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Canada's Tourism Economy

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CONTENTS

1	INTRODUCTION.....	1
2	THE CANADIAN TOURISM INDUSTRY: FACTS AND FIGURES.....	1
2.1	General	1
2.2	Visitors to Canada.....	1
2.3	Travel by Canadians	2
2.4	International Competitiveness.....	3
2.5	Canada–United States Tourism.....	4
3	THE ROLE OF THE FEDERAL GOVERNMENT	5
3.1	Canadian Tourism Commission.....	5
3.2	Federal Tourism Strategy	5
3.3	Budget 2014 and Other Funding.....	5
3.4	Other Government Players	6
4	LOOKING AHEAD.....	6

CANADA'S TOURISM ECONOMY

1 INTRODUCTION

Canada's tourism industry is an important contributor to Canadian economic growth. This industry – which comprises hospitality and travel services to and from Canada – is a multi-billion-dollar business that employs hundreds of thousands of Canadians. This paper provides information about Canada's tourism industry, travel patterns of visitors to and from Canada, the importance of the United States in Canada's tourism economy, and the role of the federal government.

2 THE CANADIAN TOURISM INDUSTRY: FACTS AND FIGURES

2.1 GENERAL

According to the Tourism Industry Association of Canada, “travel and tourism” includes “transportation, accommodations, food and beverage, meetings and events, and attractions,” such as festivals, historical/cultural institutions, theme parks, and nature settings.¹

The global tourism economy is valued at over \$1 trillion and produces one in every 12 jobs in the world. In 2013, global tourism accounted for over 1 billion international overnight visits, representing a 5% growth from the prior year.² In this context, Canada faces an increasingly competitive marketplace for tourism.³

In Canada, only 20% of tourism revenue (about \$16 billion) is generated from inbound visits; the remainder represents what Canadians spend on domestic and foreign tourism activities. According to the Canadian Tourism Commission, the Canadian tourism industry operates with the support of all levels of government⁴ and the participation of over 170,000 tourism businesses.⁵ In 2013, this industry:

- contributed an estimated \$84 billion⁶ to the economy, up 2% from 2012;⁷
- represented an estimated 2% of Canada's Gross Domestic Product (GDP);⁸ and
- produced 619,000 jobs, up 1.5% from 2012.⁹

It should be noted that these increases continue the trend of growth observed since 2010.¹⁰

2.2 VISITORS TO CANADA

Overnight inbound visitors to Canada have been characterized as follows:

- In 2013, Canada had 16.6 million inbound overnight visitors, up 2% from 2012;¹¹ these visitors spent \$16.4 billion, up 2.5% from the previous year.¹²

CANADA'S TOURISM ECONOMY

- The most popular provinces for international visitors in 2012 were Ontario, British Columbia and Quebec.¹³
- Emerging markets contributed strongly to the growth in tourism revenue, with, in 2013, revenue from visitors from Brazil increasing by 5.2% and visitors from China increasing by a notable 24.2%.¹⁴
- Visitors from emerging markets (e.g., Asia, South America) spend more per trip and tend to stay longer than those from Canada's traditional tourism markets (e.g., Western Europe, U.S.).¹⁵
- Tourists coming to Canada are trending younger than in previous years – the number of visitors aged 24 years and younger increased by 24% between 2011 and 2012 and represented one in five overseas visitors.¹⁶

The rise in Canada's popularity with Chinese travellers is particularly noteworthy, as China is now Canada's third largest overseas tourism source after France and the U.K. This is in part attributable to Canada's having been granted Approved Destination Status by the Chinese government; since 2010, overnight visits from China have nearly doubled to over 330,000 visitors.¹⁷

2.3 TRAVEL BY CANADIANS

In 2012, Canadians travelled to most parts of the world; however, the vast majority of outbound visits were concentrated in the United States, Mexico and Cuba, similar to visits taken in 2011.¹⁸ Table 1 shows the top 10 destinations for Canadians travelling abroad. In these 10 countries, Canadians spent over \$24.1 billion, up from \$22.5 billion in 2011, with the most spent in the United States. Total foreign outbound trips to all countries were over 32 million in 2012, a 6% increase from the previous year.¹⁹

Table 1 – Top 10 Destinations for Canadian Travellers, 2012

Destination	No. of Visits (thousands)	No. of Nights (thousands)	Amount Spent in Country Visited (C\$ millions)
United States	22,710	194,413	17,490
Mexico	1,598	17,146	1,639
Cuba	1,082	8,947	748
United Kingdom	908	10,955	1,056
Dominican Republic	766	6,704	674
France	729	9,068	942
Italy	375	3,897	480
Germany	345	3,501	311
Mainland China	314	6,445	521
Spain	245	2,615	284

Source: Table prepared by the author using data obtained from Statistics Canada, "[Travel by Canadians to foreign countries, top 15 countries visited \(2012\)](#)."

Canadians also enjoy travelling within the country, and Table 2 shows the number of trips Canadians made to various Canadian destinations in 2012, contributing to the provincial/territorial tourism economies.

Table 2 – Trips Within Canada by Canadians by Destination, 2012

Destination	Person-trips (thousands)
Ontario	126,620
Quebec	86,067
Alberta	30,942
British Columbia	28,101
Saskatchewan	12,102
Manitoba	10,009
Nova Scotia	9,785
New Brunswick	7,222
Newfoundland and Labrador	3,944
Prince Edward Island	1,344
Yukon/Northwest Territories/Nunavut	117
Total Canada	316,254

Source: Table prepared by the author using data obtained from Statistics Canada, "[Trips by Canadians in Canada, by province and territory.](#)"

2.4 INTERNATIONAL COMPETITIVENESS

According to the World Economic Forum's *Travel & Tourism Competitiveness Report 2013*, Canada ranked eighth out of 140 countries studied, up from ninth place in 2011.²⁰ Canada was found to be very strong in the areas of natural resources, number of World Heritage sites, highly qualified hotel staff, and number of international festivals and exhibitions. Notably, Canada was ranked first in terms of air transport infrastructure.

In contrast, Canada was found to be deficient in several areas, such as price competitiveness (124th)²¹ and visa requirements (106th).

Furthermore, a 2012 report prepared by the Tourism Industry Association of Canada noted that since 2000, Canada's rank as a destination for international tourism had fallen from eighth place to 18th place in 2011.²²

To help reverse this trend, the Association identified three key areas for structural change:

- **Funding:** The government's tourism marketing budget is not sufficient for Canada to be internationally competitive.
- **Access:** Various additional fees and taxes make the cost of air travel to Canada less attractive than to other jurisdictions; visa requirements are also too onerous.

- **Investment:** Canada's domestic tourism industry is not experiencing capital investment, but capital is flowing out of Canada to foreign tourism markets showing growth.²³

These assessments suggest that even though Canada is doing well in certain areas, other jurisdictions may be greatly improving their ability to attract international tourism. Changing trends in consumer preferences may also play a role in determining which destinations may be more popular than others at any particular time.

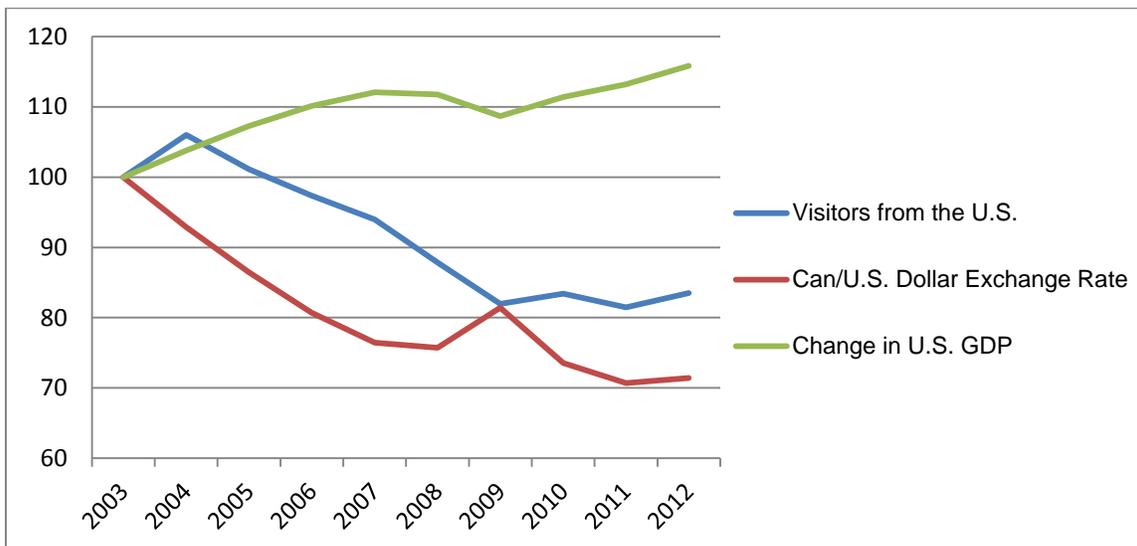
2.5 CANADA–UNITED STATES TOURISM

Given its proximity and long shared border, the United States is by far the biggest source of Canada's tourism visitors;²⁴ it is also the most visited foreign destination by Canadians.²⁵ Since 2000, the three U.S. states most visited by Canadians have been New York, Florida (where Canadians spend the most money) and Washington; over the same period, the top three U.S. states that provided Canada with the most visitors were New York, Michigan and Washington.²⁶

In 2012, inbound visits from the United States accounted for three quarters of all international visits and represented 50% of all tourism spending. Pleasure travel was the reason for 84% of these visits, with shopping and sightseeing as the primary activities undertaken by leisure travellers.²⁷

An analysis of various economic factors shows that the number of Americans travelling to Canada relates more to the Canadian/U.S. dollar exchange rate than to changes in U.S. GDP. Figure 1 compares these three factors for the years 2003–2012.

Figure 1 – Index Comparing the Number of U.S. Visits to Canada, the Canadian/U.S. Dollar Exchange Rate and the Change in U.S. Gross Domestic Product (GDP), 2003–2012 (2003 = 100)



Source: Figure prepared by the author using data obtained from Statistics Canada, "[Travellers to Canada by country of origin, top 15 countries of origin \(2012\)](#)"; the Bank of Canada, "[Annual Average Exchange Rates](#)"; and the World Bank, "[GDP growth \(annual %\)](#)."

3 THE ROLE OF THE FEDERAL GOVERNMENT

3.1 CANADIAN TOURISM COMMISSION

The Canadian Tourism Commission (CTC) is a federal Crown corporation responsible for national tourism marketing and is governed by the *Canadian Tourism Commission Act*. In 2013, CTC received \$63 million in federal appropriations, compared with \$77 million for 2012.²⁸ CTC focuses its efforts mainly on the following countries: Australia, Brazil, China, France, Germany, India, Japan, Mexico, South Korea, the United Kingdom and the United States.²⁹

Beyond its role in helping to create direct and indirect jobs (and revenue) in the Canadian tourism industry, the efficient promotion of tourism can be seen as a valuable investment in Canada's overall economy. Specifically, a 2013 Deloitte study has shown that "a rise in business or leisure travel between countries can be linked to subsequent increases in export volumes to the visitors' countries."³⁰ To that end, in 2012, CTC began to shift its focus from trying to attract additional U.S. visitors to attracting those from overseas markets who tend to spend more; for example, at \$518, the average expenditure per trip by U.S. visitors was only about one third of the average of \$1,479 spent by the visitors of the other 10 key CTC markets in 2012.³¹

3.2 FEDERAL TOURISM STRATEGY

In 2011, the federal government launched the Federal Tourism Strategy, which aims to bring all levels of government and industry together to strengthen the Canadian tourism industry. With 20 federal department and agency partners, the Strategy aims to increase tourism revenue to \$100 billion by 2015 (from its current level of \$84 billion) and to further the following four key priorities:

1. Increasing awareness of Canada as a premier tourist destination.
2. Facilitating ease of access and movement for travellers while ensuring the safety and integrity of Canada's borders.
3. Encouraging product development and investments in Canadian tourism assets and products.
4. Fostering an adequate supply of skills and labour to enhance visitor experiences through quality service and hospitality.³²

The initiative's most recent annual report (2012) states that the government is making progress on its plans to address these four key areas.³³ Noteworthy was the announcement that progress was being made with regard to advancing the Beyond the Border initiative, a joint Canada–U.S. program to enhance border security and economic competitiveness.³⁴

3.3 BUDGET 2014 AND OTHER FUNDING

Similar to recent budgets, the 2014 federal budget did not have any specific major announcements related to increased funding for tourism in general; however, it included commitments to improve transportation infrastructure in the territories

to help address various issues, including increased demand for ecotourism in Canada's North.³⁵

It should be noted, however, that in 2008–2009, the federal government invested over \$500 million in the tourism industry, to develop facilities and events, and to promote tourism. This is in addition to investments in other areas that affect tourism, such as improvements for Parks Canada and border services.³⁶

In addition, in 2013, the federal government announced funding of \$42 million to improve visa services,³⁷ an area where Canada has recently been found to be deficient.

3.4 OTHER GOVERNMENT PLAYERS

Several federal government institutions also play key roles in shaping the outcome of Canada's tourism economy. For example, the federal government is responsible for:

- airports;
- establishing ticket taxes and travel tariffs;
- providing customs and border services; and
- addressing matters related to national security.

The National Capital Commission and Parks Canada also help ensure that iconic Canadian places are protected and preserved for current and future visitors to enjoy.

Provincial and territorial governments also help develop and promote tourism in Canada.

4 LOOKING AHEAD

The Canadian tourism industry has shown steady overall growth during the past few years, strengthening its contribution to Canada's economic well-being. And although the United States continues to be Canada's biggest tourism trading partner, the federal government is shifting its focus to the more growth-oriented, lucrative emerging markets to better diversify Canada's tourism interests.

NOTES

1. Tourism Industry Association of Canada, [The Canadian Tourism Industry: A Special Report](#), Fall 2012, p. 6.
2. Canadian Tourism Commission (CTC), [Helping Tourism Businesses Prosper: 2013 Annual Report](#), 2014, p. 16.
3. Ibid., p. 17.
4. Government of Canada, *Canada's Federal Tourism Strategy: Welcoming the World*, "[Appendix – Federal Tourism Roles and Responsibilities.](#)"

5. CTC (2014), p. 16.
6. Ibid.
7. This increase is in relation to the GDP estimate provided in the previous year's annual report, CTC, [Delivering Value for Canada's Tourism Businesses Through Innovation and Efficiency: 2012 Annual Report](#), 2013, p. 2.
8. CTC (2014), p. 16.
9. Statistics Canada, Table 387-0003, "Employment generated by tourism" (Annual average 2012–2013).
10. CTC (2014), p. 16; and CTC (2013), p. 14.
11. CTC (2014), p. 17.
12. Ibid., p. 16.
13. CTC, [Tourism Snapshot: 2012 Year-in-review](#), p. 16.
14. CTC (2014), p. 26.
15. CTC, *Tourism Snapshot: 2012 Year-in-review*, pp. 9–13.
16. Ibid., "Key highlights."
17. CTC (2014), p. 26.
18. Statistics Canada, [Travel by Canadians to foreign countries, top 15 countries visited \(2012\)](#), 2013.
19. CTC, "Key highlights," *Tourism Snapshot: 2012 Year-in-review*.
20. World Economic Forum, [The Travel & Tourism Competitiveness Report 2013](#), 2013.
21. The study assessed each country's price competitiveness by examining factors "such as the extent to which goods and services in the country are more or less expensive than elsewhere (purchasing power parity) as well as airfare ticket taxes and airport charges (which can make flight tickets much more expensive), fuel price levels compared with those of other countries, taxation in the country (which can be passed through to travelers), and the relative cost of hotel accommodations." (Ibid., p. 8.)
22. Tourism Industry Association of Canada (2012), p. 15.
23. Ibid., p. 6.
24. Statistics Canada, [Travellers to Canada by country of origin, top 15 countries of origin \(2012\)](#). (See data for 2000–2012.)
25. Statistics Canada, "Travel by Canadians to foreign countries, top 15 countries visited (2012)." (See data for 2000–2012.)
26. Statistics Canada, "Travel by Canadians to the United States, top 15 states visited (2012)"; and Statistics Canada, "Travellers to Canada by United States state of origin, top 15 states of origin (2012)." (See data for 2000–2012.)
27. CTC, *Tourism Snapshot: 2012 Year-in-review*, pp. 2 and 7.
28. CTC (2014), p. 54.
29. CTC, [About the CTC](#).
30. CTC (2014), p. 8.
31. CTC (2013), p. 16.
32. Government of Canada, [Canada's Federal Tourism Strategy: Welcoming the World](#).
33. Government of Canada, [Federal Tourism Strategy Annual Report 2012](#).

34. Ibid., "[2. Facilitating ease of access and movement for travellers while ensuring the safety and integrity of Canada's borders.](#)"
35. Department of Finance, [The Road to Balance: Creating Jobs and Opportunities](#), Budget Plan, 2014, p. 153.
36. Government of Canada, *Canada's Federal Tourism Strategy: Welcoming the World*.
37. CTC (2014), p. 26.