



July 6, 2012

The Honourable Maxime Bernier, P.C., M.P.
Minister of State (Small Business and Tourism)
Industry Canada
235 Queen Street
Ottawa, Ontario
K1A 0H5

Dear Minister Bernier:

The Tourism Industry Association of Canada (TIAC) is pleased to respond to your invitation to develop options for a competitive and sustainably-funded tourism marketing organization in Canada. As the representative of Canada's private-sector tourism businesses, TIAC's submission reflects the concerns of tour operators, hotels, resorts and accommodations, destination marketing organizations, attractions, aviation, passenger rail, retailers, and convention centres. TIAC was guided through the process by our Board of Directors which represents the full cross-section of the industry from small enterprises to national players. We have also consulted with other industry representatives, including the Hotel Association of Canada (HAC), Provincial and Territorial Tourism Industry Associations (PTTIA) and the CTC to develop viable alternatives presented in the attached document.

Adequately funding the CTC is more crucial than ever. If the government does not act soon, Canada will fail to capitalize on the growing economic opportunities surfacing in the international tourism market. Tourism continues to grow globally; in 2011, 940 million people travelled internationally spending \$1 trillion. Canada's share of this lucrative export sector, however, continues to erode. Canada's international arrivals actually declined by -0.8% while they grew by 4.6% during the same period in the rest of the world. Additionally, the growth in international spending in Canada has become incremental.

International visitors are essential as they stay longer, and spend more, producing profitability which encourages investment in the Canadian sector. Moreover, the launch of a new international marketing campaign by the United States – a key competitor for visitors coming to this hemisphere – will aggravate this decline in international visitors to Canada, and possibly redirect investment away from Canada.

The industry cannot accept the current funding model for the CTC. The status quo will neither mitigate increasing threats to the industry nor will it help Canadian tourism enterprises take advantage of growing opportunities. The tourism industry needs a strong national marketing campaign. Research has consistently demonstrated that travellers chose "Canada" first, then subsequently decided on province, region or specific destination. The CTC's marketing campaigns have proven results and, in order to move forward, the CTC needs a solid, results-based budget that will allow it to penetrate more of our key inbound markets.

We understand that there are several options being proposed, and we recognize that some of these align more closely than others to the expectations expressed by our members. TIAC believes that reinvesting international visitors' GST is the strongest option.

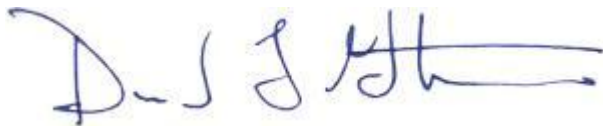
While it is true that tourism, like all sectors, has benefited from the government's policy to lower federal corporate taxes, unlike other export sectors, tourism is subject to an annual "triple dip" of taxes, fees and levies:

- User fees and levies on aviation - \$850 million
- GST on those fees and levies - \$90 million
- GST on visitor spending - \$463 million

Tourism is the only Canadian export sector that is not "zero-rated" for GST and Canada is the only G8 country with a national value added tax (VAT) that does not provide a whole or partial rebate to international travellers. The GST on visitor spending collected by the government is essentially an export tax. Reinvesting a portion of revenues from this tax into the CTC's budget would level the playing field for tourism while generating additional revenue for the government.

The launch of the government's Federal Tourism Strategy in October was welcome news to the industry. Tourism businesses across the country were especially heartened to see the government prioritize the marketing and branding of Canada in the document. On behalf of the industry, TIAC looks forward to working with the government to ensure competitive funding for Canada's national tourism marketing efforts.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. F. Goldstein", with a long horizontal stroke at the end.

David F. Goldstein
President and CEO

Attachments