.7%	1.9%

Source: Hotelier Magazine (2013). Hospitality Market Report 2013, 21

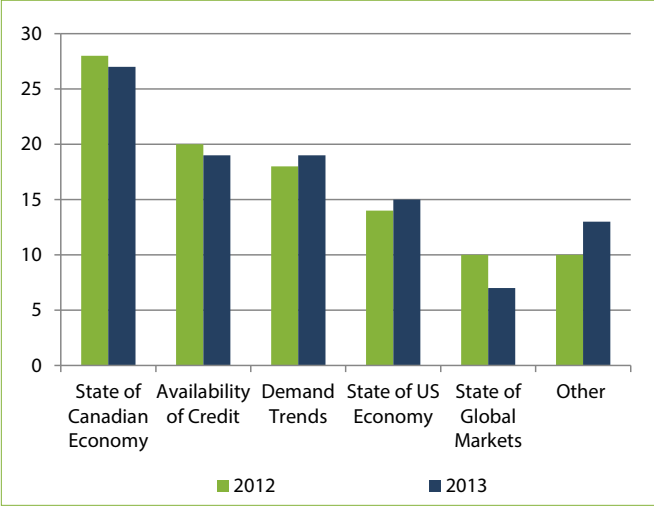
INVESTMENT DRIVER #2: MARKET DEMAND AND GUEST PROFILES

Large market buyer pools (in this case, hotel guests) lower the risk of an investment and generate upward pressure on the asset value. As Figure 5 shows, beyond typical investor concerns about the economic environment of the area in which they are investing, hotel investors follow demand trends.¹⁵

Investors are not only interested in the quantity of demand but also the quality or yield of that demand. Travellers spend different amounts depending on the type of trip they are on. For example, in the resort sector Canadian guests are segmented into three broad categories: transient, group and international tour. Taking into consideration a variety of factors, hotel guests who are part of international tour groups provide the largest profit margin.

Primary Factors Influencing Investment Decision

FIGURE 5



Source: Colliers International Hotels(2014). INNvestment Canada: Canadian Hotel Investment Sentiment Survey.

TABLE 5




	INTERNATIONAL TOUR	GROUP	TRANSIENT/DOMESTIC
	International Tour Group Trip to Canada	Meetings, Incentive, Convention and Event Travel (MICE)	75% Canadian Origin 25% US Origin Primarily Leisure
Cost to Acquire	Low	Medium	High
Service Efficiency	High	Medium	Low
Food Spend Volume	High	High	Low
Total Revenue / Customer	High	High	Medium
ADR	High	Lower	Highest
Margin Efficiency	High	High	Low

As the health of the Canada's accommodations sector is intrinsically linked to Canada's tourism industry, Canada needs to maintain a mix of both international and domestic travellers vital to the health and growth of the industry.

CANADA'S OVER-RELIANCE ON THE DOMESTIC MARKET AND MISSED GLOBAL OPPORTUNITIES

Investors look to specific indicators to help them decide where to invest. In the hotel sector demand (visitation) is an important factor. International visitors in particular are desirable as they stay longer in hotels and generate higher yields.

Traveller Spending, Length of Stay and Accommodation Preferences: by Domestic/International

STAYS MAINLY AT A ...	DOMESTIC	INTERNATIONAL
 HOTEL	24%	50%
OTHER	76%	50%
IMPACT ON PROFITABILITY	DOMESTIC	INTERNATIONAL
 TRIP LENGTH (DAYS)	2.7	8.1
 TRIP SPEND	\$266	\$768

Source: Statistics Canada, Travel Survey of Residents of Canada and International Travel Survey micro data

CANADA IS NOT KEEPING PACE WITH GLOBAL DEMAND

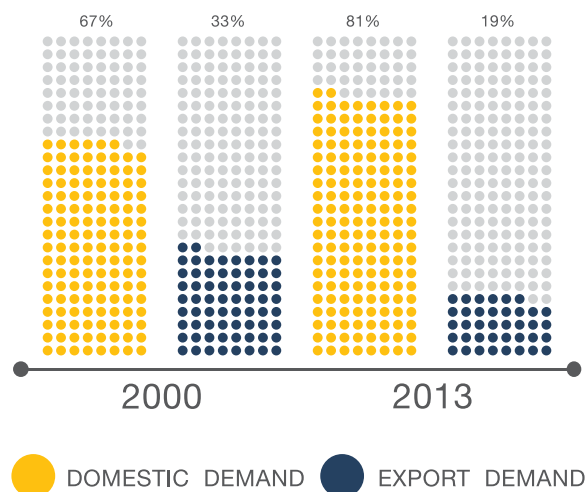
Canada's tourism industry is growing; however, it is clearly far from realizing its potential within the global tourism boom, lagging behind the world in overall visitation numbers as well as visitation growth. With international visitors to the US increasing 5% in 2013, we certainly cannot claim that the North American vacation has lost out to more exotic destinations – Canada simply is not keeping up.¹⁶

In 2013, world international visitation grew by 5% while Canada crawled along at 1.5%

Canada's loss of international visitors means a growing dependence on domestic travellers which is an undesirable plan over the long term. Potentially causing further economic damage, Canada's domestic traveller segment is at risk as more and more Canadians are looking to experience global destinations. Even within North America, Canada is feeling intense competition from Brand USA and its \$20- million campaign in Canada. Since the Launch of its "Land of Dreams" campaign, Canadian intent to travel to the US is up 22%.¹⁷

FIGURE 6

Tourism Demand in Canada¹⁸



Source: Statistics Canada, Balance of International Payments, CANSIM, tables 376-0101

INVESTMENT DRIVER #3: GOVERNMENT POLICIES

Investors are looking for stabilized returns with low volatility and steady growth. As in other industries, for an investment to grow, there must be policies and regulations that encourage the industry to expand. When deciding where to travel, consumers progress through a series of stages called their “path to purchase” and in Canada there are fixable policy issues that interfere at almost every step of this process.

For example, Canada’s low corporate income rate is attractive to investors. However, the high cost of flying and major visitor visa hurdles make Canada less attractive for visitors and therefore less attractive for hotel investors.

Another example is the tax barriers hotels face in attracting meetings and conventions. As these events often require large amounts of food, beverage, and IT support they are effective revenue generators for the property. Incremental revenue above the room rates drives profits – a key indicator for investors. Unfortunately in Canada the criteria for admissibility under the Foreign Convention and Tour Incentive Program (FCTIP) tax break lacks clarity. This has resulted in the recent mis-characterization of foreign conventions with “educational” or informational sessions as “services of instruction” thereby negating their eligibility for HST rebates and creating barriers to attracting other conventions.

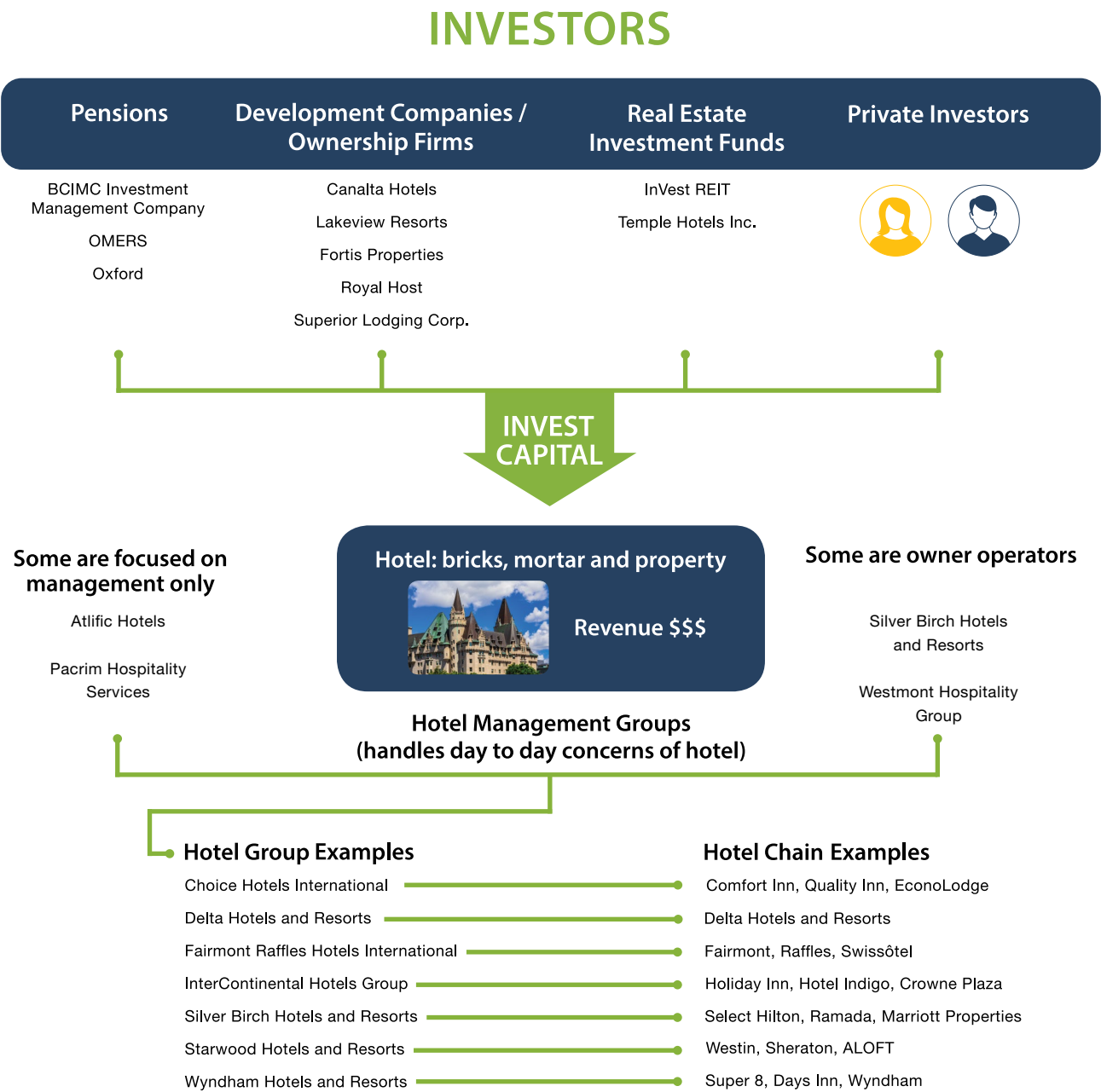
The overwhelmingly domestic origin of Canada’s hotel demand (i.e. travellers) increases the risk (relying on one market) and diminishes the return (international travellers pay more) of accommodation investments and is eroding the potential of the hotel sector. With a stable government and strong economy, Canada is a relatively safe place to invest. However, the regulatory hurdles are affecting our ability to attract a healthy visitor mix. This means investors will not see the gains they would elsewhere and may be less inclined to consider entering the Canadian market.

SECTION 3:

IMPACT OF HOTEL INVESTMENT ON CANADA’S ECONOMY

THE VALUE CHAIN OF THE HOTEL INDUSTRY¹⁹

There are many stakeholders who partner in accommodations investments making it a wide-reaching, economically dynamic sector:



INVESTOR PROFILES FOR THE HOTEL SECTOR

CANADIAN PENSIONS ARE SOME OF THE BIGGEST HOTEL INVESTORS

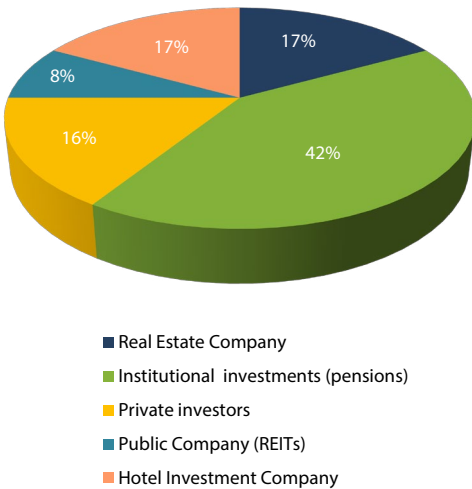
A wide variety of stakeholders are invested in the hotel industry. Institutional investors such as pension funds were major buyers in 2013 with just over 40% of total volume and approximately \$4.5 billion in holdings. These investors are generally interested in prime accommodations and hold assets in a 5-7 year hold/sell pattern.²⁰

Canadians are familiar with many of the flagship properties owned by these funds such as BC Investment Management Company's Delta Toronto and OMERS' Fairmont Banff Springs Hotel. In fact, many Canadians are investors in these properties through their pension funds. Other players in this market include Real Estate Investment Trusts (REITs) that focus on accommodations such as Temple Hotels which purchased \$175.7 million worth of hotels in 2013 or the US-based Starwood Capital Group which bought a portfolio of 5 Westin hotels for \$765 million.²¹

Hotel Investment 2013 Buyer Profiles²²

International investors have not traditionally been

FIGURE 7



Source: Colliers International (2014). Colliers International Hotels: 2014 Canadian Hotel Investment Report, 7.

interested in Canada: from 2002 to 2010 international investors participated in only 8% of deal volume. Since then foreign investment has increased to about 20-40% of all volume which shows potential. However it is important to note that the high foreign investment numbers from the last three years are somewhat skewed as results of a couple of massive portfolio deals that included up to 5 hotels.²³

TABLE 6

FUND	APPROX. PORTFOLIO VALUE ²⁴	CLIENTS	HOTELS OWNED
BC Investment Management Co	\$1 billion	39 institutions including public sector pension funds (teachers, healthcare, public safety, government, etc.), and public trusts in BC	Delta Hotels and Resorts
Caisse de dépôt et placement	\$2 billion	31 institutions including 19 public sector pensions (teachers, healthcare, public safety, government, etc)	Plan to divest all except the Château Frontenac and the Queen Elizabeth (began in 2013)
OMERS	\$1.5 billion	Covers half a million public sector employees (emergency, transit, children's aid, government, etc)	Fairmont Hotels and Resorts InterContinental Hotels Groups

CASE STUDY: CAISSE DE DEPOT'S DIVESTMENT OF HOTEL ASSETS

Following an unrealized loss on real estate of \$4.8 billion in 2009, Caisse de Depot, one of the world's 10 largest portfolios of real estate assets, decided to focus on its best-performing assets and exit the hotel business (particularly in Canada). According to Caisse CEO Daniel Fournier in 2013, "the hotel sector is a nonstrategic sector."

Source: Bloomberg News.

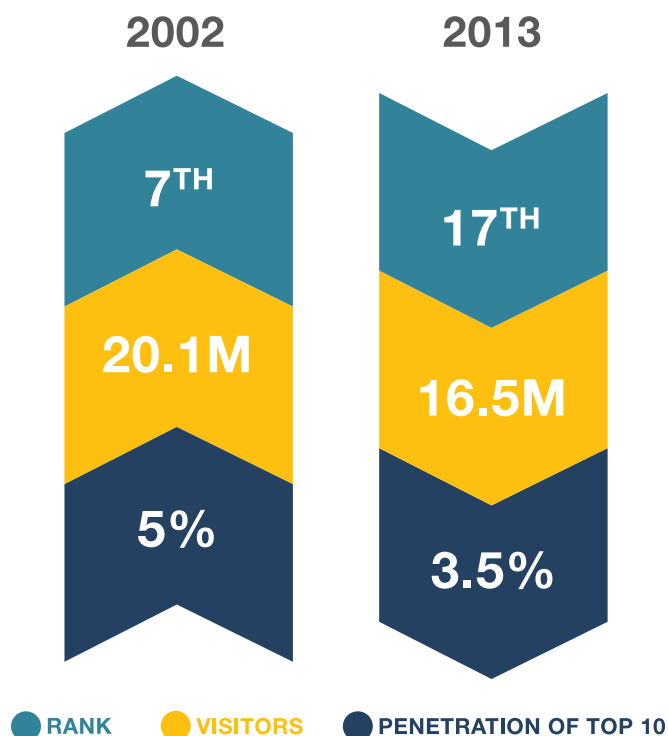


SECTION 4:

THE WAY FORWARD

IMPACT OF 5% INCREASED VISITATION ON INVESTMENT AND THE ECONOMY

Consider that in 2002 the top 10 countries in the world captured 350 million international tourists. By 2013 this number grew to 472 million. In 2002 Canada ranked 7th with a global capture of 20.1 million visitors (5% penetration of the top 10 countries). By 2013, this number fell to 16.5 million and Canada fell out of the top ten into 17th position (a 3.5% penetration of the top 10). Compare this with the US pattern, which gained nearly 19 million visitors over the same time period. If we catch up to the global growth rate of 5%, we could re-establish Canada's 2002 visitor levels in just 5 years.²⁵



UNWTO (2014). World Tourism Barometer, Annex 10

What would it mean for the economy if Canada were to keep pace with the world average and its largest competitor? In addition to growing at a pace four times that of inflation the tangible economic gains are significant.

What Would 5% Growth in Visitation Mean for Canada?



\$180 million
in room night
spending



\$613 million
more in overall
spending¹



2,700
more flights²



4,538 more jobs
2,269 for youth³

1) Based on \$768 average spend per visitor 2) Based on 68% of visitors arrived by air, 200 seats/plane in 2013 3) Based on every \$135 365 in additional spending creating 1 new job

TOURISM AND GOVERNMENT PRIORITIES

Since 2002, Canada has increasingly relied on domestic travellers to sustain its travel and tourism industry. While “heads” are indeed “in beds,” the lack of a healthy international visitor mix means that the sector in Canada is falling behind its global competitors. More specifically, the lack of incremental international visitation is eroding the investment potential in Canada's hotel industry. Fortunately, the barriers for visitation growth can be addressed through public policy fixes in the areas of marketing support, visitor documentation, air access and labour laws.

TIAC RECOMMENDATIONS TO FIX POLICY BARRIERS AND INCENT HOTEL INVESTMENT

To achieve a 5% increase in international visitation, Canada needs to address a number of policy barriers – that once fixed will stimulate the growth.

MARKETING: GOVERNMENT INVESTMENT

The most competitive travel destinations in the world have strong government support for marketing campaigns – while Canada has cut funding to the CTC by 20%. Canada needs to invest meaningfully in marketing support for this export powerhouse.

Recommendation: That the government increase funding for co-investments with industry in strategically aligned marketing campaigns led by the CTC to drive demand in key markets, particularly the US.

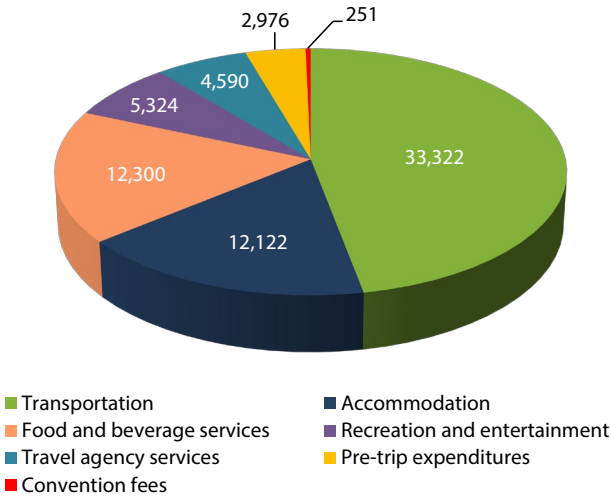
ACCESS: AVIATION

Canada is a “fly to” destination, but our cost structure is a barrier to attracting international visitors. Canada is ranked 14th with regards to access but 136th for the competitiveness of our aviation structure.²⁶The government collects billions annually in aviation taxes and fees and charges additional GST on some of those fees. Not only are expensive flights deterring potential visitors, they eat into visitors’ travel budget – more and more every year.²⁷

Recommendation: The government must launch a review of the competitiveness of Canada’s air transportation cost structure and continue to pursue strategic air access agreements.

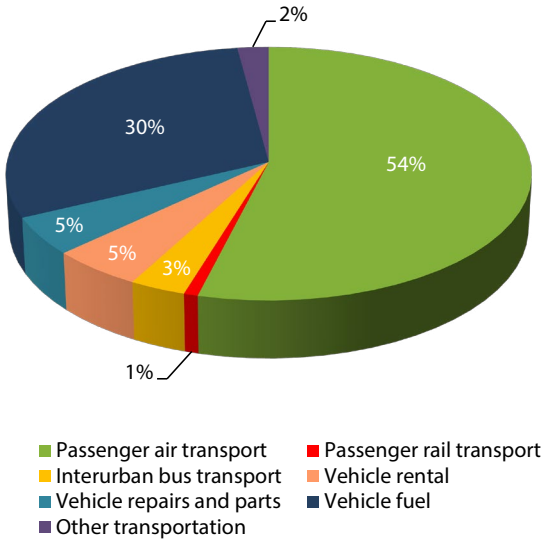
Breakdown of Tourism Expenditures in Canada 2013 (\$B)

FIGURE 8



Transportation Expenditures 2013 (\$B)

FIGURE 9



Source: Statistics Canada, Table 387-0001 - Tourism demand in Canada, quarterly (dollars), CANSIM (database). (accessed: 2014-06-09)

ACCESS: MODERNIZING THE VISITOR VISA PROCESS AND PASSENGER FACILITATION

A recent report notes that visa requirements are estimated to reduce inbound visitation by 31%. In Canada, we missed out on more than 250,000 visitors from Brazil, China, India and Mexico because of visa requirements last year.²⁸

While it may not be feasible to remove visa requirements for all countries there are a number of ways to ease the travel documentation burden.

Recommendations:

1. Reduce Red Tape

- Waive visa requirements for Mexicans and Brazilians.
- Ensure 10 year visas are transferable to new passports.
- Introduce common-sense use of electronic travel authorization (eTAs).

2. Optimize Existing Security Infrastructure

- Build on the progress made with Citizenship and Immigration Canada's CAN+ program in Mexico and extend to other countries. The program allows Mexicans who have travelled to Canada or the United States in the past 10 years access to an expedited, online visa system.
- Citizenship and Immigration Canada (CIC) and Canadian Border Services Agency (CBSA) have already established the Transit Without Visa (TWOV) program and the China Transit Program (CTP) which allows certain foreign nationals to transit through Canada to the US when travelling by air. Expanding the program to include more countries will increase airlift and bring down the price of air travel for visitors to Canada.

3. Continue to Reinvest in the Visa Processing System for Greater Access and Expediency

PRODUCT

The crux of the tourism industry lies in what attracts people to Canada. Visitors come to see attractions whether it be a beautiful national park or an exciting music festival.

Recommendation: Tourism products that drive international visitation such as parks, festivals and attractions should be investment priorities for the government.

PEOPLE

The tourism industry is facing a labour supply and skills deficit which is worsening every year. This shortage has major consequences for the industry's productivity.

Recommendation: Federal labour programs should reflect the unique needs of the tourism industry.

APPENDIX A

Colliers International Canadian Hotel Investment Reports 2010-2014

ORIGINAL PROPERTY	LOCATION	ROOMS	NEW USE
2014 (Colliers Report)			
Battery Hotel and Conference Centre	NB	127	Alternate Use
Quality Hotel Downtown Montreal	Montreal	140	Student Residence
2013 (Colliers Report)			
5 Calgary Downtown Suites	Calgary	301	Alternate Use
Travelodge Hotel Calgary Macleod Trail	Calgary	254	Drop In Centre
Queen Victoria Hotel	Victoria	146	Retirement Home
Montcalm Hotel	Winnipeg	21	Alternate Use
Best Western Royal Brock Hotel and Conference Centre	Guelph	46	Student Residence
Royal Connaught Hotel	Hamilton	206	Alternate Use
Travellodge Ottawa Doral Inn	Ottawa	37	Alternate Use
Four Seasons Hotel Toronto	Toronto	380	Alternate Use
The Sutton Place Hotel Toronto	Toronto	454	Alternate Use
Four Points by Sheraton Toronto Lakeshore	Toronto	154	Alternate Use
Grand Plaza Montreal Centre-Ville Hotel	Montreal	371	Retirement Home
2011 (2012 Colliers Report)			
River Garden Inn	Stratford, ON	115	Retirement Home
Navigator Inn	Iqaluit, NV	45	Alternate Use
Beach Grove Motel	Delta, BC	15	Alternate Use
Days Inn Chilliwack	Chilliwack, BC	29	Alternate Use
Howard Johnson Toronto Yorkville	Toronto	71	Alternate Use
Oasis Hotel	Surry, BC	40	Alternate Use
Michael's Inn Niagara Falls	Niagara, ON	130	Alternate Use
Palace Motel	Grimsby, On	24	Retirement Home
2010 (2011 Colliers Report)			
Clarion Hotel and Suites Centreville	Montreal	266	Rental Apartments
The York Hotel	Edmonton	45	Urban Renewal
Courtyard By Marriott Montreal	Montreal	181	Student Residence
Innoka Resort	Canmore	20	Townhouse complex
Motel Rio	Abbotsford, BC	23	Non-profit housing
Pacific Palisades Hotel	Vancouver, BC	233	Rental Apartments
Auberge du Mont Orford	Magog, QC	22	Alternate Use
Crowne Plaza Château Lacombe Edmonton	Edmonton	307	Alternate Use
Orangeville Inn	Orangeville, ON	36	Alternate Use
Traveller's Inn (Gorge Road)	Victoria	64	Affordable Housing

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- ⁶ The tourism industries listed were ranked against 47 industries including other tourism industries.
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The Tourism Industry Association of Canada is the only national organization representing the full cross-section of Canada's \$84.3 billion tourism industry.

TIAC's members include air and passenger rail services, airport authorities, local and provincial destination authorities, hotels, convention centres, attractions and tour operators.

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