Written Submission for the Pre-Budget Consultations in Advance of the 2019 Budget

Summitted by: Tourism Industry Association of Canada (TIAC)

A Dynamic Growth Sector

The Tourism Industry Association of Canada (TIAC) is the only national organization representing the full cross-section of the tourism industry in Canada. Our members are businesses in transportation, accommodations, destinations and attractions, plus a robust meetings and events sector from coast to coast to coast. TIAC aims to improve the sector's global competitiveness as an international destination through leadership and advocacy.

With over 200,000 businesses in Canada employing 1.8 million Canadians, the tourism industry is a major economic driver worth $97.4 billion and is Canada's largest service export representing $41.2 billion of Canada's GDP in 2017 – about 2% of total GDP. Tourism is Canada's largest employer of youth and also a significant employer of indigenous people and new immigrants. The tourism sector offers long-term, good paying jobs for everyone, including new workers by providing essential workplace and life skills needed to succeed in Canada.

Globally, tourism is the world's fastest-growing sector; the United Nations World Tourism Organization (UNWTO) estimates that 1.32 billion people travelled the world in 2017. Canada welcomed a record 20.8 million international travellers in 2017 and 2018 continues to grow. Still, Canada ranks 17th as an international destination and faces slower growth than popular destinations and emerging markets. In a flourishing global travel market, Canada must urgently boost competitiveness.

Fueling Canadian tourism's strides over the past few years are; a strong economy, an attractive currency exchange rate and positive changes in government policy. The increase of Destination Canada's (DC) funding to $95.5 million, extension of Connecting America funding, lifting the Mexican visa, and the ongoing Canada-China Year of Tourism have all contributed to visitor growth. However, internationally our competitors are outpacing our growth through tourism investment and growth boosting policies. The New Tourism Vision has ambitious goals to re-enter the UNWTO Top Ten by 2025, increase international visitation by 31% by 2021, and double Chinese tourism by 2021 – goals that Canada will not meet without continued sector investment.

Welcome the World – Making Travel Easier and Safer for Visitors

Travellers to Canada, especially from emerging markets[1], face too many hurdles before even setting foot in Canada for business, travel, or short-term study. According to a Deloitte analysis, Canada ranks second on most stringent immigration requirements in the world – allowing only 4 nationalities entry to Canada without some pre-entry requirement. Our rankings for international openness are very low – in fact, Canada ranks 120th out of 141 countries according to the World Economic Forum (WEF). Moreover, wait times for temporary resident (tourist) visas to Canada in high demand markets like China and India are unacceptably long. Chinese tourists wait an average of 19 days to hear if they've been issued a visa. As of July 1, 2018, processing times for India average 28 days. With new biometric requirements coming into effect that will require visa applicants to go in person to visa application centres, these wait times will increase. Canada's stringent visa application process and unacceptable wait times were the top complaint heard from the Chinese market during TIAC's 2016 trade mission to China, and reiterated time and again during the most recent Federal-Provincial trade mission to China in June 2018.

[1] An emerging market for tourism purposes includes China, India, Mexico and Brazil

With biometric requirements coming into force, and information sharing and technology becoming the norm, global travel is safer than ever. As such, we recommend that the government improve wait times by streamlining and simplifying visa applications, significantly increasing biometric collection points and ensure robust communication when introducing biometrics requirements. Additionally, the government should also consider moving countries and travellers deemed lower risk to the eTA system which is quick, cost effective, and secure.

Entry requirements are not the only burden we put on our international travellers. Taxes on tourism products (which add to the cost of travel) contribute to the disincentives potential visitors face. We are not a cheap destination, and our country's size makes visiting multiple and remote areas very expensive.

Canada is one of the only countries in the world that charges tax to foreign visitors buying tourism products. This makes tourism the only Canadian export that is not zero-rated (tax removed). The 2017 budget measure to repeal the tax rebate on accommodations in tour packages (FCTIP) added to this burden significantly, negatively affecting international sales for tourism businesses of all sizes. Despite an industry wide callout to the government to address this measure, no action has been taken to make Canadian tourism products more competitive on the international scene. This makes Canada a less attractive destination for meetings & incentive travel, as well as for more traditional tour packages.

Government must work with industry to reduce these extra costs, remove GST on tourism products or reintroduce a GST rebate program, and reduce the costs attributed to fees, levies and taxes on air travel.

<u>Recommendation 1:</u> Streamline the visa application process and bring low-risk countries under the eTA program for temporary resident visas; support measures that facilitate the freedom to move people across the border and through airports with expanded pre-clearance, adequate CATSA investments to meet service levels; and ensure the introduction of biometric requirements does not hamper tourism growth through ongoing monitoring of visa processing times, vigorous communications campaigns and investments in VACs and new technologies.

<u>Recommendation 2</u>: Reduce taxes paid by international visitors to Canada through the removal of GST on tourism products sold abroad to international visitors; and reduce costs attributed to fees, levies and taxes on air travel to help make the cost of air travel competitive.

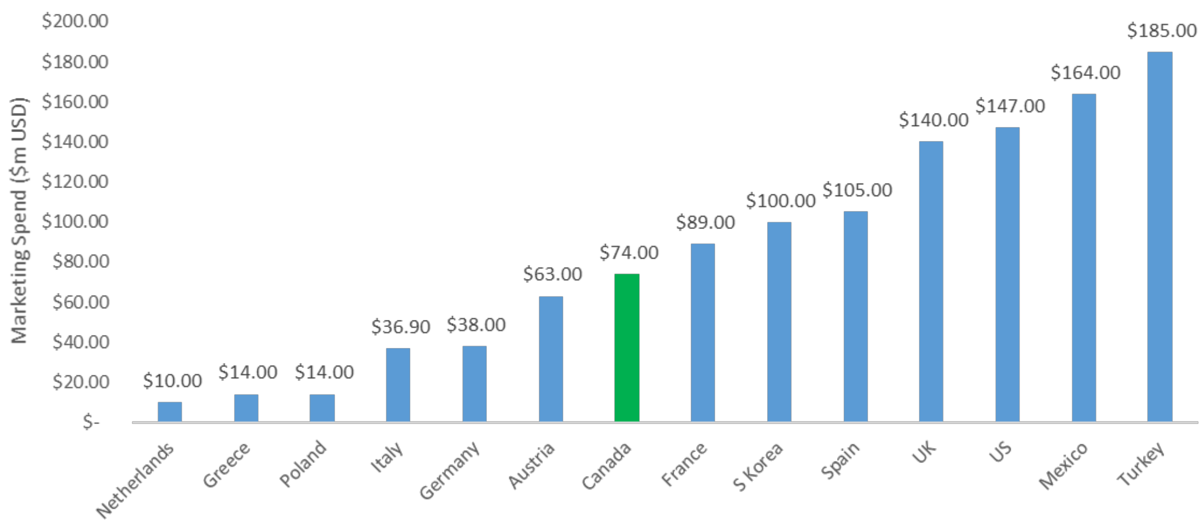
<u>Showcasing Canada – Improving Our Tourism Marketing</u>

Canadians are proud of our country, and while we hold one of the best reputations in the world, we only see about 2% of global travellers visiting Canada every year. Our domestic market is strong and makes up about 78.3% of revenues in the sector but lacks the growth potential increasing international arrivals presents. **International visitors spend more, stay longer, and are more likely to recommend Canada as a travel destination**.

In 2017, international arrivals totaled 20.8 million – outpacing the previous record set in 2002. This can be largely attributed to the work Destination Canada and industry partners across Canada have done to increase international awareness of Canada as a tourism destination.

While the tourism industry was thrilled to see DC's funding set to $95.5 million after previous budget cuts, this increase still does not put Canada at a competitive advantage compared to what other countries spend.

Marketing spend by OECD countries - 2015[1]



Sources: (1) OECD Tourism Trends and Policies – 2016

Canada overall spends less on marketing than most OECD countries that are top tourism destinations including our North American counterparts in the U.S. and Mexico. Additionally, while a lower Canadian dollar is good for tourism spending, it is bad for marketing, as our ability to advertise in crucial traditional markets like the U.S. and Europe is lower.

We want more visitors to Canada, and to do that we need our tourism marketing to shine. We believe that to remain competitive, base funding needs to be supplemented by incremental performance-based annual increases of 10%. Additionally, if base funding is raised from $95.5 million to $135 million per year, we would be spending the same as Australia on international marketing - increasing our international competitiveness. This will put us at a more competitive advantage and ensure that Destination Canada remains innovative and competitive on marketing performance.

Recommendation 3: Make Destination Canada a more competitive tourism marketing organization to ensure long-term sustainable funding by establishing a hybrid funding model with strong base funding at $135 million plus incremental annual performance increases of 10% of base funding.

A Stable Workforce - Strengthening the Backbone of the Industry through Labour Solutions

People are the backbone of the hospitality and tourism sectors. The sector creates jobs. Tourism accounts for 1.8 million jobs across Canada, and employs a high number of young people, indigenous people, and new immigrants.

Tourism businesses across Canada regularly struggle to find adequate labour to run their businesses, especially in remote areas or for businesses that have growing shoulder seasons when students are not available to work. These labour shortages are leading many businesses to struggle to operate at capacity, despite increased demand for services.

The industry is working very hard to remedy chronic labour shortages. The new government of Canada immigration targets for 2018 to 2020 will also assist in filling a portion of the projected shortfall in available labour for tourism and hospitality. Still, more action is required to address the remaining gap. While these targets could fill nearly 85,000 of the projected 145,469 jobs shortfall between 2018 and 2035, nearly 60,000 jobs are projected to go unstaffed—jobs that could contribute greatly to Canada's GDP.

This issue is exacerbated by a skills gap, low public opinion of service-level jobs, the government's categorization of most tourism jobs as 'low-skill', and the use of broad economic regions that make foreign recruitment inaccessible because of unemployment in unrelated 'high-skill' sectors.

In addition to labour supply issues, the industry acknowledges the need to adopt business practices that welcome more international visitors. Availability of skills training specific to tourism, including market readiness and capacity-building programming, needs to be prioritized so that businesses can adapt to a larger international client base. Many federal workforce development programs focus on skills that do not apply to the tourism sector.

<u>Recommendation 4</u>: The government of Canada use industry labour need as the main determiner to access all immigration streams, regardless of skill level. This includes permanent immigration and temporary labour solutions that meet the skills needs of the sector and regional labour markets.

<u>Recommendation 5</u>: Invest in skills/capacity building and employment bridging programs by prioritizing the tourism sector in ESDC and IRCC programming and by promoting tourism career options/ training to under represented labour pools such as Indigenous youth and people with disabilities.

<u>**Working Together: Adopting Best-Practices and a 'Whole of Government' Approach to Tourism Policy**</u>

In October 2017, the OECD held a conference discussing tourism policies for sustainable and inclusive growth in OECD countries. A top takeaway for governments was the concept of adopting the motto "every minister is the Minister of Tourism". Linking tourism to the government's broader policy agenda is essential to the success of the New Tourism Vision, but this has not been the practice.

As stated in the OECD's issue paper of fostering this approach, "the fragmented nature of tourism … requires multiple central government ministries and different levels of government to undertake various roles in response to political, social, environmental and technological trends affecting tourism".[2] When discussions on the environment, immigration, employment and tax reforms occur, they need to consider all sides of the tourism industry and the greater consequences of policy changes in multiple sectors. Departments working together and consulting each other, in addition to consulting industry, will create a policy environment where there is a greater positive impact on tourism growth, with fewer unintended consequences.

[2] "Fostering a Whole-of-Government Approach in Tourism" *OECD, Paris* October 2017. p.3

Recommendation 6: The government of Canada adopt a 'whole-of-government' approach to tourism that recognizes and prioritizes tourism as one of Canada's major economic drivers and job creators. Ensure systematic consultation among internal departments and the industry on policies and regulations that may impact the sector and trigger unintended consequences.

Conclusion

Canada's competitiveness relies on industries working with the government to ensure that policies set up sectors to thrive. Tourism may be doing well now, but more can be done to ensure we can move ahead of our competitors in the global tourism market. Canada's marketing campaigns, immigration policies, and both short and long-term labour needs must be put in a better competitive position to increase our share of global tourist arrivals. By working with the tourism industry and employing a whole-of-government approach to policy per OECD discussions, we can ensure that New Tourism Vision goals are met, and tourism will remain a thriving and competitive market.