

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 \$127.3 billion or 6.3 per cent of national GDP in 2016.¹ 99.9% of Canada's tourism businesses are SME's.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 Destination Canada 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. Domestic travellers spend on average \$149 per trip, while international travellers spend \$1,651 per trip on average.⁵ Dependence on the domestic market is a concern given the limited growth potential available from Canada's relatively small population. In 2012, 81% of Canada's tourism revenues came from the home market, leaving significant potential to expand sales to international travellers.⁶

The Barriers

The global tourism marketplace is increasingly competitive. Despite increases in tourist arrivals in 2015, Canada's market share has dropped from 8th in 2000 to 18th in 2015 for overall visitation globally, and the travel deficit will continue to weaken if some key gaps are not addressed.⁷ We've seen year-over-year visitation declines for six of the past ten years when the aggregate global change in visitation only declined once in 2009.⁸ This performance is at odds with Canada's renowned natural beauty, vibrant cities, unique history, and cultural attractions.

One reason for this marked decline in competitiveness was the significant decrease in investment in tourism through cuts to the budget of the former Canadian Tourism Commission (CTC), now Destination Canada. Attracting international tourists depends on the strength of the Canadian brand abroad, but Canada's local communities and SMEs often do not have the capacity to market themselves outside of Canada. Destination Canada therefore coordinates branding and marketing activities with provincial/territorial, regional and municipal Destination Marketing Organizations (DMOs) and the private sector to drive visitation to Canada. The tourism industry strongly supports Destination Canada and the well-researched strategies it employs. In 2013, the CTC produced a return on investment of 38:1 on its core marketing activities.⁹

¹ World Travel and Tourism Council: Economic Impact 2017 Canada. <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2017/canada2017.pdf>

² SME Profile: Tourism Industries in Canada, March 2015, Small Business Branch Research and Analysis Directorate, Industry Canada

[https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SMEPTIC-PPMEITC_2015_eng-V2.pdf/\\$file/SMEPTIC-PPMEITC_2015_eng-V2.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SMEPTIC-PPMEITC_2015_eng-V2.pdf/$file/SMEPTIC-PPMEITC_2015_eng-V2.pdf).

³ UN World Tourism Organization - Tourism Highlights 2014 Edition, Page 2. <http://mkt.unwto.org/publication/unwto-tourismhighlights-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 <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=4260025&pattern=&stByVal=1&p1=1&p2=31&tabMode=dataTable&csid=>. and Tourism Industry Association of Canada (TIAC), 2016 Annual Report, page 28

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 TIAC, 2016 Annual Report, page 11.

⁸ TIAC, 2017 Annual Report, page 12.

⁹ Canadian Tourism Commission, 2013 Annual Report, page 23.

Despite the proven success of tourism marketing, the CTC's core funding declined by almost 50 per cent from a high of nearly \$100 million in 2001 to \$58 million in 2013/2014.¹⁰ This has since improved, with Budget 2016 proposing to provide \$50 million to Destination Canada over two years starting in 2016-2018. Budget 2017 also made temporary funding of \$37.5 million permanent starting in 2018-2019. Yet funding for Destination Canada has not been restored to the CTC's 2001 levels at a time when international tourism is growing and Canada is facing increased competition from both traditional and exotic market entrants.

The gradual restoration of funding may be starting to pay off already. Canada's travel deficit shrunk in 2015 for the first time in over a decade (the travel deficit reflects the difference between spending by Canadians outside the country and spending by international visitors to Canada).¹¹ Additional investment in tourism by increasing the Destination Canada'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.

The Way Forward

Canada urgently needs to continue taking action to improve its attractiveness as an international tourist destination. Expanded investment in tourism marketing abroad will help Canada's regions and SMEs compete on an even footing with other markets. Furthermore, given the natural alignment between Destination Canada and Global Affairs Canada's (GAC) globally-oriented mandates, Destination Canada should be moved from Innovation, Science and Economic Development Canada (ISED) to GAC as a means to maximize international marketing results.

Recommendations

That the federal government:

1. Review the market efficiencies between Destination Canada, provincial/territorial and local/regional organizations in order to maximize the returns on total funds invested.
2. Move Destination Canada from Innovation, Science and Economic Development Canada to Global Affairs Canada to ensure a better focus on tourism as an export commodity.
3. As a result of the review, establish a globally competitive tourism budget that encourages private sector investment, public private partnerships and leverages provincial/territorial, regional and local public monies invested in advancing tourism.

¹⁰ Canadian Tourism Commission, 2013 Annual Report, page 53. http://encorporate.canada.travel/sites/default/files/pdf/Corporate_reports/final_2013_annual_report_en.pdf

¹¹ TIAC, 2016 Annual Report, page 13.