

Attracting International Tourists to Benefit Canada's Regions and SMEs

Tourism is a growing industry around the world and an essential part of Canada's economy, accounting for \$84.3 billion or 4.5 per cent of national GDP in 2013.¹ Nearly ten per cent of small and medium-sized enterprises (SMEs) are in the tourism industry.² It is of serious concern, therefore, that Canada has had trouble attracting international tourists in recent years. The success of this important sector and its SME operators depends on a strong Canadian brand that it is the mandate of the Canadian Tourism Commission (CTC) to market internationally. The global tourism market place is extremely competitive with each country investing heavily to attract international tourists. Making it easier for tourists to travel to Canada is also important.

Background

The global tourism market continues to increase and is forecasted to reach 1.8 billion international tourist arrivals worldwide by 2030.³ Many jurisdictions are vying for market share because the sector 'provides significant potential for economic growth and development'.⁴

Revenue generated from international travellers represents new dollars for the Canadian economy and the primary growth opportunity for the Canadian tourism industry. According to the Tourism Industry Association of Canada (TIAC), domestic travellers spend on average \$260 per trip, while international travellers spend \$1,547 per trip on average.⁵ Dependence on the domestic market is a concern with the limited growth potential available from Canada's relatively small population. However, in 2012, 81% of Canada's tourism revenues came from the home market, leaving significant potential to expand sales to international travellers.⁶

International tourism is also associated with stronger exports more generally. According to a 2013 Deloitte report, "there are some strong links between inbound Canadian tourism and Canadian exports – and that strengthening tourism could have a positive impact on Canadian companies and Canada's economy overall."⁷

The tourism industry has special significance for Canada's remote regions as they try to offset the ups and downs of the natural resources sector. The Northwest Territories Government's Tourism 2015: New Directions for a Spectacular Future notes that "[t]here is more than gold, diamonds and gas in our land. A strong economy is built on a foundation of diversity, and individual businesses must incorporate diversity in their business planning."⁸

The barriers

The global tourism marketplace is increasingly competitive and Canada is falling behind. Between 2000 and 2012, international tourist arrivals to Canada declined from 19.6 million to 16.3 million.⁹ Canada's market share has dropped from seventh in the world in 2002 to sixteenth in 2012. This performance is at odds with Canada's renowned natural beauty, vibrant cities, unique history, and cultural attractions.

One reason for this declining competitiveness is the significant decrease in investment in tourism through cuts to the budget of the Canadian Tourism Commission (CTC), Canada's national tourism marketing agency. Attracting international tourists depends on the strength of the Canadian brand abroad. Canada's local communities and SMEs

¹ World Travel and Tourism Council: Economic Impact Report 2014.

² Small Business Financing Profiles: Small and Medium-Sized Enterprises in Tourism Industries, Small Business Branch, Industry Canada, December 2011.

³ UN World Tourism Organization - Tourism Highlights 2014 Edition, Page 2. <http://mkt.unwto.org/publication/unwto-tourism-highlights-2014-edition>

⁴ World Economic Forum, The Travel & Tourism Competitiveness Report 2009: Managing in a Time of Turbulence. https://members.weforum.org/pdf/TTCR09/TTCR09_FullReport.pdf

⁵ Ibid, page 7.

⁶ Tourism Industry Association of Canada, 2013 Annual Report, pages 6, 9. http://tiac.travel/Library/TIAC_Publications/2013_TIAC_Annual_Report_WEB_FINAL_EN.pdf

⁷ Passport to Growth: How International Arrivals Stimulate Canadian Exports, Deloitte, 2013.

⁸ Tourism 2015: New Directions for a Spectacular Future, Government of the Northwest Territories, February 2011

⁹ TIAC, 2013 Annual Report, page 11.

often do not have the capacity to market themselves outside of Canada. The CTC therefore coordinates branding and marketing activities with provincial, regional and city Destination Marketing Organizations (DMOs) and the private sector to drive visitation to Canada. The tourism industry strongly supports the CTC and the well-researched strategies it employs. In 2013, CTC produced a return on investment of 38:1 on its core marketing activities.¹⁰

Despite the proven success of the CTC, its core funding has declined by almost 50 per cent from a high of nearly \$100 million in 2001 to \$58 million in 2013/2014.¹¹ This places Canada twentieth in the world in terms of national tourism organization funding. Tourism Australia, by comparison, receives an annual base investment of \$132 million CDN from the Government of Australia.¹² The CTC's decrease in funding comes at a time when it is needed most: global tourism is growing and Canada is facing increasing competition from both traditional and exotic market entrants.

In response to these trends, the CTC has had to sharpen its strategic focus and reduce the number of long-haul countries where it targets high-yield travellers. For example, the CTC no longer invests in consumer marketing in the United States. While the CTC is producing excellent, cost-effective business results in markets where it continues to have a presence, it's unlikely to be enough for Canada to achieve its stated goal of \$100 billion in tourism revenues by 2015.¹³ Additional investment in tourism by increasing the CTC's budget would provide the long-term stability needed to enhance its marketing and sales strategies, encourage further partner contributions, and implement phased campaigns that would help meet the national tourism revenue target.

Another barrier to attracting international tourists comes from federal policies that make it difficult to travel to Canada. In 2009, for instance, Canada imposed visa requirements on Mexican nationals at a time when the market was already under stress from the global recession. From 2002 to 2011, travel from Mexico dropped by 18 per cent.¹⁴ Air access continues to be problematic too. Under the auspices of Canada's 2006 Blue Skies Policy, Canada has signed a number of new international agreements that enhance air services between Canada and other countries. However, as outlined in a 2013 Canadian Chamber policy resolution, "Improving Air Access for the Benefit of the National Economy", Canada continues to lag other jurisdictions when it comes to more liberal 'open skies' agreements.

The way forward

Canada urgently needs to take action to improve its attractiveness as an international tourist destination. Expanded investment in tourism marketing abroad and improved access for international travellers will help Canada's regions and SMEs compete on an even footing with other markets.

Recommendations

That the federal government:

1. Increase the CTC's budget to \$120 million in the 2015/16 budget cycle.
2. Review the market efficiencies between the Canadian Tourism Commission, provincial/territorial and local/regional organizations in order to maximize the returns on total funds invested.
3. Move the Canadian Tourism Commission from Industry to Foreign Affairs, Trade and Development to ensure a better focus on tourism as an export commodity.
4. Continue to enhance access for foreign visitors through improvements to Canada's visa system and by aggressively pursuing mutually beneficial liberalized air agreements.

¹⁰ Canadian Tourism Commission, 2013 Annual Report, page 23.

¹¹ Canadian Tourism Commission, 2013 Annual Report, page 53. http://en-corporate.canada.travel/sites/default/files/pdf/Corporate_reports/final_2013_annual_report_en.pdf

¹² Tourism Australia, 2013 Annual Report, page 90.

http://www.tourism.australia.com/documents/corporate/TACA7893_AnnualReport_2012_13.pdf

¹³ In September 2009, Canada's federal, provincial and territorial tourism ministers set a new national tourism revenue target of \$100 billion by 2015, representing an increase of approximately \$29 billion over 2009 revenue.

¹⁴ Destination BC, Visitor Market Profile – Mexico, July 2012. http://www.destinationbc.ca/getattachment/Research/Research-by-Market/North-America/Mexico_Market_Profile_2012.pdf.aspx