



Council of
Tourism Associations
of British Columbia



COTA Federal Tourism Issues Book
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1.0 Introduction

This document provides an overview of the interests and positions of the British Columbia tourism industry with respect to policy issues that fall under the jurisdiction of the Government of Canada. The recommendations were developed over an 18-month period of research and consultation with representatives of the B.C. tourism industry, led by the Council of Tourism Associations (COTA).

1.1 COTA: Who We Are

Founded in 1993, the Council of Tourism Associations (COTA) is the industry organization representing tourism associations and operators in British Columbia. Our mission is to be an increasingly strong voice for the tourism industry through communication and involvement with our members. We represent the interests of roughly 18,000 tourism businesses, with annual revenues now in excess of \$10 billion.

The policy issues that COTA addresses affect all major sectors of the BC tourism industry, including:

- Accommodations
- Resorts and Ski Areas
- Restaurant, Food and Beverage / Cuisine Tourism
- Meetings, Incentive, Convention, and Exhibition (MICE) sector
- Adventure tourism – also known as “eco-tourism,” including such sub-sectors as whitewater rafting, heli-skiing, and sport-fishing
- Attractions and services (e.g., golf, theatre, spas, winery tours, aboriginal tourism, etc.)
- Transportation (e.g., rail, cruise)

A complete list of COTA members can be found in *Appendix A*.

1.2 Partnerships

In order to identify and promote the interests of the entire BC tourism industry, COTA partners with member sector associations, such as the BC Hotel Association, Canada West Ski Areas Association, the Wilderness Tourism Association, as well as select businesses.

COTA also collaborates with its national affiliate, the Tourism Industry Association of Canada (TIAC), on numerous issues that are national in scope, including but not limited to borders, marketing, and the GST Visitor Rebate Program. However, the B.C. tourism industry is a unique sub-set of the national industry, and thus COTA’s priorities do not always align with those of TIAC’s.

COTA also works closely with destination marketing organizations (DMOs), in order to ensure that COTA’s research, advocacy and communications tie-in with the key market



focus and destination development activities of these agencies. These organizations include the Canadian Tourism Commission, Tourism British Columbia, the the regional/community destination marketing organizations of B.C.

Finally, COTA works closely with the B.C. Ministry of Tourism, Sport and the Arts. With a mandated to sustainably grow annual tourism revenues in B.C. to \$18 billion by 2015, the priorities of the B.C. provincial government align closely with COTA's.

The B.C. provincial government has been very effective at addressing our industry's concerns in recent years, resulting in COTA's refocusing of efforts on influencing the Government of Canada to create a similarly positive environment for tourism.

2.0 Priority Federal Tourism Policy Issue Areas (2008/09)

The tourism industry addresses a number of policy areas and issues that affect its overall vitality and competitiveness that lie within the jurisdiction of the Government of Canada, in whole or in part.

The priority federal issues being actively monitored by COTA in 2008 include the following:

Air Transportation – ensuring adequate inbound capacity to BC from our priority international tourism markets, limiting excessive airline/airport fees and rents, and supporting enhanced air travel within BC.

Borders and Access Issues – addressing evolving issues related to the Western Hemisphere Travel Initiative (WHTI), and addressing general border lineup issues.

Human Resources / Labour Supply – ensuring that the BC tourism industry has an adequate supply of labour to meet mounting workforce shortages, for both skilled and unskilled workers.

Tourism Marketing – ensuring that Canada's destination marketing efforts remain competitive with other jurisdictions in the world, in order to address our country's falling ranking as an international tourism destination.

Taxation – maintaining a fair and effective taxation regime relating to tourism "export revenue" – purchases made by foreign tourists in Canada.

Crime and Public Disorder – supporting a safe and vibrant street environment for visitors, by reducing highly visible and epidemic levels of urban homelessness, open drug use and addiction, panhandling, and other forms of urban disorder.

In general, COTA believes the Government of Canada needs to recognize tourism as a priority industry sector to be supported, with rigorous and coordinated actions taken to promote its sustainable growth.



COTA Recommends that the Government of Canada:

- Immediately develop a comprehensive and integrated national tourism strategy. This strategy should have aggressive growth targets, identify barriers to growth under federal jurisdiction, monitor and evaluate performance, and incorporate principles of environmental and social sustainability into the strategic framework.

2.1 Air Transportation

Air transportation is a key component of the tourism transportation network, and is considered the most significant impediment to the growth in BC's tourism export revenue from our emerging and priority markets, particularly in Asia-Pacific. If B.C. is to become the Pacific Gateway to North America, we must do a better job of facilitating the flow of people into the province from the entire Asia-Pacific region.

There are a number of measures that can be taken to increase the effectiveness of air transportation that would support the growth of tourism in B.C. and the rest of Canada. The first step would be for the Government of Canada to consider air policy first and foremost from the perspective of the overall tourism industry, which is by far the most significant stakeholder group interested in an effective, efficient and safe air transportation regime.

2.2.1 Enhancing Inbound Air Capacity

The current status of air capacity into BC from our priority Asia Pacific markets is inadequate. Marketing organizations that promote travel to B.C. in overseas markets spend approximately \$100 million each year promoting B.C. to the world. Unfortunately, growth in these markets is constrained by protectionist and regressive bilateral agreements that limit the growth of these markets. Capacity constraints hinder the expansion of existing services, the development of new services, and lead to higher average ticket prices.

Since Transport Canada's adoption of the "Blue Sky" air policy in November 2006, there has not been a single Open Skies Agreement signed with any of the B.C. tourism industry's priority overseas markets.

The United States has roughly 80 Open Skies Agreements, in comparison with Canada's six (6).

At present, most key tourist markets for B.C., especially in Asia-Pacific but also in Latin America and Europe, have restricted access to the province. Many of the governments of these states have also expressed interest in expanding services to B.C. but are unable to because of

federal restrictions.

At present, the highest priority bilateral to be liberalized for the B.C. tourism industry is Canada's air services agreement with South Korea. This large and growing market is highly constrained at present, and presents significant growth potential in the future.



Perhaps the biggest impediment to growth in the Chinese travel market is Canada's continued lack of Approved Destination Status (ADS) with the Chinese government, preventing Canadian marketing agencies from marketing inside China. The Chinese government now has 135 ADS agreements in place with foreign states, which calls into question the ability of the Government of Canada to forge positive relations with our most important trading partners.

Another priority is with regard to facilitating Chinese travel by developing a Transit without Visa program at YVR, enabling Chinese visitors in transit to outbound destinations - primarily the United States – to transit through Canada without requiring a Visa. This would enhance inbound capacity into B.C. from China, in addition to enhancing capacity to connecting destinations, particularly in the United States.

Finally, the Government of Canada should develop an aggressive negotiation schedule to develop Open Skies Agreements with other Asian nations, including the Philippines, Taiwan, Singapore, Hong Kong, India and Thailand,

2.2.2 Additional Air Transportation Issues

Aside from liberalizing air service agreements, there are a number of other air transportation issues constraining the growth of the B.C. tourism industry.

There is a lack of investment into the air transportation sector in Canada, which limits the ability of airlines to expand and service new regions. Two of the main impediments are restrictions on foreign ownership limits for domestic airlines, and impediments to establishment of foreign-owned but domestically-domiciled carriers in Canada. Other regions that have liberalized their airline investment regimes, such as the European Union and Australia, have seen dramatic improvements in domestic capacity and a reduction in average airfares.

Canada's airport system has been rapidly evolving in recent years, and continues to face financial challenges. Airport rents charged by the federal government to the National Airport System (NAS) airports, including Vancouver International Airport (YVR), are among the highest in the world. This results in high landing fees for airlines, which in turn dissuade airports from expanding services to/from Canada, and also increases airline ticket prices for flights to/from Canadian airports.

Finally, small and regional airports in B.C. have difficulties financing the expansion of runways, terminals, and technological systems. Federal support for these expansions would enable smaller airports to enhance linkages with travel markets within and outside of B.C. – a necessary condition for their viability.

COTA Recommends that the Government of Canada:

- Involve the Canadian Secretary of State for Small Business and Tourism in all air transportation-related matters, with the intent of identifying and supporting the tourism industry's interests
- Immediately pursue Open Skies Agreements with all of BC's priority tourism markets. The first priority is an Open Skies Agreement with South Korea.
- Resolve facilitation issues with China, including Transit without Visa and Approved



Destination Status.

- Aggressively pursue additional Open Skies Agreements to support growth in the B.C. tourism industry's priority Asia-Pacific markets. Such agreements would include the Philippines, Taiwan, India, Singapore, and China.
- Adopt the right of establishment for foreign-owned but domestically-domiciled carriers
- Reduce Crown rents for NAS airports
- Expand capital assistance for non-NAS airports

2.2 Borders and Access Issues

With the continuing decline in U.S. visitation to B.C. and Canada since 2000, improving the accessibility along our southern border has become one of the key concerns of the B.C. tourism industry.

Total U.S. visitation declined by a significant 6.5% in 2006 over 2005 levels, the fifth year in a row that US visitation levels have declined over the previous year. It is anticipated that the total decline for 2007 will be greater than 5.3% over 2006. The market is not expected to begin recovering until 2009.

Despite these significant downturns in U.S. visitation, the United States still remains by far BC's largest international tourist market, with roughly 75% of our total overnight entries to B.C., resulting in approximately \$2.4 billion in visitor spending per year.

Some of the primary reasons for the decline in US visitation include:

- Strength of the Canadian Dollar – making Canada less of a bargain for American visitors;
- Uncertainty and inconvenience associated with border crossings, stemming from the Western Hemisphere Travel Initiative (WHTI), requiring a valid passport (or equivalent) for re-entry to the U.S.;
- Rising fuel prices, making road trips and air travel more costly, and particularly impacting the short-haul leisure market;
- Inconvenience and difficulty in crossing land borders, primarily due to long border lineups;
- Lack of awareness and thus interest in Canada's diverse tourism offerings; and
- Increasing competition from emerging travel destinations.

2.2.1 The Western Hemisphere Travel Initiative

The Western Hemisphere Travel Initiative (WHTI) came into effect for air crossings on January 23, 2007, and is expected to be implemented for all land and sea crossings in June 2009 or later.

Recent surveys have shown that only 34% of Americans over the age of 18 possess valid passports, in comparison with 41% of Canadians. A study completed in July 2005 by the Conference Board of Canada for the Canadian Tourism Commission forecasts



that WHTI requirements will have cost the nation 2.7 million overnight visits and the equivalent of \$1.4 billion in tourism spending between 2005 and 2008.

COTA has been one of the main proponents in the call for a delay in the implementation of WHTI requirements until an adequate mitigation strategy was put in place. Such a strategy would include a comprehensive communications plan, adequate numbers of customs officials trained with new border crossing technologies, and inexpensive alternatives to the passport, such as enhanced driver's licenses (EDLs) that satisfy the WHTI documentation requirements.

2.2.2 Border Crossing Delays and Inconvenience

An issue of rapidly mounting concern is the length of time it takes for passengers to physically cross the land borders.

COTA has worked with external partners and government on initiatives to improve the border-crossing process for the majority of travellers who are low-risk, including through the ongoing enhancement and expansion of the NEXUS program. COTA has also participated on the BC-Washington State joint working group examining other secure documentation possibilities, such as enhanced driver's licenses.

COTA also maintains that insufficient attention is paid to border crossing lineups at the land borders, particularly at the major border crossing at the Peace Arch in White Rock. COTA has received a number of complaints from its members and individual travellers, who regularly cite border delays of three or four hours. These lineups and delays are a significant deterrent to rubber tire traffic entering BC from Washington State, especially same-day travel.

Recent analyses of border wait times between 2005 and 2007 indicated that border lineups are indeed problematic and deteriorating. Peak wait times for most high travel periods regularly exceeded three or four hours.

COTA Recommends that the Government of Canada:

- Actively engage on all levels its U.S. counterparts to ensure the efficient implementation and communication of the WHTI, including the development and communication of passport alternatives such as EDLs, PASS and NEXUS cards.
- Develop and implement a plan to reduce wait times for US visitors to Canada, including the monitoring and evaluation of peak period wait times.

2.3 Human Resources / Labour Supply

The inadequacy of the BC tourism industry's supply of labour – both skilled and unskilled – is rapidly becoming one of the industry's most significant impediments.

Tourism is a labour intensive industry, and the labour supply continues to be a challenge for a number of reasons, including our aging population, declining birth rates, and a robust domestic economy with nearly full-employment – among others.



To address the worker shortage, the federal government must aggressively develop long-term strategies through a revamping of immigration policy, and take immediate short-term actions to expand the number of temporary and student foreign workers available to the BC tourism industry.

Only the Government of Canada is positioned to address the root problems of workforce shortages, particularly as we are forced to look increasingly overseas for our workforce.

COTA Recommends that the Government of Canada:

- Overhaul the permanent immigration system by restructuring the allocation of points and the required point level to emphasize the skills required for the economy (i.e. demand driven), while ensuring adequate staffing resources to support the more efficient and effective processing of applicants.
- Implement structural changes to the Employment Insurance (EI) system to encourage worker mobility from regions of high unemployment to regions of low unemployment.
- Establish more sector, industry or geographic-specific agreements that allow temporary and foreign student workers in areas where there are known labour shortages without forcing each individual employer to obtain an HRSDC Labour Market Opinion,
- Ensure adequate staffing and training of Immigration and Service Canada officials in Canada and abroad to ensure timely, consistent and transparent processing and issuing of LMO and work permits for temporary foreign workers.
- Create a single Working Holiday Program that has an easy to follow application process and where visa quotas are consistent and known, extend the Visa duration from 1 to 2 years, and remove the age restriction for applicants.
- Enhance mechanisms for specific industrial sectors to provide continuous input on labour requirements and occupations under pressure, ensuring that labour needs of specific regions and sectors are reflected in federal policy – including the BC tourism industry's need for lower skilled workers.

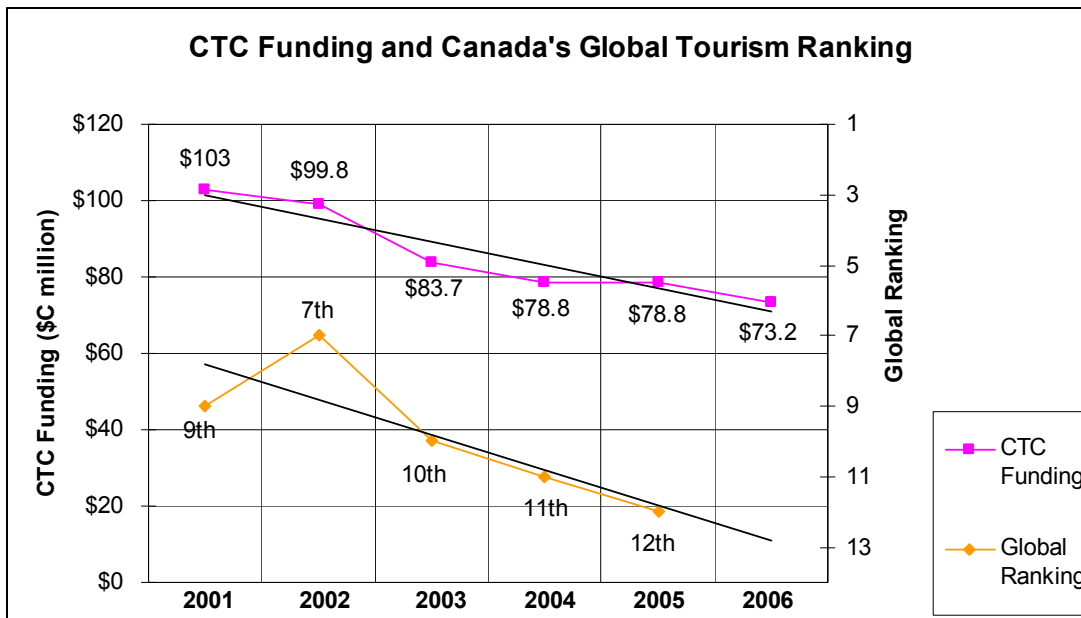
2.4 Tourism Marketing

Tourism is now the largest industry in the world, generating an estimated (US) \$5.5 trillion in economic activity, which is equivalent to approximately 10.4% of global GDP. There are now more than 750 million international travellers per year in the world.

However, the growth of the global tourism industry is accompanied by a dramatic increase in competition from international tourism destinations. Whereas the top five destination countries in 1950 combined for 71% of global tourist spending, the top five destinations in 2007 accounted for less than 33%. And whereas Canada was second in the world tourist spending in 1950, we have dropped to 12th place in the rankings, down from 7th in only 2002.



This decline in ranking corresponds with declining support for our national marketing body, the Canadian Tourism Commission. Between 2002 and 2006, funding for the Canadian Tourism Commission declined from nearly \$100 million¹ to \$73.2 million.



A 2005 study by the Tourism Industry Association of Canada (TIAC) demonstrated that CTC-led marketing initiatives often have a return on investment (ROI) of at least 10:1, with some marketing campaigns returning significantly higher benefits from marketing, such as the summer 2003 marketing campaigns for the US market (23:1) and Canadian market (47:1).

In addition, Canada's federal marketing support pales in comparison with our international competition, especially on a per capita basis. For example, two of our most direct competitors, Australia and New Zealand, have significantly higher per capita tourism marketing support than Canada.

Federal Marketing Budgets (\$C Millions - 2007)

	Canada	Australia	New Zealand
Annual Marketing Budget	\$73.2	\$154	\$50
Population (2007 est.)	33,390,141	20,434,176	4,115,771
Marketing \$ Per Capita	\$2.19	\$7.54	\$12.15

¹ While part of this funding was a one-time grant to help offset the impacts of SARS and 9-11, the overall decline and trend line analysis demonstrates the strong correlation between CTC funding and Canada's global tourism ranking. In fact, the funding supplement for 2001/02 would likely explain much of why Canada improved from 9th to 7th overall in global tourist arrivals between 2001 and 2002.



COTA recommends that the Government of Canada:

- Increase funding for the Canadian Tourism Commission to \$175 million per year, corresponding with the amount recommended by the Tourism Industry Association of Canada (TIAC) and comparable to the per capita rate of Australia's federal tourism marketing support.

2.5 Taxation

Taxation of tourism businesses and of individual tourists plays a significant role in influencing the viability of the overall industry.

COTA is encouraged by the federal government's continuing efforts to reduce the tax burden on businesses and on individual incomes in Canada. However, recent federal government decisions regarding the taxation of tourist purchases has caused significant concern among tourism representatives, and for good reason.

Tourism products and services have a high price elasticity of demand in comparison with other products and services, due to the discretionary nature of tourism purchases and the high degree of competition within the industry (the "substitution theory"). As a result of this high elasticity, even minor increases in costs can have significant impacts on the bottom lines of tourism businesses, many of which are small and medium enterprises with tight margins due to their seasonal cash flows.

When it was announced that the federal Visitor Rebate Program was slated to be cancelled for the 2007 federal budget, the tourism industry was shocked. Tourism is classified as an export industry by the OECD, the World Tourism Organization, Statistics Canada and numerous other agencies, because foreign currencies are expended in the purchasing of domestically-produced goods and services. Canada is now one of the only countries in the world that charges a value-added tax like the GST on exports.

In addition, the foreign travel market is highly competitive and highly integrated, which makes it very responsive to changes in market conditions. When it was announced that tour packages were about to be charged an additional 6%, a number of international tour providers immediately placed "stop-sell" orders on Canadian tours.

COTA and our tourism partners within BC and across Canada were encouraged by the federal government's decision to develop the Foreign Convention and Tour Incentive Program (FCTIP) in an attempt to minimize the impact on this multi-billion dollar sector of the tourism industry. However, the FCTIP's restrictions and administrative procedures make the new program a significant diminishment from its predecessor. Approximately one year after the program's implementation, confusion abounds over the program's coverage and the cumbersome administrative procedures have resulted in many, or perhaps most tour operators choosing not to utilize the program.

COTA Recommends that the Government of Canada:

- Extend the same rights to the tourism industry that are granted to other export industries, and exempt tourism exports from the Goods and Services Tax, by re-introducing the provisions of the terminated Visitor Rebate Program.



2.6 Crime, Public Disorder and Homelessness

One of the biggest threats to B.C.'s reputation as a destination is the increase – both real and perceived – in property crime, homelessness, drug addiction, and public disorder.

Some parts of B.C., particularly in the Lower Mainland but also other urban and rural centres, are suffering from a seeming epidemic of criminal activity, much of which is associated with drug addiction, mental illness, and homelessness, in addition to inadequate law enforcement and judicial remedies.

The most pressing issues from a tourism perspective are the unprecedented levels of property crime, the highly visible street disorder and drug trade, homelessness, and aggressive harassment of tourists by panhandlers.

In 2005 the *BC Safe Streets Act* was signed into law by the Government of British Columbia. This piece of legislation was designed to address the issues outlined above. While there have been some successes with this primarily “law and order” approach, especially regarding the prevalence of “squeegee” workers and panhandlers at intersections in BC, there is a growing appreciation that the problem of property crime, panhandling and public disorder requires a more comprehensive approach.

In 2006 number of recommendations were put forward by B.C.-based business groups in a joint letter to the Mayor of Vancouver, the Premier of BC, and the Prime Minister of Canada, urging the federal, provincial and local governments to address the above-mentioned problems.

The Province of British Columbia and several BC local governments have begun developing and implementing bold measures to address this escalating issue, by developing thousands of supportive housing units, implementing a wide variety of innovative drug treatment and prevention programs, enhancing policing levels, and pioneering a number of novel law enforcement and judicial strategies, such as Community Courts.

COTA applauds the federal government's 2007 budget measures to finance additional RCMP to address drug and gang-related violence. However, COTA notes that in order to address the public disorder issues mentioned above, a broader strategy must be developed to tackle the inter-related facets of drug addiction, mental health issues, homelessness, and criminality.

COTA recommends that the Government of Canada:

- Increase police resources coupled with a dedication of judicial resources focused on street level criminal activity (e.g., community courts);
- Support the provincial and local governments of BC in the provision of increased mental health services, in addition to drug treatment & prevention options;
- Partner with the provincial and local governments of BC to increase supportive housing;
- Create a funding stream to support partnership opportunities with local community/business organizations to launch crime prevention and community-building initiatives.



APPENDIX A: COTA MEMBERSHIP

Association Members		Business Members
Aboriginal Tourism British Columbia www.aboriginalbc.com	Penticton Wine Country Chamber of Commerce www.penticton.org	Accent Inns www.accentinns.com
BC Centre for Tourism Leadership and Innovation in Hospitality (604) 443-8359	Sport Fishing Institute of BC www.sportfishing.bc.ca	Ainsworth Hotspring Resort www.hotnaturally.com
BC Centre for Tourism Leadership and Innovation www.bctli.ca	Thompson Okanagan Tourism Association www.thompsonokanagan.com	BC Ferries www.bcferries.com
BC Fishing Resorts and Outfitters Association www.bcfroa.bc.ca	Tourism Abbotsford Society www.tourismabbotsford.ca	BC Pavillion Corporation www.bcpavco.com
BC Golf Association www.bcga.org	Tourism Coquitlam www.coquitlam.ca	The Butchard Gardens www.butchardgardens.com
BC Guest Ranchers Association www.bcguestranchers.com	Tourism Kamloops www.venturekamloops.com	Canadian Mountain Holidays www.cmhhike.com
BC Lodging & Campground Association www.bclca.com	Tourism Kelowna www.tourismkelowna.com	Capilano Suspension Bridge www.capbridge.com
BC Restaurant & Foodservices Association www.bcrfa.com	Tourism Prince George www.initiativespg.com	Charter Bus Lines www.charterbuslines.com
BC Hotel Association www.bchotelassociation.com	Tourism Prince Rupert www.tourismprincerupert.com	Grant Thornton www.grantthornton.com
Canada West Ski Areas Association www.skiindustry.com/cwsaa/home.cfm	Tourism Richmond www.tourismrichmond.com	Harbour Air Seaplanes www.harbour-air.bc.ca
Cariboo Chilcotin Coast Tourism Association www.landwithouthimits.com	Tourism Rockies www.bcrockies.com	Oak Bay Marine Group www.obmq.com
Cruise BC www.cruisebc.ca	Tourism Vancouver www.tourismvancouver.com	Pacific Newsgroup / Vancouver Sun & Province www.png.canwest.com
go2 www.go2hr.com	Tourism Vancouver Island www.islands.bc.ca	Vancouver International Airport Authority www.yvr.ca
Helicat Canada www.bchssoa.com	Tourism Victoria www.tourismvictoria.com	West Coast Air www.westcoastair.com
Youth Hostels International (BC Chapter)	Tourism Whistler www.tourismwhistler.com	Whistler Blackcomb Mountain Resort www.whistlerblackcomb.com
Japan Canada Travel Association (JTB) (604) 214-6205	Vancouver Coast & Mountains Tourism Region www.coastandmountains.com	
Kermodei Tourism Society (250) 635-4944	Vancouver Hotel General Managers Association (604) 662-1914	
Kootenay Rockies Tourism Association www.bcrockies.com	West Chilcotin Tourism Association www.westchilcotin.bc.ca	
Northern British Columbia Tourism Association www.nbctourism.com	Western Canada B&B Innkeepers Association www.wcbbia.com	
Northern Rockies Alaska Highway Tourism Association www.hellonorth.com	Wilderness Tourism Association www.wilderness-tourism.bc.ca	