

Provincial & Territorial
Tourism Industry Association
Federal Pre-Budget Submission

October 7, 2022

SUMMARY OF RECOMMENDATIONS

Attract & Retain a Sustainable Workforce

- A. Implement a comprehensive Tourism Immigration Strategy
- B. Implement an Indigenous Workforce Strategy
- C. Increase high school tourism programs
- D. Modernize post-secondary tourism programs
- E. Facilitate improved worker and student mobility
- F. Incentivize public and private investments in infrastructure
- G. Adjust policies to address employment mobility barriers
- H. Restore and expand attraction and retention programs
- I. Modernize Labour Standards Regulations and employer HR/workforce practices and supports
- J. Rationalize and prioritize government-funded training initiatives
- K. Provide THRC with ongoing financial resources of \$3.5 million per year in support of its operations and lead role in tackling labour force issues in partnership with government

Improve Access for Visitors to & Within Canada

- L. Streamline and facilitate more efficient access across our borders, including specific initiatives to modernize digital documentation processes for travellers in line with best practices internationally
- M. Reintroduce a visitor's tax rebate

Develop & Promote Tourism Assets

- N. Support for the maintenance, creation, and refurbishment of tourism assets in the form of loans, loan guarantees, contributions, grants, and tax credits
- O. Targeted support for the creation and development of assets in the Indigenous tourism sector

Build a Regenerative & Inclusive Tourism Industry

- P. Invest in regenerative tourism and lead and create tourism-specific grant programs for new sustainable projects and retrofits for tourism businesses across the country

CONTEXT

In the years leading up to the pandemic, total tourism spending in Canada had grown significantly, hitting a high-water mark of \$105B by early 2020. However, COVID-19 changed all that. A year later, tourism spending had dropped by half, down to just over \$53 billion, with domestic spending down by 40% and international spending down by 87%.

As one of Canada's pre-eminent job creators and employers of youth, tourism accounted for 748,000 direct jobs and supported just over 2 million prior to 2020. One out of every 10 workers in Canada had a job related to tourism. The pandemic wrought the decimation of tourism labour supply with the number of direct jobs decreasing by close to 30%, a decline of 533,000, with all related jobs dropping by 23% to 1.6 million.

While the industry benefitted from a strong summer season, we now face a myriad of new challenges to deal with from supply chain disruptions, rapid inflationary pressures, and interest rate escalations. Combined, these issues may well impede the time it takes to recover and, if not handled appropriately, may provide competing international markets with opportunities to court Canadian-bound visitors and tourism-oriented investors.

TOURISM: A GROWTH-ORIENTED INDUSTRY WITH ENORMOUS UPSIDE POTENTIAL

Tourism industry activity results in significant revenue for all levels of government. Assuming we can achieve our key target of \$134 billion in total tourism spending by 2030, this would result in \$6.7 billion of annual GST revenue flowing to the federal government alone, and another roughly \$10 billion annually flowing to provincial governments.

Add to those amounts the sum of all corporate and personal income taxes payable by those in our industry, as well as property taxes to municipalities, it becomes quickly evident the high level of revenue the tourism industry generates for governments.

The Provincial & Territorial Tourism Industry Associations (PTTIA) is a pan-Canadian coalition of tourism industry advocacy associations that seeks to identify and champion the most salient issues facing the sector's recovery and growth, working in concert with the Tourism Industry Association of Canada (TIAC) and other partners such as Tourism HR Canada.

With respect to the upcoming federal budget process, the PTTIA supports the following growth objectives for Canada's tourism industry as informed by the tourism industry as a whole and advanced by the Tourism Industry Association of Canada (TIAC):

- Total tourism spending in Canada be set at \$134 billion by the end of 2030.
- Total spending in the Indigenous tourism sector be set at \$2.5 billion by the end of 2030.
- The dispersion-related targets be maintained, as was done in the 2019 strategy.
- A total labour target be set at 2.5 million workers by the end of 2030.
- Total annual international overnight visitors coming to Canada be set at 30 million by the end of 2030.
- Canada's tourism industry to place in the top 5 in the WEF Index by 2030.

BACKGROUND IN SUPPORT OF GROWTH OBJECTIVES

Destination Canada's *Outlook* report highlights the continued challenges related to labour shortages in the tourism industry. It notes that while employment in tourism has regained over 80% of the employment it lost at the peak of the pandemic, tourism is still facing persistent labour shortages. And while labour in the Canadian economy expanded by 3% in May 2022 relative to the same period in 2019, the tourism labour force still lags 9.2% below its 2019 level. This shortage represents 203,000 fewer people employed or seeking employment in the tourism sector, leaving unfilled tourism jobs and leading to significant drag on the recovery of the tourism sector.

Trends related to the number of active tourism businesses is another area for concern. Data shows that in March 2020, the number of active tourism businesses decreased to 78% of the total pre-pandemic number, while the decrease for all active Canadian businesses dropped to 89% (an 11-point difference). As we strive to return to pre-pandemic levels, tourism has not kept pace with the recovery of the business sector overall. As of March 2022, the number of active tourism businesses was 2.7% below pre-pandemic levels.

A recent survey completed by the Tourism Industry Association of Canada (TIAC) found that industry partners saw a number of areas where government intervention may be needed to assist with growth, investment and the stabilization of the tourism sector going forward. The highest priority areas were identified as: grants, tax credits, more optimal public services, repayable contributions, as well as greater access to loans/credit.

RECOMMENDATIONS & RATIONALE

The PTTIA wishes to lend its support to the four key pillars and policy targets advanced by TIAC and Tourism HR Canada in their federal tourism growth strategy submission, which is aimed at ensuring the industry can achieve its key goals by 2030. These are:

- A. Attract and Retain a Sustainable Tourism Workforce
- B. Improve Access for Visitors to and Within Canada
- C. Develop and Promote Tourism Assets
- D. Build a Regenerative and Inclusive Tourism Industry.

Pillar One: Attract and Retain a Sustainable Tourism Workforce

Provide support to Tourism HR Canada to:

- Implement a comprehensive Tourism Immigration Strategy
- Implement an Indigenous Workforce Strategy
- Increase high school tourism programs
- Modernize post-secondary tourism programs
- Facilitate improved worker and student mobility
- Incentivize public and private investments in infrastructure

Make policy, administrative and/or regulatory changes to:

- Adjust policies to address employment mobility barriers
- Restore and expand attraction and retention programs
- Modernize labour standards regulations and employer HR/workforce practices and supports
- Rationalize and prioritize government-funded training initiatives.

In support of additional efforts to attract and retain workers, the government should support the development of a domestic recruitment campaign and a specific Indigenous workforce strategy. Cost estimate: \$10 million and \$5 million per year respectively, to fully implement.

In the area of training and skills development, it is recommending to increase the number of tourism and hospitality high school programs (estimated to require \$2 million over two years), to modernize post-secondary tourism programs (estimated to require \$6 million over three years), launch comprehensive national tourism “job ready” bridging programs (estimated to cost \$25 million over three years) as well as to invest in skills development and training (estimated to cost \$6 million over three years).

With regard to worker mobility, PTTIA is recommending that tax credits be implemented for job seekers and students to relocate to another region for new employment opportunities as well as grants to subsidize employer-offered supports to employees to help cover some of the costs related to things like transportation and childcare.

Additionally, the federal government should provide a tax credit for businesses that develop specialized recruitment programs for equity seeking groups. It is also vital for government to implement an Indigenous-led workforce strategy, in partnership with the Indigenous Tourism Association of Canada.

To foster greater student and worker engagement, PTTIA recommends changes to increase flexibility in the use of the EI system to encourage worker participation and the introduction of a new program to enable student work experiences across Canada.

PTTIA also strongly supports the development of a dedicated tourism and hospitality immigration stream with a pathway to permanent residency. It is equally important that governments accelerate efforts to invest in affordable housing in close proximity to major destinations. Meeting the industry’s future economic growth goals is predicated on affordable and accessible supply of housing options that will meet the future needs of young, independent working professionals, couples, and those with families.

The above are hugely complex and challenging public policy issues to manage, however, navigating the intricacies can be made easier when working with industry partners that have access to current and relevant data and can help inform the best possible use of public monies. For this reason, PTTIA recommends that the government provide long-term, sustainable financial support to Tourism HR Canada of at least \$3.5 million per year.

Pillar Two: Improve Access for Visitors to and within Canada

We must streamline and facilitate more efficient access across our borders. This could include specific initiatives to modernize digital documentation processes for travellers in line with best practices internationally.

Going forward, PTTIA recommends that the government seek to meaningfully engage and involve key tourism industry leaders in the design and assessment of policy options, such that the proposed policies, be design, meet both the interests of the public and private sector and are deployed in a clear, easy to understand manner that ensures consumer confidence.

In the pursuit of rebuilding a strong rapport with international tourists, the PTTIA supports calls for the re-introduction of a visitor's tax rebate to create a level playing field with our international competitors who are using similar programs as a competitive advantage to attract tourism.

Pillar Three: Develop & Promote Tourism Assets

If we are to achieve our tourism goals, employment, and international competitiveness targets by 2030, a significant part of the new federal strategy must be targeted to ensuring Canada has world-class tourism assets - both updating existing assets and developing new, more competitive ones particularly in under-serviced communities.

Tourism assets in Canada will require considerable investment from both public and private sources in the future. Estimates undertaken by industry experts suggest that it would take tens of billions of dollars in new capital to fully achieve our asset goals by 2030.

PTTIA believes that support for the maintenance, creation and refurbishment of tourism assets could be allocated in a number of different forms. Ideally, it should entail a suite of financial measures with each initiative tailored to their intended purpose and objective. Support overall could involve a mix of loans, loan guarantees, contributions, grants, and tax credits.

There is also an urgent need for targeted support for the creation and development of assets in the Indigenous tourism sector.

Pillar Four: Build a Regenerative & Inclusive Tourism Industry

As the industry strives to get back to pre-pandemic levels, there is a unique opportunity to rebuild a travel and tourism industry that is more resilient, sustainable, and equitable. Canada's tourism sector needs support to enhance sustainability efforts benefitting its people, communities, economy, and the planet. Sustainable tourism development requires commitment from all relevant stakeholders.

Canada must prioritize investing in regenerative tourism. We must collaborate to define and practice regenerative principles that acknowledge tourism's role in carbon reduction. The federal government should lead and create tourism-specific grant programs for new sustainable projects and retrofits for tourism businesses across the country. Canada strives to be a place of inclusivity and opportunity for all communities. Canada's journey on the path towards National Reconciliation is another manifestation of the desire to overcome past injustices and move towards a more inclusive society.

Respectfully Submitted by the Provincial & Territorial Tourism Industry Association