

Policy Priorities

The Federal Government needs to recognize that air travel is an enabler and driver of the economic prosperity of Canada.

It is a source of earnings, taxation revenue, jobs and investment opportunities for destinations and local economies across Canada. A more fulsome appreciation is needed within government of how air travel drives economic and financial efficiencies for a host of Canadian industries and sectors. In fact, it is long overdue that public policy works to fully leverage the power of the travel and tourism sector, unleashing its capacity to create economic activity and wealth.

A strategy should be developed that will advance the competitiveness of Canada's travel and tourism industries.

At the outset, we propose the formation of a joint multi-departmental and private industry taskforce. The taskforce would provide a forum for close consultation and collaboration between government and industry and would result in the publication of a "White Paper." Its purpose would be to inaugurate a high-level public discussion about the critical role that aviation and tourism will play in the Canada of the twenty-first century. It might begin with a root and branch analysis of the cost structure facing airlines, airport authorities, tour operators and others in the Canadian travel sector. It would also seek ways to improve the movement, processing and security screening of travellers and passengers.

The Federal Government should be proactive and diligent in negotiating liberalized bilateral air transport agreements, as per the Blue Sky policy framework.

When determining negotiating priorities the Federal Government should consult with relevant aviation and tourism stakeholders across the country.

A Few Key Facts

- ◇ Tourism is a \$74.9 billion sector which makes it bigger than many of Canada's traditional resource sectors.
- ◇ Approximately 30 cents of every tourism dollar spent in Canada contributes to tax revenues, resulting in \$19.7 billion in revenue for all levels of government in 2007 and a federal share of \$9.4 billion.
- ◇ Canada's four largest airline companies – Air Canada, West Jet, Transat and Jazz – together employ 43,100 full-time staff and transport 60 million passengers annually.
- ◇ In day to day operations, Canadian airports create more than \$45 billion in economic activity in the communities they serve.
- ◇ More than 200,000 jobs are directly associated with Canada's airports, generating a payroll of more than \$8 billion annually.
- ◇ In 2008, the 8,356 hotel and lodging properties in Canada possessed 446,318 rooms and employed 378,000 employees.
- ◇ In 2008, Canadian hotels generated \$18.8 billion in National Accommodation Revenue.
- ◇ In the World Economic Forum's (WEF) Travel and Tourism Competitiveness Report 2008, Canada is ranked 122 out of 130 countries on the specific index of Ticket Taxes and Airport Charges. This makes Canada the 8th most expensive jurisdiction in the world.

For more information, please contact one of the following partner organizations:

Canadian Airports Council
www.cacairports.ca

Canadian Association of Tour Operators
www.cato.ca

Hotel Association of Canada
www.hotelassociation.ca

International Air Transport Association - Canada
www.iata.org

National Airlines Council of Canada
www.airlinecouncil.ca

Tourism Industry Association of Canada
www.tiac.travel

Flight Plan for Canada

A Strategic Blueprint for Travel and Tourism in the 21st Century

Who We Are

Industry associations representing airlines, tourism businesses, airports, hotels and tour operators which have come together as a coalition to develop a 21st century strategic vision and plan for the travel and tourism sectors.



Our Purpose

To demonstrate the importance of the travel and tourism industry to Canada's economic well-being and social fabric, as well as to engage thereafter with government stakeholders to establish sound public policy platforms to successfully meet the challenges of a highly competitive global marketplace going forward.

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Situational Analysis

The travel and tourism industries are traversing extremely challenging times. Business and leisure travel are both suffering and this had negative impacts on airline load factors, hotel occupancy rates and yields for most operators. The downturn is a global phenomenon and is further proof that, when times get tough, travel is a discretionary item that can be easily cut back or reduced through teleconferencing and what leisure travel experts are terming "staycations."

But while it may be tempting to explain away some of the current downturn in the fortunes of Canada's aviation and tourism sectors by the present international financial crisis, there are more deep-seated, structural and longer-term problems facing our industry that owe to federal public policy towards air transport.

In the Federal Budget of January 2009 a number of strategic investments were made in tourism which the industry gratefully acknowledges. Investments in Canada's parks and historic sites, marquee festivals & events, funds destined for promoting Canada in emerging markets, and improvements in Canada's land border infrastructure are all welcome and helpful. They should improve the overall experience and animation of the tourism product that Canada offers to visitors and guests once they are here.

However, the issue of the cost structure facing travellers who wish to visit Canada or travel within it has been left unaddressed. The attractiveness and competitiveness of Canada as a business and tourism destination is greatly affected by the myriad tax, infrastructure, regulatory and cost-recovery policies that successive Canadian governments have developed and implemented for the aviation sector. In our view, the combined impact of these policy decisions over the last fifteen years has been highly counterproductive to the health, economic well-being and financial viability of travel and tourism.

The major financial challenges facing Canada's air transport sector for the second time in six years, coupled with the astronomical rise in our national travel deficit (-\$12.6 Billion and growing), is eloquent testimony to the fact that something is deeply flawed in the policies that govern our visitor economy. A lack of growth, retained earnings, and investment in new tourism product has left many Canadian travel and tour operator companies in a precarious position. Canadian resort destinations have experienced a tough 2008/09 winter season. In recent weeks, major U.S. cruise ship companies have withdrawn Alaskan cruise embarkations from Vancouver and relocated them to Seattle citing, amongst other things, the high costs of air travel to Canada.

It is worth reminding ourselves that Canada is both a geographically large country and a long-haul destination. Our future as a tourist destination therefore relies heavily on airline transportation. The Canadian Tourism Commission markets to potential visitors around the world, yet the costs of both getting here and moving around once here, remain a sizable hindrance to travellers and businesses alike. In an era characterized by falling in-bound visitation from our traditional U.S. market and the emergence of exotic new destinations globally, every effort must be made to ensure that Canada remains a world-class tourism, travel and business destination.

Air transport companies, airports, tour operators, hotels, and meeting & convention facilities are all economic enablers and drivers for Canada as a business and leisure destination. Historically, this has never been publicly acknowledged or understood by governments in Canada. Instead, the businesses that make up the travel and aviation sectors have seen an estimated just under \$1 billion siphoned off annually by public authorities in the form of taxes, fees, levies and rents. These various taxes hamper our global competitiveness and inhibit our ability to reinvest. Whether they are ground rents, excise taxes on fuel, air traveller security charges, or air traffic control fees, all of the on-balance sheet costs facing aviation companies and tour

operators have grown exorbitantly and unsustainably in the last decade. This unfortunate reality has been recognized by international bodies such as the World Economic Forum and the International Air Transport Association in several critical reports in recent years.

Government should take an honest look at the impact of the user-pay policies and economic rents that have proliferated following its decision to vacate the travel and transportation field fifteen years ago. Existing gateway, security and taxation policies for the travel and tourism sectors are not promoting the efficiencies and cost competitiveness that our sector needs to flourish. We confront a highly competitive world where other governments are actively financing and subsidizing travel and tourism infrastructure. In the U.S. for instance, airports are heavily subsidized by local and federal governments resulting in a lower overall cost structure and the provision of lower landing and terminal fees.

Tourists also rely on the existence of a competitive air carrier system that provides competitive pricing of non-stop direct and connecting flights from our target tourism markets. However, travel to Canada from many of our priority overseas markets is constrained by limitations on the ability of both domestic and foreign carriers to service those markets. This hinders the development of new services and leads to higher average ticket prices and lower traveler volumes.

Bottom Line

The Federal Government must choose to be part of a durable fix to the economic woes of the airline sector and to position the travel and tourism industries for more sustainable and robust growth in the years ahead. As a major stakeholder in the visitor economy through its ownership of the National Parks & Historic Sites and the national museums, the Government of Canada has a vested interest in ensuring Canada is a global destination of choice in the years ahead.