

RESPONSE OF THE FEDERAL  
GOVERNMENT TO THE  
RECOMMENDATIONS OF THE  
CONSULTATIVE TASK FORCE ON  
THE CANADIAN TOURISM  
INDUSTRY



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CONSULTATIVE TASK FORCE  
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39053

April 1979

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## INTRODUCTION

In February 1978, Canada's First Ministers initiated a process of private sector consultations on measures to improve the performance of, and the outlook for, the manufacturing, construction and tourism sectors in the Canadian economy. Twenty-three industry task forces composed of representatives of management, labour and the academic community were formed. Provincial and territorial government representatives also participated. By August 1978, each task force had completed a series of meetings and submitted a report reflecting conditions in their industry to the Federal and Provincial Ministers of Industry and/or Tourism and to the public. These reports covered a broad range of themes and the recommendations contained in them are viewed by the federal government as important elements in the development of future industrial policies.

Following the work of the industry sector task forces, an Overview Committee was established consisting of five representatives from the Canadian Labour Congress, five from the business community, one from the academic community and a chairman from the private sector. This group worked from the task force reports, identified common viewpoints, and presented policy recommendations applicable both to the economy generally and to specific industries. The Overview Committee presented its report to Governments in October 1978.

In reviewing the prospects for industrial growth over the next number of years, the reports prepared by the industry task forces and the Overview Committee addressed two objectives in particular. The first, was to improve the competitiveness and productivity of Canadian industry. The second was to create long-term employment.

In assessing these reports, and the Government's responses, a number of themes emerge which are of particular importance and which might be viewed as providing a framework for the recommendations of business and labour as well as the responses of the federal government. These themes focus on measures to increase industrial competitiveness, especially by building on comparative advantage, the support of regional economic development goals and the enhancement of Government, business and labour cooperation.

While the substance of what has emerged from the task force and Overview Committee reports is of utmost importance, the Government believes that the emerging process of Government/private sector consultation is of equal value. In this regard, the federal government views the results of these consultations as a significant framework for evaluating existing policies and programs and for designing new ones.

As part of its commitment to the consultative process, the Government has undertaken to respond to the recommendations of each of the 23 task forces and to those of the Overview Committee. An initial Government response was released in November 1978 entitled "Action for Industrial Growth - A First Response". A specific response to the task force recommendations with respect to taxation measures was included in the Budget Papers of November 16, 1978. On February 21, 1979, the Government released its response to the forty-six recommendations made by the Overview Committee. The Government agreed with and outlined measures in relation to the overwhelming majority of these recommendations. This document, Response of the Federal Government to the Recommendations of the Consultative Task Force on the Canadian Tourism Industry, constitutes one of the twenty-three detailed federal government responses paralleling the task force reports and should be viewed as part of the ongoing consultative process.

It is recognized that the implementation of policy initiatives indicated in these responses will, in many cases, take some time and that a few other policy issues have yet to be fully addressed. The Government will, therefore, be continuing to respond to the industry task force reports. The Government also believes that continuing consultations between business, labour and Government on specific industry sector problems are a vital part of this further work. Finally, the Government recognized that in responding to the recommendations, not all participants of each task force will be satisfied. In a number of instances, dissenting reports were submitted along with or after completion of the task force report. The Government is committed to addressing all recommendations contained in these reports.

PART I

GOVERNMENT RESPONSE TO TASK FORCE RECOMMENDATIONS - AN OVERVIEW

The Tourism Industry Consultative Task Force showed a general concern with the poor economic performance of the Canadian tourism industry and what it perceived to be governments' lack of recognition of the importance of the tourism sector to the Canadian economy reflected by a tendency to overlook the impact on tourism of many governmental policies and regulations. Key areas of concern in this regard were taxation, transportation, minimum wage and labour legislation, parks policies and regulations at the national level and a complexity of regulations at all levels of government inhibiting facilities development.

The task force also charged that governments did not reinvest in relevant infrastructure a sufficient proportion of the considerable revenues yielded to them by the tourism industry.

Government legislation, policies and regulations in taxation, transportation and labour were seen as contributing unduly to the high costs and prices of tourism in Canada. The task force enjoined governments to improve the government policy and regulatory environment in which business must operate.

In taxation the task force stated that tourism was disadvantaged in two ways. Traditional attitudes, as reflected in the existing tax regimes, did not recognize or treat tourism as an integrated industry sector; the result was a compounded effect of tax burden imposed on the industry sub-sectors by all levels of government. Also the task force felt that the current tax structure in Canada failed to recognize the considerable importance of tourism to the country's balance of payments, to employment and to regional development.

In this respect task force members urged recognition of the fact that tourism was an internationally traded service sector and recommended the extension to the tourism industry of incentives currently enjoyed by manufacturing/processing industries. This would help stimulate an industry facing increasingly intensive competition from countries where this sector enjoys more favourable tax climate.

High labour costs in the industry were attributed to labour legislation governing minimum wages and statutory holidays which did not take into account the particular and varied conditions in the industry.

In transportation, government policies and regulations, particularly those related to air travel within Canada, were considered unduly restrictive and often negligent of their potential and real impact on tourism in Canada.

The task force saw this impact in terms of increased costs and prices and less than optimum availability of and access to travel services within Canada for the tourist. The task force sought two key assurances from government in this area: (1) that transport policy and regulations, prior to being decided and implemented, whether through Transport Canada or the Canadian Transport Commission (CTC), would reflect tourism considerations and consultations with representatives of the tourism industry; and (2) that application of the user-pay policy would not inflate costs (and thereby prices to the consumer) that should be borne by governments.

Government constraint on development of tourism facilities was seen primarily in the plethora of regulations, overlapping and sometimes contradictory, which existed at all levels of government, and in the uniquely conservationist emphasis of national parks policy without sufficient consideration of tourism.

The task force also focussed on areas in which both industry and governments could act. The Tourism Industry was urged to organize itself so that it could speak for the entire Canadian industry and to find its own solutions to certain of its problems such as training, prior to seeking further assistance. Government, on the other hand was enjoined to act upon four priority areas to effectively and efficiently guide private and public expenditures in tourism: (1) elaboration and maintenance of a National Tourism Plan, evolved through discussion amongst governments and the industry; (2) definition of the respective roles in tourism of governments at all levels in Canada to optimize marketing and development resources; (3) mechanisms for continuing consultation and coordination amongst governments and the industry; (4) a firm statistical base to measure the industry and its progress, provide a means of measuring the impact of tourism related policies and programs, and to give required visibility and clout.

The task force also believed it essential to focus responsibility for tourism-related matters in single departments of government as much as possible.

The Government recognizes the need to substantially modify some aspects of its current policy and regulatory framework, and commitments have been made in the government's first response to industry task force recommendations on which work is already proceeding. The Government also recognizes that despite the virtual stabilization in Canada's deficit on the international travel account, the government must now work to reduce this deficit. During 1978 the Canadian government fostered an environment favourable to the growth of Canadian tourism by: the liberalization of air travel regulations and increased availability of low cost passage on modes of transport; the joint federal-private sector development and promotion of competitively priced in-Canada travel packages, expanded in 1979; the development of tourism awareness campaigns; and the reduction by three percentage points of the federal excise tax on gasoline to lower the cost of automobile travel in Canada. The decline in the exchange rate of the Canadian dollar contributed significantly to the competitiveness of this sector.

The federal government has not been able to respond positively to all taxation recommendations. As was indicated by the budget of November 16, 1978 the question of special incentives for industrial growth is a matter which must be examined periodically in the context of forthcoming budgets and related to the national priorities at that time. However, the tourism industry benefitted from the general reduction in the November budget of the federal sales tax from 12 to 9 per cent. Also in the case of the transportation industry the Government did extend the investment tax credit, increased in that same budget from 5 to 7 per cent, to equipment in all transportation industries. This measure should provide stimulus for the necessary expansion of domestic transportation services. A further stimulus for the transportation component of the tourism industry has been the removal of the 10 per cent excise tax on the purchase of private aircraft.

The Government recognizes that the two major taxation concerns of the Tourism Industry Consultative Task Force (TICTF) will need to be carefully reviewed. However, some specific recommendations related to the accommodation and food service components of the tourism industry cannot be accepted by the Government notably those concerning the redefinition of inventory allowance and the question of federal tax rebates to offset rising municipal property tax.

The Government has made important commitments in transportation policy in recognition of its special impact on tourism in that: Transport Canada and the CTC will consult substantively with representatives of the tourist industry on all major transportation policy initiatives having a direct impact on travel in Canada; and that the user pay policy will be applied flexibly and logically but will not apply in situations of remoteness, low population density, and will take into account the maturity of the regional transportation systems and installations. Specific recommendations in regard to the latter or recent government actions that may appear to contradict these commitments are explained in the Government's detailed response to all task force recommendations.

Following the Government's commitment to consultation in November 1978, the Air Transport Committee (ATC) convened a public meeting on December 11, 1978 to review the 1978 Domestic Advance Booking Charter (ABC) program. This followed the Government's earlier decision in January 1978. There was also a public hearing on March 26, 1979 to review proposals to increase air fares on regularly scheduled flights in Canada. Studies were and are being conducted to determine how much air travel regulations could be modified in the interest of low-cost travel without adverse effects on Canadian airline industries.



Recommendations concerning labour legislation fall primarily within the provincial jurisdiction. However, the federal government will review these insofar as it is concerned together with provincial governments.

In an effort to deal with the general problem of regulatory constraints on industry development, the Government has established an Interdepartmental Committee on Government Regulation; this committee is to take into account the problems faced by tourism. As well, lengthy collaboration between the Canadian Government Office of Tourism (CGOT) and Parks Canada, has resulted in a draft of a national parks policy statement that has some bearing on tourism facilities development, and Parks Canada's participation in a national tourism strategy.

The Government is still reviewing the proposal to change the name of the Department of Industry, Trade and Commerce to Industry, Trade and Tourism. However, it does recognize the need to focus responsibility for tourism related matters as much as possible within the CGOT, and will be reviewing the resources required by CGOT to respond to the priority areas recommended by the task force.

In response to the task force's recommendation for a national tourism plan, the CGOT has, in consultation with the relevant federal departments, begun work on a federal position on a national strategy for developing and marketing tourism which will be pursued in consultation with provincial/territorial governments and the industry.

Action has been taken regarding the task force's concern for continuing consultation and coordination amongst Governments and the industry. In the interest of improved consultation with industry, CGOT has recognized the Tourism Industry Association of Canada (TIAC) as representative of the industry at the federal level. Recently CGOT has been reorganized to better acquit its responsibilities, with a unit devoted to improving coordination, whether it be federal-industry or between governments.

The Government concurs with the task force on the need to define the roles of government, and together with provincial/territorial governments, has established a federal-provincial committee at the deputy level to develop a proposal for tourism Ministers in September 1979, for a clearer definition of the roles of different levels of governments and the private sector (ie. TIAC) in tourism. This proposal, if accepted, will guide the development of a national tourism plan.

One of the main problems that will face the Government in 1979 and thereafter will be its restraint on expenditures. The CGOT's reallocation of its resources has permitted it to begin establishing a more comprehensive data base on tourism in 1979/80. This action indicates the priority assigned to a data base by the Government; however, the completion and continuation of this data base, as well as the work towards a national tourism strategy will depend on the extent to which federal and provincial/territorial resources are available. This situation may of course affect recommended improvements and expansion in specific CGOT marketing and development programs. These reservations are highlighted in the government's detailed response to task force recommendations.

These are grouped according to the responsibility areas of the seven sub-committees established by the TICTF. Transportation issues are addressed by recommendations formulated in the context of taxation and the regulatory framework.

TAXATION

DETAILED RESPONSE TO TASK FORCE RECOMMENDATIONS

SALES TAX PAID BY THE TOURISM ACCOMMODATION INDUSTRY

1. Recommendation

The accommodation operation pays taxes on tangible personal property. The hotel guest, the end user, also pays tax on his furnished room. This is an illustration of double taxation. In a number of states, furnishings are tax exempt. The Canadian accommodation industry is in need of renovation and refurbishing investment.

Recommendation

- i) Hotel furnishings be exempt from retail sales tax;
- ii) Federal sales tax be removed for three years on renovation and refurbishing items - this will stimulate industries such as furniture, textile and construction.

Government Response (Disagree)

Sub-item (i): The federal government has no jurisdiction in this area as all of the retail taxes are currently imposed by provincial governments.

Sub-item (ii): Federal sales tax applies to various equipment and furniture used in this sector. The value of services such as those rendered by the tourist industry are not, however, subject to federal sales tax. The federal system does not thus impose double taxation to which the recommendation refers. It is not the current policy of the federal government to significantly expand sales tax exemptions along the lines suggested because the revenue cost would be significant and such exemptions would effectively convert the tax into a set of selective excises applicable to only a very few products.

The reduction in the rate of tax from 12 to 9 per cent, which was proposed in the November 1978 budget, will apply to the items referred to in the recommendation and thus will have a beneficial effect on price and cost pressures in this sector.

TAX TREATMENT OF CAPITAL INVESTMENT

2. Recommendation

Taxation does not recognize the special characteristics of the accommodation sector. Frequently, the capital cost allowance write-offs are not sufficient to match real depreciation, and too often bonus allowances and fast write-offs favour manufacturing and resource industries. Incentive in this area will provide immediate stimulus to capital improvement.

Recommendation

- i) In next three years, renovation and conversion costs to existing properties be written off over two years (same as Class 29 of Manufacturing);
- ii) five per cent tax credit for investment renovations and conversions;
- iii) 15 per cent bonus valuation for next three years for renovations and conversions.

Government Response (Disagree)

Generally, the current capital cost allowance system provides for faster write-offs than would be justified by actual useful life. The depreciation rates for renovations and improvements would depend on the nature of the property. In addition, certain expenditures of this nature (e.g. re-carpeting) could well qualify as repair and maintenance expenditure eligible for immediate deductibility. The fast write-offs for manufacturing and the investment tax credit were introduced partly in response to tax changes in other countries and in response to the identified national priority to promote a strong manufacturing sector. To extend these tax measures on a broad basis would dilute the value of the incentives and result in significant revenue loss. For these reasons the Government has not moved in the direction suggested by the recommendation.

CLASSIFICATION OF CAPITAL COST ALLOWANCES

3. Recommendation

Certain assets, having shorter life, should be re-classified.

Recommendation

- i) Class 12 (100 per cent) to include housekeeping and other small equipment e.g. vacuum cleaners;
- ii) Drapes, carpets, vinyling, etc. should be amortized over four years;
- iii) Television sets and other room furnishings should be written off at 25 per cent.

Government Response (Disagree)

Currently, certain assets that are important in the industry, such as cutlery and linen, may be written off at 100 per cent. Expenditures on items such as carpeting, vinyling and draperies may

also qualify as maintenance and repair expenditures eligible for immediate deductibility. Whether an individual expenditure is eligible depends on the facts in each circumstance. However, in general, if the expenditure merely restores the original condition of the asset, if it is to repair part of a larger property (e.g. a building), and where the value of the expenditure is small relative to the total value of the property, it is more likely to be deductible as a current expense. In cases where such expenditures must be capitalized, and in the case of furniture or television sets, the CCA allowance is 20 per cent on a declining balance basis.

In general, the capital cost allowance system permits a faster write-off than would be warranted by the useful life of the asset. If, however, it can be shown, in individual cases, that current write-offs do not reflect useful life, the Government is willing to consider, in the course of the budgetary exercise, re-classification of assets.

#### INVENTORY ALLOWANCE

##### 4. Recommendation

This allowance has little benefit to the accommodation industry for the majority of real inventory is situated in guest bedrooms in the form of furnishings and equipment assets.

##### Recommendation

Definition be broadened to include room furnishings.

##### Government Response (Disagree)

The inventory allowance responds to the liquidity problems businesses experience, as a result of inflation, in replacing inventory levels that turn over more than once a year. Thus, the allowance applies to goods held for sale, and goods to be processed or incorporated into goods to be sold, and not to depreciable assets such as furnishings. The latter assets are subject to capital cost allowance at rates generally higher than that warranted by useful lives.

#### MUNICIPAL PROPERTY TAXES

##### 5. Recommendation

These constitute the third largest operating expense of the accommodation sector and are generally unaffected by the performance of the operation. In recent years, hotel revenues have been stagnant, while property taxes have increased dramatically. Canadian municipal taxes on accommodation are possibly the single greatest cost differential relative to the United States. Evidence shows Canadian operators are paying 100 per cent more than U.S. competitors of similar operations.

Recommendation

- i) Governments give a direct 25 per cent rebate of Property Taxes;
- ii) Operators be permitted to gross-up by 50 per cent municipal property taxes in order to lower income tax;
- iii) Assessment authorities to be encouraged to give greater weight to revenue or income approach to assessment.

Government Response (Disagree)

Property taxes are currently fully deductible from business income for federal income tax purposes as a cost of doing business. The federal government does not believe that it should give income tax credits or additional deductions related to property taxes paid by business. Such taxes are the responsibility of provincial-municipal jurisdictions. The Government believes that, in principle, each level of government should be fully responsible to its electors for the taxes it levies and that taxes levied by one government should not be underwritten by another level of government. The federal government is also concerned that the types of measures proposed would have a very uneven incidence across the country because of differences in provincial-municipal financing arrangements and that such measures would reduce the incentive for municipal governments to hold property taxes down.

SALES TAX ON RETAIL GOODS

6. Recommendation

Shopping is a major activity for many tourists. In the past, many U.S. visitors purchased in Canada various items perceived to be cheaper. Today most items are more expensive in Canada.

Recommendation

For the benefit of foreign visitors, an administratively easy system be set up to remove retail sales tax and where possible, Federal Sales Tax be eliminated or reduced for a number of selective items. This would stimulate retail sales and manufacturing.

Government Response (Agree in part)

While the federal sales tax has not been eliminated, it has been reduced, as stated in the November 16, 1978 Budget, from 12 per cent to 9 per cent. This reduction, rather than applying to selective items, is applicable to all goods except alcohol, tobacco and motor vehicle fuel. This measure was adopted for stimulative purposes and will have a beneficial effect on price and cost pressures. Duty-free shops now operate at international airports and foreign visitors who depart by air can thereby avoid both

federal and provincial levies. It is not the policy of the federal government to significantly broaden exemptions from federal sales tax, as suggested by the recommendation, as this would undermine the tax base and essentially convert the tax into a set of selective excises applicable to only a few products.

As to the first part of the recommendation, the federal government has no jurisdiction in the area of retail sales taxes.

#### TAX TREATMENT OF CONVENTION EXPENSE

##### 7. Recommendation

U.S. convention expense legislation, Sec. 602 of the U.S. Tax Reform Act of 1976, is affecting the Canadian tourism industry adversely.

##### Recommendation

After a given time frame, if Sec. 602 not be amended, then Canada should alter its tax regulations on conventions to make them similar to present U.S. legislation.

##### Government Response (Agree in principle)

Representations continue to be made by the Canadian Embassy in Washington to have Canada exempted from the provisions of Sec. 602. Canada has consistently regarded the provisions of Sec. 602 as discriminatory internationally and to Canada's disadvantage. It is not clear that the proposed action would be the most effective method to address the problems posed by the U.S. conventions regulations.

#### SALES TAX ON EQUIPMENT USED IN FOOD PREPARATION

##### 8. Recommendation

The food service industry is generally not regarded as manufacturing a product, even though it applies labour and capital to raw material to produce a new product. There is some inconsistency in that pizzerias, donut shops, etc. are exempt from sales tax, on their equipment and yet restaurants and others are not.

### Recommendation

For the food service industry, both Provincial and Federal Sales Tax be eliminated on equipment used in food preparation.

### Government Response (Disagree)

As a general principle, the federal sales tax does not apply to the value of output of services but rather is restricted to the sale price of manufactured goods. Service industries do pay tax on equipment used in providing the service.

It is thus necessary to distinguish between activities that consist of the provision of services and those where relatively more manufacturing is involved. As a major portion of the revenue of restaurants comes from the provision of services associated with the serving of food, they purchase their equipment on a tax paid basis.

It would not be desirable to eliminate tax on equipment used in only one part of the service sector. To generally eliminate tax on service-sector equipment would result in significant reductions in government revenues.

The activities mentioned in the recommendations, such as pizzerias and donut shops, are engaged in manufacturing a food product. Food products are not subject to federal sales tax and manufacturers of such products do not pay tax on their production equipment. These types of food products are also made by firms and sold to consumers, in a variety of forms, through retail food outlets such as supermarkets. The current treatment of pizzerias and donut shops ensures that their sales are not discriminated against relative to sales of the same products through general grocery stores and other outlets.

The reduction in the rate of federal sales tax from 12 per cent to 9 per cent proposed in the budget of November 16, 1978 will convey a significant benefit to restaurants by reducing their cost of equipment such as steam tables, dishwashers, stoves, dishes and cutlery.

## AVIATION FUEL TAX

### 9. Recommendation

Federal Sales Tax of 12 per cent applies to fuel used on domestic flights but is rebated on international flights. This encourages international flights at the expense of domestic.



Recommendation

Aviation fuel consumed in Canada be exempt from the 12 per cent Federal Sales Tax.

Government Response (Under review)

A general principle of the federal sales tax is that goods sold for consumption outside Canada are not subject to federal sales tax. This principle derives from a desire to ensure that exports of goods, which are taxable in Canada, are not hindered by the operation of the tax.

Sales of fuels for use in all travel modes in Canada are subject to the federal sales tax. Relief is extended to aviation fuels consumed in international flights because that fuel is not consumed in Canada. The Government is concerned about the anomaly that is identified in the recommendation and is currently reviewing it. It does not, however, support the proposed solution of eliminating the sales tax on aviation fuel altogether.

The Government believes that petroleum products consumed in Canada, whether motor gasoline sold for use in automobiles or aviation gasoline indirectly sold to consumers who travel by air, should bear federal sales tax. Aviation fuel enjoys a reduced tax burden from November 17, 1978 because of the reduction of the rate of federal sales tax from 12 per cent to 9 per cent effective that date. To eliminate the tax on certain forms of fuel used in Canada would introduce a bias in favour of certain forms of travel, would act counter to energy conservation goals and would result in significant reductions in federal revenues.

CAPITAL COST ALLOWANCES - NEW AIRCRAFT

10. Recommendation

Canadian investments in new aircraft over the next seven years will be in excess of \$4 billion. To stay competitive with latest innovations in speed, comfort and safety, it is necessary that incentives, allowances be granted to tourism similar to ones in manufacturing and resource industries. Recognition should be made of the extremely favourable tax treatments available in the United States towards capital investment.

Recommendation

- i) Reinstatement of 40 per cent Capital Cost Allowance on commercial air carriers, or at least provision of an allowance in excess of 25 per cent commensurate with the degree of fuel efficiency;

- ii) Extension of Federal Investment Tax Credit and extension of the definition for Inventory Allowance to air transportation;
- iii) Removal of the Capital Cost Allowance restrictions regarding the leasing of aircraft by airlines and elimination of the withholding tax on aircraft lease and loan payments to non-residents, thereby resulting in the availability of lower rental rates.

Government Response (Agree in part)

Because of the importance of transportation the November 1978 budget proposed that the investment tax credit, at a rate of 7 per cent, be extended to transportation assets including commercial aircraft. The budget also proposed that the credit continue indefinitely past its current termination date in June 1980.

The federal government considers that the CCA rate for aircraft is generous. The Canadian CCA rate on new aircraft is 25 per cent on a declining balance basis. The review of capital cost allowances in 1976 indicated that actual depreciation practices warranted a rate of only some 12 per cent. Internationally, the useful life of a commercial aircraft is generally taken to be 14 years which implies a declining balance rate of some 11 per cent. In the United States assets used in air transport attract a write-off of only some 8.3 per cent on a straight line basis. Thus, the Government does not intend to raise the CCA rate on aircraft at this time.

The purpose of the inventory allowance is to recognize the effects of inflation in distorting the measurement of inventory costs, and thus income, in an inflationary environment. The Government believes that it should not, therefore, apply to depreciable assets which are generally already subject to faster write-offs for tax purposes than would be warranted by the useful life of the asset.

Losses created by CCA on leased assets, which are in excess of rental income, are not deductible against other income. Capital cost allowances for tax purposes are often larger in early years than depreciation based on useful life. If the leasing provision were not in effect, high-marginal-rate individuals would be able to shelter personal income with CCA on leased property such as equipment and aircraft. At the corporate level, transactions would occur which would, in substance, be of a financial nature. Yet, the transactions would be drawn up in a lease form in order to give the financing corporation the benefit to deducting CCA which the person using the property could not utilize either because of tax exemptions or lack of taxable income. The Government's intention is that faster write-offs should be directed to the taxpayers most directly carrying out the intended activity. The Government does not feel that legitimate lessors are harmed by the current provisions. For these reasons the Government cannot adopt this part of the recommendation.

SPECIAL EXCISE TAX ON PURCHASE OF AIRCRAFT

11. Recommendation

Government imposed this tax to conserve fuel. It is argued that private aircraft are not high fuel-consuming vehicles and, therefore, this tax adds another cost to Canada's tourism operators who use small aircraft for fly-in fishing, hunting and tourist lodge vacations.

Recommendation

Exemption from this special tax.

Government Response (Agree)

The November 16, 1978 Budget provided for repeal of the 10 per cent Special Excise Tax on Aircraft.

AIR TRANSPORT TAX

12. Recommendation

The tax is eight per cent or maximum \$8 for domestic travel and a flat \$8 for travel outside Canada. For a visitor from the United States subject to the air tax of his own government, Canada has halved its Air Transportation Tax and has looked for similar action from the United States but without success.

Recommendation

Remove tax completely from visitors originating outside of country or reduce amount of tax internally and externally.

Government Response (Disagree)

The air transportation tax is imposed upon air travel sold in Canada, and upon departures from Canadian airports to other countries. Its purpose is to provide revenue to help pay for Canada's air transportation system including airports, navigation aids, weather surveillance, etc. The Government believes it is appropriate that the users of the Canadian air transportation system, whether residents of Canada or not, should assist in financing the costs of that system. In recognition of the double taxation of air travel that may result between Canada and the United States, the November Budget announced that the regulations would be amended to provide a reduced rate of Canadian tax in situations where the 8 per cent ad valorem tax imposed by the United States also applies.

The Government does not believe that the rates of air transport tax should be reduced. To do so would shift the costs of airport services from those who use the airports to the general taxpayers, contrary to the policy of the government.

### AIRPORT USER CHARGES

#### 13. Recommendation

In the area of user charges, concern is expressed that insufficient research has been undertaken to determine the true apportionment of cost which should be applied to the actual user compared with those costs attributed to other factors.

#### Recommendation

Recognize that there are many airports essential to communities which do not produce sufficient traffic to be self-sufficient. Therefore, Transport Canada should modify its cost recovery objectives to allow for full credit to be given to national, regional, social and economic benefits and should separate out cost attributed to direct user.

#### Government Response (Agree in principle)

In a meeting between Tourism Ministers and the Honourable Otto Lang in Ottawa on 22 November 1978 this issue was raised. Provincial Ministers expressed concern about the federal user pay policy as they perceived it. They were concerned that in application it would not reflect the different needs and circumstances of regions of Canada. They requested a clear statement. The Federal Minister explained that the policy would be applied flexibly and logically but would not apply in situations of remoteness, low population density, and would take into account the maturity of the regional transportation systems and installations.

### PASSENGER SECURITY FEE

#### 14. Recommendation

Passenger security fee of 20¢ per passenger was imposed on air carriers in 1976. Security is a state responsibility.

#### Recommendation

Burden of security should be borne by all citizens.

#### Government Response (Disagree)

The Government believes that it is reasonable to recover costs related to the provision of Civil Aviation Security from those who benefit directly from this protection.

FUEL THROUGH-PUT FEE

15. Recommendation

When fuel is provided in Transport Canada airports, Transport Canada has a lease arrangement with the distributor. Part of the lease is a through-put charge on gallonage. This through-put charge is taxed at 12 per cent Federal Sales Tax.

Recommendation

Through-put fee should be excluded from the levy of 12 per cent Federal Sales Tax.

Government Response (Disagree)

Part of the costs of a distributor in distributing fuel are any rents paid to lease the property used in the operation. This is the case whether those rents are paid to Transport Canada in the form of a through-put fee (a fee per gallon sold by the distributor at Transport Canada airports), or to a private sector owner of facilities.

Any rents for the use of facilities are part of the sale price for the fuel distributed and, as such, are properly included in the base on which federal sales tax is levied.

CAPITAL COST ALLOWANCE - MOTOR COACH TRANSPORTATION

16. Recommendation

It is important, where discriminating visitors are concerned, for motor coach companies to be competitive in having the latest equipment in safety, convenience and comfort. Currently a capital cost allowance of 30 per cent is applied to motor coach equipment. An incentive could be provided by recognition of an "economic" life rather than a depreciation value.

Recommendation

That an increase in the capital cost allowance rate be applied to transportation companies involved in the tourism industry where buses are used for sightseeing.

Government Response (Disagree)

In general, the capital cost allowance system permits a faster write-off of depreciable assets than is warranted by their economic useful life. This situation appears to apply in the case of buses. Buses and other automotive and construction equipment, are depreciable under Class 10 of the CCA provisions at 30 per cent per

year. The 1976 CCA Review indicated that 75 per cent of the assets in this class are depreciated by business at a rate of 13 per cent or less. The current 30 per cent rate thus appears more than adequate. It is not clear why sight-seeing buses should be singled out for even faster write-offs at the expense of other forms of transportation or other assets in general. For these reasons the Government does not agree with this recommendation.

#### AUTOMOBILE TRANSPORTATION - EXCISE TAX ON GASOLINE

##### 17. Recommendation

In June 1975, the federal government imposed a special excise tax of 10¢ per gallon on gasoline used for private cars and other personal uses. This tax was imposed to encourage motorists to be more efficient in their use of gasoline and to generate revenue for the oil import compensation. Of approximately 900,000 claimants eligible for a tax rebate, only 400,000 have applied, suggesting complexity in the rebate system. The automobile, important for tourism to and within Canada, accounts for approximately 80 per cent of U.S. visitors coming to Canada.

##### Recommendation

That the 10¢ per gallon excise tax on gasoline used by private motorists be removed. If necessary, an equitable 3¢ per gallon excise tax be imposed on consumption of all petroleum products to continue generating an equivalent net revenue for the oil import compensation program.

##### Government Response (Disagree)

The 10¢ a gallon special excise tax on gasoline was reduced to 7¢ a gallon effective August 26, 1978. The levy is intended to encourage conservation of gasoline in personal use. The Government believes it would be inappropriate to replace this levy with a 3¢ a gallon tax upon all petroleum products. Such a levy would fall upon home heating fuels and fuels used for commercial purposes, and would thus have undesirable effects on tax equity and on Canada's competitiveness. The Government does not believe that the refund system is complex. The claimant has merely to fill in a form, and sign a declaration. In order to ensure that smaller users are not burdened with claims, provision is made for quarterly or yearly filing for those cases where small amounts are involved.

FEDERAL SALES TAX ON CARS PURCHASED

18. Recommendation

The cost of new cars is higher in Canada than in the United States. While approximately \$100 of the differential in price is a Special Government Tax on air conditioning, much of the differential lies in the 12 per cent federal sales tax applied to the price of the Canadian cars. The addition of extra taxes applicable in Canada but not applicable in the United States, our major tourist destination competitor, makes it more expensive for tourists to rent cars in Canada due to higher initial costs, higher depreciation, higher interest charges, higher insurance, etc...

Recommendation

That exemption be obtained from the application of the Federal Sales Tax to automobiles used for car rental purposes in Canada.

Government Response (Disagree)

Automobiles purchased by car rental agencies are rented both to foreign visitors and to Canadians. Administratively, it is not possible to confine the exemption to the use of automobiles by foreign tourists only. The Government believes that it would be inappropriate to extend sales exemption to all rental cars solely to provide a benefit to those which are rented to foreign tourists.

PROMOTIONAL/ADVERTISING MATERIAL - FEDERAL SALES TAX

19. Recommendation

Where literature is shipped out of the country for promotional purposes abroad, the Federal Sales Tax does not apply. With the emphasis to retain Canadians in Canada and encourage them to explore their own country, there is merit in providing concessions or incentives in the form of tax relief which would allow greater publication of the Canadian product.

Recommendation

That all printed matter such as brochures, tariffs, etc. be exempt from the 12 per cent Federal Sales Tax.

Government Response (Disagree)

The Government does not support elimination of federal sales tax on selected items, as it causes a serious erosion of the tax base.

Promotional material shipped out of the country is not subject to the federal sales tax because of the general exemption for exports. To alter its application would be a major change in government policy in this area and would require careful consideration. A denial of the current exemption to exports of printed matter could reduce the amount of printing undertaken in Canada.



INDUSTRY DEVELOPMENT

DETAILED RESPONSE TO TASK FORCE RECOMMENDATIONS

ENVIRONMENT FOR INVESTMENT

1. Recommendation

That Governments accept the challenge to create the favourable environment which is a prerequisite to attracting the investment necessary to tourism development; accept the role of catalysts and supporters.

Government Response (Agree)

The creation of the Board of Economic Development Ministers reflects the Government's resolve in creating a favourable environment for investment by the private sector. The Government's published responses to the task force's recommendations, (Action for Industrial Growth - A First Response and Action for Industrial Growth - Continuing the Dialogue) and subsequent follow up action by the appropriate federal departments is again indicative of the federal government's intent to effect resolution to problems identified to the greatest extent possible.

LENDING COMMUNITY LIAISON

2. Recommendation

In the conviction that the recommendations in this Report re taxation and other matters, will, if implemented, improve the average Return-on-Investment in Canadian tourism enterprises, the task force is confident that with better profitability (and better management performance, too), lenders will not be hesitant about investing.

The task force thinks that it would be relevant and useful to take steps to attract the attention of the lending community to the growth potential of tourism and the industry's investment needs.

Recommendation

That the Minister of Industry, Trade and Commerce with his provincial and territorial counterparts and tourism industry leaders meet with leaders of financial institutions on a national basis, to point out tourism's impacts and prospects for accomplishing national goals, to outline Government policies in respect of tourism, to portray the opportunities for investment that the future of the industry offers, to encourage the lending community to take a greater interest in tourism, to identify the requisites of lenders for a greater flow of capital to the industry and to consider responses accordingly.

(But the task force re-iterates that a necessary preliminary is solid evidence to the lending community that Governments and the tourism industry itself are moving positively on the recommendations of this Report).

Government Response (Agree)

To the extent that resources are available, CGOT will increase its capability to deliver and coordinate programs for increasing the knowledge of the investment community and improve their availability and access to information about the tourism industry. The participation of the Minister in such a program would occur as warranted and possible.

POLICIES/PRIORITIES TO FINANCING AND INCENTIVES

3. Recommendation

That as soon as possible the Governments concerned be prepared to make known their policies and priorities as to financing assistance and taxation incentives which can favour investment in tourism-related facilities/projects (as present now or resulting from decisions as to recommendations elsewhere in this Report).

Government Response (Agree)

The federal budget of November 16, 1978 contains several measures which were among those frequently recommended by the task forces. The formulation of tax policy is an on-going process and is publicly announced through formal budget speeches and publications.

The CGOT publishes government news related to tourism and is also acting on the task force's recommendation that it communicates with the Tourism Industry Association of Canada as the focal point for the tourism industry.

4. Recommendation

That Governments treat the tourism industry the same as other industry sectors (e.g. manufacturing) in their various financial and business development assistance programs or other "help-in-kind" programs.

Government Response (Agree in part)

Through either the loan guarantee program of RDIA or through tourism sub-agreements, assistance is already available in specific service industry sectors. Loan guarantees are available to assist new commercial service projects such as the development of business offices, shipping centres, warehousing and freight handling facilities, research, recreation and convention centres.

In addition, tourism sub-agreements between DREE, other government departments and the provinces provide assistance to a very diverse range of activities related to the tourism industry, such as incentives to tourism operators, providing infrastructure in recreation areas and campsites, and assistance to handicraft industries. From the inception of the department in 1969 to the present year, DREE has made expenditures in the neighbourhood of \$140 million in activities related to strengthening the tourism industry in most of the provinces.

In view of the growth potential of the industry, continuing consideration is being given to the best ways of qualifying parts of the industries without stimulating too many applications for projects which are more properly generated by the growth of population and industry rather than by incentives.

Furthermore, changes in the Small Businesses Loans Act have made financing more readily available to tourism entrepreneurs. For example, the interest rate on loan guarantees was previously tied to the average yield of Government of Canada Bonds. Financial institutions were thus reluctant to lend money at a rate significantly lower than the market rate, regardless of risk involved. The new rate, set at one per cent above prime, has encouraged financial institutions to use the program. In addition to the SBLA, the FBDB as lender of last resort is an important source of funds. In the year ended March 31, 1978 the Federal Business Development Bank made 1,901 loans to the tourism enterprises for a total of \$109,284,000 and for an average of \$57,487 per loan.

A more comprehensive study of financing incentives and their applicability to tourism businesses will be conducted by CGOT if resources are available for this.

#### CGOT RESOURCES TO SUPPORT TOURISM DEVELOPMENT

##### 5. Recommendation

That the Department of Industry, Trade and Commerce recognize its key role as the focus of federal government responsibility for tourism and reflect that responsibility by providing appropriate resources to its Canadian Government Office of Tourism (CGOT) to allow it to be a centre with professional competence and programs supporting tourism development.

Government Response (Agree in principle)

The Government recognized the key role of CGOT in its approval of proposals for the development by CGOT of a national tourism plan and a tourism data base for the industry. The question of additional resources for this purpose is under review.

IDENTIFY TOURISM IN NAME OF INDUSTRY, TRADE AND COMMERCE

6. Recommendation

That the Honourable Jack Horner be congratulated on his declared decision to formally change the name of the department responsible for tourism, from the Department of Industry, Trade and Commerce to the Department of Industry, Trade and Tourism; that provincial and territorial governments express similar confidence and recognition of tourism, accord appropriate priorities and continuity of resources to support tourism development, in the light of their own needs and opportunities.

Government Response (Under review)

The Minister of Industry, Trade and Commerce announced his intention to recommend that the name of Department of Industry, Trade and Commerce be changed to Industry, Trade and Tourism.

ESTABLISH "EXPEDITORS"/"ADVOCATES" TO REDUCE REGULATIVE BOTTLENECKS

7. Recommendation

That each of the federal and provincial/territorial tourism departments or agencies be constituted by their Ministers to be "expeditors" and "advocates" to simplify the procedures and ensure prompt handling of applications for tourism-related projects through the appropriate governmental regulatory agencies; where bottlenecks develop, review the problems with an inter-departmental committee (such as the IDCT at federal level).

Government Response (Agree in principle)

At the federal level, the Department of Consumer and Corporate Affairs, in consultation with other concerned departments, will set out an interim work program on regulatory review for federal departments and suggest how the problems created by the shared nature of certain regulatory activity among federal departments and among federal and provincial governments should be examined. This committee will take into account the problems facing tourism.

INDUSTRY/GOVERNMENT CONSULTATION ON DEVELOPMENT

8. Recommendation

That Governments give greater recognition to the needs of better consultation with private industry on tourism development policies, strategies, priorities and ways and means of sharing in initiatives for development improvement.

Government Response (Agree)

At their November 10, 1978 Federal-Provincial Conference, Tourism Ministers agreed that TIAC would represent the industry at the national level in a new governmental/TIAC mechanism for consultation and coordination with regard to the planning and implementation of Canadian strategies for the marketing and development of tourism.

SUPPORT TO INDUSTRY ASSOCIATIONS

9. Recommendation

That Governments accept the principle that strong associations are necessary to a strong industry; that the most efficient "delivery system" to industry to accomplish most governmental objectives is through the associations. That Governments commit themselves to a system of financial support to associations appropriate to the tasks and without compromising principles.

Government Response (Agree)

The Government has noted with satisfaction the resolve of the Tourism Industry Association of Canada to become a strong and more representative voice of the tourism industry. CGOT has indicated its desire to further these ends and to respond to TIAC's desire for continuing consultation. By agreement with TIAC, it has withdrawn from direct membership in the association, but will maintain close liaison and will contribute a grant of \$50,000 per year for three years to provide tangible support to TIAC in establishing a stronger base for the Association.

FRAMEWORK POLICIES, STRATEGIES AND MECHANISMS

10. Recommendation

That the CGOT in consultation with provinces/territories and industry formulate forward-looking and country-wide tourism development policies with regional emphasis, and a basic framework which will be favourable for provinces/territories and private industry at large to undertake their own initiatives to produce a more competitive Canadian product.

Government Response (Agree)

The CGOT, in cooperation with relevant federal agencies, provincial/territorial governments and the private sector will be developing a national tourism plan, therein defining more clearly the roles and jurisdictions of governments and the private sector.

11. Recommendation

Following through, that provinces/territories and CGOT concert in enabling the provinces and territories to formulate provincial tourism development strategies (and regional strategies); further refining these again to an increased emphasis on local destination area strategies.

Government Response (Agree)

Tourism development strategies are now in place in several provinces or territories. Canada/Provincial Tourism Subsidiary Agreements under DREE General Development Agreements are furthering these strategies to the implementation stage, or are initiating funding of strategy studies where they do not exist. Development policies in this area do have a strong regional emphasis with particular stress on tourism destination zones.

12. Recommendation

That such tourism development strategies be kept as flexible as possible to respond to new opportunities; they be made the point of reference for not less than annual consultation with a view to revision, between governments and industry associations - at national, regional, provincial, territorial and local levels.

Government Response (Agree)

Acceptance of this recommendation is implicit.

FULL USE OF SUB-AGREEMENT ON TOURISM DEVELOPMENT

13. Recommendation

That the series of Canada/Province (or territory) Sub-Agreements on Tourism Development under provisions of DREE's General Development Agreements (GDAs) be utilized to the full responding to provincial/territorial needs, DREE mandates and participation by the CGOT as the representative of the federal Minister responsible for tourism. That provinces/territories recognize the importance of consultation on these with private tourism industry and move immediately to set up with key industry associations an advisory committee to review strategies, policies, priorities, forms and results of the programs (including the criteria and plan of operation of the financial incentives if any).

Government Response (Agree)

The federal and provincial governments are already making substantial use of the mechanism of the General Development Agreements (GDA), administered jointly by DREE and the province, to establish subsidiary agreements on tourism development. Such subsidiary agreements already exist with respect to New Brunswick, Nova Scotia, Newfoundland, Quebec, Manitoba, Saskatchewan, and most recently, British Columbia, where a sub-agreement involving \$50 million for tourism development was signed in October, 1978 by federal and provincial ministers. In Prince Edward Island, federal and provincial expenditures on tourism development are administered under the Comprehensive Development Plan, which functions much like a GDA. The tourism sub-agreements provide assistance to a very diverse range of activities related to the tourism industry, such as incentives to tourism operators, infrastructure in recreation areas and campsites, and assistance to handcraft industries.

Concerning the latter part of the recommendation, the CGOT has discussed plans with TIAC for fuller consultation with provincial industry associations.

CGOT STRENGTHEN INTERDEPARTMENTAL COLLABORATION

14. Recommendation

That the CGOT, as the federal focus of tourism responsibility, strengthen its collaboration with the Departments of Fisheries and Environment, Indian and Northern Affairs, National Health and Welfare, Regional Economic Expansion, Secretary of State and of Transport, bi-laterally and via a stronger Interdepartmental Committee on Tourism (IDCT), ensuring incorporation in tourism development policies and strategies of consideration of tourism-related leisure, recreation and cultural activities.

Government Response (Agree)

The CGOT is already acting to strengthen the Interdepartmental Committee on Tourism (IDCT) whose membership includes all the departments mentioned. The CGOT working with Department of Fisheries and Environment, Fitness and Amateur Sport and Parks Canada has already prepared a preliminary report on tourism-related leisure, recreation and cultural activities and how they might better be related to tourism development policies and strategies.

BETTER RELATING NATIONAL PARKS AND HISTORIC SITES WITH TOURISM DEVELOPMENT

15. Recommendation

That CGOT, in consultation with provinces/territories, work out with Parks Canada necessary strategies taking account of the important place of National Parks and Historic Sites in tourism; without compromising preservation of Canada's rich natural environment, relate these to tourism development policies and take them into account in provincial and territorial development strategies; recognize an urgency in arriving at wise decisions in the national interest which can be understood by the general public and commercial interests alike.

Government Response (Agree)

Parks Canada's 1979 draft policy statement sets the stage for significant contributions to tourism. Preliminary work has begun on Parks Canada's participation in a national tourism strategy.

DESTINATION ZONE TOURISM DEVELOPMENT STRATEGIES

16. Recommendation

That prime attention be given in provincial/territorial tourism development to a "destination zone" strategy, based on population, transportation and all-season market potential; and that the CGOT, in consultation with provinces/territories and industry give a priority to making the technology of "destination areas" and events/attractions - as proving successful in other parts of the world - more available to Canadian industry.

Government Response (Agree)

The CGOT, in cooperation with relevant federal agencies, provincial/territorial governments and the private sector will develop a national tourism strategy, therein defining more clearly the roles and jurisdictions of governments and the private sector and, identifying tourism destination zones. The strategy will be implemented to the extent resources permit.

CGOT has already worked with provinces/territories in developing provincial/territorial tourism destination strategies, with notable results in Ontario, and the Yukon particularly.



17. Recommendation

That the CGOT with a small committee from DREE, provincial/territorial representatives, FBDB, and representatives of private tourism interests study the possible needs (as emerge from a country-wide development strategy), the cost/benefits and ways and means of funding support for high priority projects in "opportunity" areas.

Government Response (Agree in principle)

The Government considers that the question of "opportunity" areas is best addressed in the context of a national tourism strategy to be developed by CGOT in cooperation with relevant federal agencies, provincial/territorial governments and the private sector.

18. Recommendation

That the CGOT with provinces/territories and industry associations review the needs for information at destinations, reception, ways and means of involving tourists in community interaction, etc.; and as findings dictate incorporate in programs - of the local community, industry and Governments.

Government Response (Agree in principle)

The CGOT proposes to establish such a program on a scale commensurate with available resources.

PRODUCTIVITY AND STANDARDS IMPROVEMENT

19. Recommendation

That the CGOT, working with provinces/territories and in close consultation with industry, develop concepts, outline a cohesive program which can reduce productivity problems to tourism-related businesses to support provincial/territorial tourism development strategies; and for delivery principally via sector associations through "self-help" member programs.

Government Response (Agree)

Many independent actions have been proceeding by action of some industry associations (for example, the TIAC Seminar in Nova Scotia - assisted by CGOT, addressed the problems of "Shrinking Profits"). The CGOT has to date, worked closely with National Advisory Committee (NAC) and Provincial Advisory Committees (PACs) for Accommodation, Food and Beverage Services to address problems of service and management training in the hospitality industries. Within the expenditure restraints dictated by annual fiscal management, CGOT will, in cooperation with provinces and industry, intensify and expand its activities for improving the productivity of the tourism industry.

STUDY GRADING SYSTEMS

20. Recommendation

That the CGOT, provincial and territorial governments and industry associations take initiatives to consider the needs, benefits and costs of a grading system of facility standards (accommodation and food service, to begin with, considering by standard sector classification) and aiming at cross-Canada uniformity.

Government Response (Agree in principle)

Most provinces have considered a grading system; some have some form in place. No joint consideration has been possible over recent months.

21. Recommendation

That the CGOT and provinces/territories, in concert with associations, assure clear information reaches industry broadly as to programs/activities of Governments which may be drawn on by tourism-related industry, directly or via their association. (For example, the details and implications of the series of measures announced over the last several months providing various assistance to small businesses).

Government Response (Agree)

The CGOT produces annually a report Federal Programs Relevant to Tourism which is widely distributed to the industry. In addition, the CGOT monthly publication Canada Tourism(e) is distributed to 4,000 industry contacts and associations. The newsletter carries information on federal government programs and activities, statistical and research data, new technology and industry news of interest to the Canadian tourism industry.

ATTRACTING INVESTMENT

22. Recommendation

That following through on Ministers' consultations with the investment community, the CGOT and provincial/territorial tourism departments undertake a progressive information program addressed to capital markets, providing facts as to tourism impacts, emerging development opportunities, etc.

Government Response (Agree in principle)

The CGOT will increase its capability to deliver and coordinate programs for increasing the knowledge of the investment community about the tourism industry as resources are made available.

23. Recommendation

That efforts be made to expand knowledge by the industry of financing assistance sources, including provincial development corporations, FBDB, SBLA; that DREE take steps (with CGOT) to increase utilization of the RDIA loan guarantee feature for tourism-related operations; that CGOT seek collaboration of other governments and private agencies, provincial development corporations, FBDB, CASE counsellors, DREE and provincial tourism financial incentives administrators, chartered banks - in working out ways of helping industry operators broadly to improve submissions for financing.

Government Response (Agree in principle)

Recently, the Government has published ABC (Assistance to Business in Canada), a unique handbook for businessmen to government programs. Additionally, the CGOT has gathered information as to specific federal and provincial programs providing financial assistance to individual tourism-related businesses (with estimated amounts made available in fiscal 1977/78). CGOT will increase its efforts to disseminate this information to the industry. To the extent that resources become available, CGOT will address the question of financing submissions.

Certain tourism related operations are eligible for assistance under the loan guarantee provisions of the Regional Development Incentives Act and under a number of incentives programs available under selected federal-provincial tourism and industrial development sub-agreements. Because DREE objectives relate to the less developed regions of Canada, sectoral support measures are not available on a national basis. But there are certainly many local instances where tourism provides a regional economic opportunity and substantial commitments have been made by DREE for tourism development under no less than 11 subsidiary agreements. Through close working relationships of DREE with the provincial governments, tourism operations are being encouraged to make use of available assistance. DREE would nonetheless be pleased to examine more specific suggestions on this point.

24. Recommendation

That the CGOT take responsibility for early distribution via associations of details of the most recent "Small Business Program" financing and tax concession assistance measures.

Government Response (Agree)

A new Small Business Policy was released by the Minister of State for Small Business in mid 1978 and included new measures to provide small entrepreneurs with positive incentives and to relieve them from long standing irritants. This has been distributed to associations.

25. Recommendation

That the Federal-Provincial CCTO Committee investigating tax and regulation incentives investigate and report as to:

- ways and means under which the regulations regarding MURBs (Multiple Unit Residential Buildings) can apply to resort condominium projects;

Present MURB legislation requires that MURBs be 80 per cent residential. The Department of National Revenue interprets the licensing of condominium bedrooms as creating a "commercial" content that makes the 80 per cent residential rule impossible to achieve in a resort condominium where bedrooms or the whole unit are rented to the public;

A simple change in interpretation by Revenue Canada would provide a major impetus to development of resort condominiums and encourage equity participation by many more Canadians in the tourist industry;

- accelerated depreciation for high priority area tourism-related facilities as is done in certain areas for a certain time to assist certain industries realize development potential in the national interest;
- legislation/regulations which might make use of the "time-sharing" concept, as a means of facilitating investment cost sharing in ownership of condominiums or "vacation" homes as part of resort accommodation facilities;
- a seasonal tax credit for tourism operations which can only function for a portion of the year. (Either relating to sales taxes or municipal);
- ways and means of providing mortgage guarantees to encourage lenders to finance sales of vacation homes;
- "capital gains" tax exemption on one's "principal residence" being extended to a vacation home, as a stimulus to tourism and to the construction industry;
- making RHOSP applicable to vacation homes;
- CM&HC lending programs and guarantees ceasing to discriminate against resort homes both in policy and practice.

Government Response (Under review)

This recommendation will be referred to the Canadian Conference of Tourism Officials (CCTO) sub-committee on taxation.

STATISTICS AND RESEARCH

26. Recommendation

That Governments place a high priority on ensuring a more comprehensive and better quality tourism data base. A regular quantitative travel survey should be funded and carried out by Statistics Canada. Motivational and qualitative studies should continue to be conducted by CGOT to determine market changes and support policy and program decision making as to tourism development.

Government Response (Agree in principle)

In 1978, the CGOT commissioned detailed surveys of the Canadian market in conjunction with Statistics Canada. A continuing series of identical quarterly surveys have been recommended and will be conducted. The feasibility of a motivational study on Canadian travel is also being studied by CGOT.

The American market is studied by means of an annual subscription to a major attitudinal and motivational study of U.S. travel (Travel Pulse), and CGOT has further initiated a series of ongoing attitudinal studies in key overseas markets.

To ensure a complete data base, CGOT in consultation with Statistics Canada has recently developed a plan for a comprehensive and continuous domestic travel survey, and improvement in the classification and collation of tourism industry data. Reallocation of CGOT resources has made possible a domestic travel survey for one year. Continuation of this survey and further implementation of the plan will depend on the resources made available, within the Government's fiscal restraint policy.

27. Recommendation

That Statistics Canada accord a high priority to continuing to improve international and domestic tourism statistics (in consultation with the CGOT, provinces/territories and industry associations) and ensure that regional data is available disaggregated at least to key zones within provinces/territories.

Government Response (Agree)

Statistics Canada has the improvement of international tourism statistics under constant review and consults closely with CGOT, provinces and industry associations in developing improved data.

Statistics Canada works closely with CGOT in developing the plans for domestic travel surveys outlined in the response to No. 26, and Statistics Canada will be responsible for the collection and collation of the field data.

TRAVEL MARKETING

DETAILED RESPONSE TO TASK FORCE RECOMMENDATIONS

1. Recommendation

That maximum utilization of existing governmental instruments be made and that closer integration of federal, provincial and territorial marketing plans be achieved through proper utilization of these instruments; for example, the Canadian Conference of Tourism Officials, the Federal-Provincial Conference of Ministers, and others which currently control regional Tourism Marketing Meetings.

2. Recommendation

That Ministers direct their officials to re-examine the existing marketing and planning process, and where necessary insist on better utilization.

Government Response (1 & 2 Agree)

The Government has carried out an examination of existing procedures. A proposal, outlining a restructuring and rescheduling of officials' meetings was developed to facilitate exchange of information and input to marketing plans; it was accepted by federal, provincial and territorial deputy heads at the 33rd Federal-Provincial Conference of Tourism Deputy Ministers of February 19, 1979. This should lead to closer integration of marketing plans and better utilization of the planning process.

3. Recommendation

That a policy be developed to facilitate a co-ordinated national approach to tourism marketing bearing in mind the federal, provincial and territorial interests. This policy must clearly define the roles of the various levels of government.

4. Recommendation

That Ministers instruct their officials to support a program co-ordinated by the CGOT to develop a fully integrated marketing image and a common theme equally reflected in Government and private sector promotions.

5. Recommendation

That responsibility be defined by Governments as to their areas of specific interest as follows:

- that the attraction of visitors to any province/territory or area be the prime responsibility of that province, territory or area.
- that promotion of travel by Canadians within Canada be a cooperative responsibility of the CGOT and the provinces and the territories on an agreed regional structure.
- that CGOT maintain the responsibility of coordinating the marketing of Canada's tourism abroad, with input from the provinces and territories to update the CGOT concerning their marketing plans and goals.

Government Response (3, 4 & 5 Under review)

Ministers at the 33rd Federal/Provincial Conference on Tourism agreed on the need for the definition of the roles of the different levels of government and instructed Federal, Provincial and Territorial deputy heads concerned with tourism to develop a proposal for referral to Ministers at the Federal-Provincial Conference on Tourism in 1979. They also agreed that the division of responsibilities in industry development and tourism marketing and the inter-relationships and objectives of federal and provincial advertising in markets abroad would be reviewed in this context.

6. Recommendation

That Governments, provincial, territorial and federal, establish within their organizations a mechanism to receive and act upon private sector input.

Government Response (Agree)

The CGOT has long had organized and regular working contact with tourism-related industries and associations, including transportation, accommodation, food service and travel trade industries. In marketing, CGOT regional offices abroad hold membership and are active in tourism-related associations. So Much to Go For, a major Canadian marketing program is a joint venture between the CGOT and industry.

More recently the CGOT has sought to further streamline and better define the private sector role in relation to Government. At the 33rd Federal-Provincial Conference on Tourism, Ministers agreed that this role should be examined and defined, and that the Tourism Industry Association of Canada serve as the focal point for industry-government relations, at the national level.



7. Recommendation

That programs be developed to capitalize more on existing local attractions and events, and to encourage and support the development of new attractions and events. (The value of attractions and events in attracting visitors to Canada and to encourage Canadians to visit other regions of their country cannot be over-emphasized. The success of the Calgary Stampede, the C.N.E., Barkerville, Stratford, Klondike Days, etc. speak for themselves.)

Government Response (Agree)

In 1978, the CGOT in cooperation with the British Columbia Festivals Association (BCAF) initiated a series of specialized seminars on visitor integration, interaction elements, and management and promotional skills to develop a local capability for attracting tourists. The results of this pilot project were sufficiently beneficial to encourage the federal government to consider a program of seminars, covering all provinces and territories in the near future.

The development of new attractions is made possible through CGOT participation where DREE tourism sub-agreements with provinces exist.

8. Recommendation

That promotional programs directed at attracting U.S. visitors to Canada, primarily automobile traffic, be strengthened, and that the initial goal should be to extend the length of stay in Canada by one extra day. (It is estimated that if current visitors to Canada stayed one extra day, the travel deficit could be reduced by \$400 million).

Government Response (Agree)

The CGOT has taken full account of the important U.S. market and particularly of the predominant automobile market. Advertising in the United States will reflect the importance of the automobile traveller and will include a 32-page insert which will be distributed to two and a half million homes. In addition, a series of ads will also be placed in automobile club magazines. Publicity/Promotion will produce feature articles emphasizing the auto traveller. Distribution of this editorial material will pinpoint key automobile-oriented publications. Over 150 media guests will be invited to visit and report on Canadian travel destinations and services. Two automobile touring programs are being expanded/developed in the United States by the Portland, Maine Autoclub and Holiday Inns, with assistance from CGOT. Promotional programs with selected newspapers in border cities will

promote weekend tour packages designed to appeal to motorists. CGOT staff will conduct training seminars for the domestic touring counsellors of auto clubs who will also be invited to participate in 15 familiarization tours to all parts of Canada. A major objective of CGOT field travel information services will be to extend visitors' length of stay by highlighting additional areas of interest compatible with the interests and needs of consumers. All programs are being developed and will be implemented in co-operation with the provinces, territories and the private sector.

9. Recomendation

That more competitively-priced, inclusive tour packages promoting intra-Canada travel be created through utilization of existing low air fares, ground packages and the coordinated promotional dollars of industry and Government to ensure high impact promotion of Canada to Canadians.

Government Response (Agree)

The CGOT will expand the "So Much to Go For" program of competitively-priced domestic tour packages launched in January, 1978. This expanded program will involve improved regional coverage and additional private sector partners. Optimum utilization will be made of co-operative, integrated promotion to ensure high impact on the potential Canadian traveller.

10. Recommendation

That the CGOT be recognized in its capacity as co-ordinator of Canadian tourism and be given a budget that is realistic and in keeping with the revenues generated by the industry for Canada.

Government Response (Agree)

Although the economic outlook for tourism in Canada has improved substantially and the potential for the growth of travel to and within Canada is great, there is a continuing necessity for the Canadian tourism industry to achieve ever-increasing competitiveness. International competition for the lucrative travel markets is intensifying, especially so far as Canadian and U.S. travellers are concerned. Therefore, promotion of Canada, as a travel destination, must be commensurate with the opportunities and the competition. A continued, aggressive effort must be sustained to restore the Canadian tourism industry to full competitiveness. Efforts will be made to ensure that the federal tourism program has an appropriate level of resources to play its part.

WAGES AND RELATED LEGISLATION

DETAILED RESPONSE TO TASK FORCE RECOMMENDATIONS

MINIMUM WAGE

1. Recommendation

That Governments should be sensitive to any changes in the minimum wage, recognizing the competitive position of the Canadian tourism product and the fact that, traditionally, in the hospitality industry all wages on scales above the minimum wage are increased accordingly when the minimum wage is increased.

Government Response (Under review)

There has been no increase in the federal minimum wage since the task force report. Provincial minimum wages have also stabilized. As a result, average hourly wages in the restaurant and hotel sectors increased by only 4 per cent during the first seven months of 1978, compared with increases of 14 per cent and 8 per cent in 1976 and 1977 respectively and compared with sector wage increases in the United States of approximately 10 per cent for the first seven months of 1978. Labour Canada is committed to discuss minimum wage and other related legislation with provincial Departments of Labour with a view to resolving the problems and concerns of the hospitality industry as outlined in the task force report.

TIP DIFFERENTIAL

2. Recommendation

Considering the fact that gratuities are taxable personal income, it is recommended that federal legislation regarding the Canada Pension Plan, Unemployment Insurance and Taxation be amended to ensure consideration of gratuities in the calculation of CPP and UIC payments and benefits. (The employee would have the option of making full payments to the UIC and CPP based on his or her personal earnings through gratuities.)

Government Response (Under review)

This recommendation will be considered in the framework of other labour policy questions by Labour Canada and provincial Departments of Labour.

HOURS OF WORK

3. Recommendation

That federal, provincial and territorial legislation be amended to allow automatic full seasonal averaging of hours worked by employees occupying seasonal positions in the hospitality industry and that notification of "averaging" can be made at the beginning of the season, and required reporting completed within 30 days of termination of employment.

Government Response (Under review)

Labour Canada will be consulting with provincial Departments of Labour concerning hours of work legislation and regulations including the question of "averaging."

REGULATORY FRAMEWORK

TRANSPORTATION

1. Recommendation

Each transportation mode should be developed on sound business principles, with the concept of subsidization, or cross-subsidization, rejected except in those cases where transportation services are required to remote areas or materially less developed points, in support of national and/or regional development objectives.

Government Response (Agree)

In a meeting with provincial Ministers of Tourism in Ottawa on November 22, 1978, the Minister of Transport explained that the user pay policy would be applied flexibly and logically but would not apply in situations of remoteness, low population density, and would take into account the maturity of the regional transportation systems and installations.

2. Recommendation

Federal and provincial and territorial authorities should undertake prior consultation with the tourism industry on all matters involving transportation as it bears on tourism, prior to the implementation of such policy.

A propos the Canadian Transport Commission (CTC), the task force recommends that the existing CTC policies should be reviewed to ensure that while these regulations govern all air travel within to and from Canada, prominent importance be given to air transportation as a vehicle to increase and improve tourism travel to and within Canada. Discussions should be held with all interested parties concerned with regulations of a potentially-restrictive nature.

AIR CARRIERS

3. Recommendation

A re-evaluation of current government policy should be conducted on mainline, regional and local or third level air services in view of the importance of air transportation to the development of tourism.

Government Response (2 & 3 Agree)

Transport Canada and other interested parties will complete an assessment of the rationale for economic regulation of the transportation industries and prepare recommendations for Cabinet on future regulatory and competition policies in these sectors.

Transport Canada and the CTC will consult substantively with representatives of the tourism industry on all major transportation policy initiatives having a direct impact on travel in Canada and for which the CTC would have responsibility for issuing and administering the regulations; and more specifically, Transport Canada officials will discuss with representatives designated by the tourism industry the new policy being formulated on the structure of domestic air carriers.

Mr. Lang, in announcing the acquisition of Nordair, advised that the federal government would be undertaking a rationalization of the regional carrier structure in Ontario, Quebec, Atlantic Canada, and would be reviewing the trunk carrier structure as well.

4. Recommendation

Consideration should be given to the growth of an increased number of facilities at airports with the ability to handle inbound international charter traffic, and that a more responsive attitude and greater mobility in meeting the needs of such traffic be displayed by the customs and immigration authorities.

Government Response (Under review)

A task force, chaired by Revenue Canada (Customs & Excise), has been constituted to address itself to improvements in the processing of arriving passengers. The task force is at work setting out its proposed plan of action.

5. Recommendation

The airport user pay policy makes air transportation in Canada non-competitive with that of the United States and is detrimental to Canadian tourism development.

The industry is in general agreement with the principle of the necessary "functional" requirements being paid for by users whenever it is economically justifiable.

However, Governments should assume all costs related to social and/or regional development of facilities. Airports can be classified as full-recovery, partial recovery or nil recovery.

Anything in excess of necessary "functional" requirements should not be paid by the users (i.e. artwork). The users must have a very strong voice in what is defined as "functional" requirements. All users, including carriers, concessionaires, the travelling as well as general public, should share the burden of paying for "functional" requirements.

Government Response (Agree in part)

In a meeting with provincial Ministers of Tourism in Ottawa on November 22, 1978, the Minister of Transport explained that the user pay policy would be applied flexibly and logically but would not apply in situations of remoteness, low population density, and would take into account the maturity of the regional transportation systems and installations.

6. Recommendation

The existing CTC policies should be reviewed to ensure that while these regulations govern all air travel within, to and from Canada, prominent importance be given to air transportation as a vehicle to increase and improve tourism travel to and within Canada. Discussions should be held with all interested parties concerned with those regulations of a potentially restrictive nature.

Government Response (Agree)

Transport Canada and the CTC will consult substantively with representatives of the tourism industry on all major travel in Canada and for which the CTC would have responsibility for issuing and administering the regulations; and more specifically Transport Canada officials will discuss with representatives designated by the tourism industry the new policy being formulated on the structure of domestic air carriers.

The regulatory framework for charter passenger air travel within Canada was discussed on December 11, 1978 at a public meeting convened by the Air Transport Committee. A number of interested organizations, including CGOT, had the opportunity to review the 1978 Domestic Advance Booking Charter program, and propose changes for the 1979 program.

7. Recommendation

It is recommended that where baggage inspection is mandatory at airports, scanners should be universally used to avoid the negative impact created with the travelling public due to personal inspection of luggage by airport security personnel.

Government Response (Agree)

Detection devices shall be provided as necessary by Transport Canada at all airports to support the Air Carrier Security Program, as required under the Civil Aviation Securities Measures Regulations. Under this policy x-ray devices for the inspection of luggage are provided to all international airports and such other airports as required according to passenger volumes.

## RAIL SERVICES

### 8. Recommendation

User pay as a principle does and should apply to passenger rail transportation in Canada, except where passenger rail transportation is necessary but not economical: then subsidies are warranted.

#### Government Response (Agree)

Recognizing that the passenger rail system had been allowed to deteriorate in recent years, and that the existing level of fares combined with the 80 per cent subsidy did not provide railways with sufficient incentive to upgrade passenger services, the Government formed VIA Rail, a Crown Corporation dedicated to rail passenger services. In the near and medium term, a considerable amount of money will have to be spent to upgrade and rationalize the system. The Government's objective is to create an adequate rail passenger system and keep annual payments for the operation of rail passenger services at a reasonable level.

## INLAND WATERS

### 9. Recommendation

The requirements for the establishment of passenger ship services are unduly harsh and should permit the use of bonding rather than cash deposits.

#### Government Response (Disagree)

The actual occurrence in the application of this particular provision of the Transport Act is extremely limited. The question of whether a bond or cash deposit is required is dependent on the individual merit of the application.

## MARINE (BOAT RENTAL) HARBOUR AND FERRY SYSTEMS

### 10. Recommendation

There is need to consider the impact on tourism of policy changes pertaining to the quality, capacity and cost of ferry services.

#### Government Response (Agree)

Ferry services on the west coast are under provincial jurisdiction. The federal government assists the Province of British Columbia by an annual grant, which will be in excess of \$8,500,000 for 1978-79, but policies respecting ferry and coastal services are determined by the province.



11. Recommendation

Regulations should not ignore the growing foreign cruise vessel market into British Columbia points.

Government Response (Agree)

Current government policy respecting the coasting trade is to allow entry to foreign vessels if no Canadian ships are available for the proposed operation. Transport Canada is reviewing its present coastal trade policy and has received representations from shippers, carriers, shipbuilders and maritime unions. The various concerns expressed will be taken into account in formulating a new policy.

12. Recommendation

The importance of the quality, capacity and rate structure of ferry services among the Atlantic Provinces to the development of tourism is given inadequate attention.

Government Response (Disagree)

The Government does not agree that it has given inadequate attention to the questions concerning ferry services in the Atlantic Provinces. However, Transport Canada will consult substantively with representatives of the tourism industry on all major transportation policy initiatives having a direct impact on travel in Canada.

13. Recommendation

Small vessel regulations are unrealistically rigid and detailed. Insufficient consideration is given to the various types of water traffic, i.e. harbour - coastal - Great Lakes - and off-shore over open waters, and therefore creates undue financial hardship on vessel owners.

Government Response (Disagree)

Transport Canada would be pleased to receive specific suggestions for improvements to the small vessel regulations. These regulations are constantly under review to ensure they are consistent with current safety and technical developments.

ENVIRONMENTAL PROTECTION

14. Recommendation

Attention should be given to the uniform application of legislative requirements by both provincial and federal authorities and also within each government's separate jurisdiction.

Government Response (Agree)

The Department of the Environment will examine current relationships with provinces to determine improvements in these arrangements to respond to the concerns of industry regarding overlap, and to move federal government policy towards provincial responsibility for the implementation of federal environmental protection regulations. The federal government will encourage the provinces to implement the socio-economic impact analysis approach in devising their own environmental regulation.

15. Recommendation

Long-term, clearly defined objectives governing investment decisions are required so that uncertainty can be eliminated and corporate planning can proceed normally.

Government Response (Agree)

New or expanded plants which have complied with Best Practicable Technology (BPT) will not be required to comply with revised BPT for five years after coming into operation if BPT requirements are changed in the interim. This provision would not apply if something of over-riding importance were to occur in the intervening period.

16. Recommendation

A careful monitoring of the effect on fishing of water pollution must be conducted at regular intervals but action must also be taken to ensure that such inspections and actions are not overdone.

Government Response (Agree)

Given current government restraints on fiscal and personnel resources, the possibility of unnecessary or excessive rates of inspection for water pollution control is unlikely. The Department of Environment would, however, be pleased to review any cases brought to its attention where it is felt that rates of inspection might be considered excessive.

NATIONAL PARKS

17. Recommendation

The task force feels that tourists place high priority on visiting our National Parks but are prevented by lack of facilities of all types. If the parks are to be used by Canadian and foreign visitors (other than hikers and campers) then more accommodation must be provided and to do this the Parks Department should make its regulations more workable.

18. Recommendation

It is suggested that new criteria be established to encourage the development of "tourist oriented facilities" within designated growth areas identified in existing and future National Parks.

19. Recommendation

More specifically, governments are urged to encourage the construction of hotel, motel, convention and campground facilities, including auxiliary and related business services, in harmony with environmental considerations.

Government Response (17, 18 & 19 Agree in principle)

The Department of Indian and Northern Affairs, through Parks Canada, will develop a tourism plan which will allow the incorporation of National Parks into a national tourism strategy in keeping with the mandate and policy for Parks Canada and the position of parks as a major Canadian tourist attraction.

CGOT and Parks Canada officials have been working towards a closer collaboration of tourism and parks policy and planning. Discussions have included tourism destination zones, and development of peripheral areas around parks.

20. Recommendation

It is further recommended that the administration of the National Parks be removed from the jurisdiction of the Department of Indian and Northern Affairs to the Ministry of Industry, Trade and Commerce.

Government Response (Disagree)

It is intended for the foreseeable future that the administration of the National Parks will remain within the jurisdiction of the Department of Indian and Northern Affairs.

TOURIST FACILITIES DEVELOPMENT

21. Recommendation

The growing tendency of governments to have dozens of regulatory agencies involved in approvals procedures for tourist facilities development has been responsible, to a degree, for the large exodus of Canadian investment capital. Investors interested in placing capital funds into tourist facilities in Canada indicated to the Regulatory Sub-Committee examples of their frustrating experiences in attempting to develop such enterprises. These frustrations appear to stem from the lack of a centralized control responsible

for guiding these investors through, in most instances, a maze of agencies involved at the municipal, provincial and federal levels of government, such as fire, health, building codes, etc. Such control currently is exercised by one provincial government Tourism Department in Canada, which could be used as a model for others to follow. This model is based on guiding investors through the necessary agencies to obtain approval for development projects. This guidance and advice highlights, where necessary, the action required by these investors as well as by the involved agencies. Thus, in the decision process, the factors which will positively stimulate travel to and within Canada will prevail.

Government Response (Agree in principle)

The federal government has established an Interdepartmental Committee on Government Regulation chaired by the Department of Consumer and Corporate Affairs which will take into account the problems facing the tourism industry in the Government regulatory process. In terms of more immediate and direct assistance, the Government has already officially opened a Business Information Centre in Ottawa and regional Centres in all provinces of Canada. These Centres have been established by the federal government to provide easily accessible and well coordinated assistance to businessmen in dealing with the Government.

SMALL BUSINESS

DETAILED RESPONSE TO TASK FORCE RECOMMENDATIONS

FINANCIAL INCENTIVES

1. Recommendation

While the application of a grading system will encourage the upgrading of the physical plant, some form of financial incentive also must be available. There are a number of financial incentive programs now available but they are not all applicable on a national basis and in many cases do not seem to meet the real needs of the small business sector.

It is recommended that financial incentives be linked to the creation of new jobs through the development of new facilities or the refurbishing or expansion of existing facilities.

Government Response (Agree in principle)

Financial incentives are already linked to the creation of new jobs through DREE programs such as RDIA and Tourism Sub-Agreements.

2. Recommendation

The Sub-Committee commends the recent initiatives of the Minister of State for Small Business. As the new measures emerge from this activity, CGOT, provincial and territorial authorities and industry associations should work together to ensure that they are applicable to tourism and that they be given wide publicity within the tourism private sector.

Government Response (Agree)

CGOT makes known such new measures on a regular basis through its Tourism(e) Canada newsletter, which is distributed to national and provincial tourism associations. As well, CGOT is working increasingly with TIAC to disseminate through this national tourism body information on new government policies and programs, and to bring TIAC together with the responsible officials to determine how, and ensure that these measures are applicable to tourism. An example of this cooperation is the communication to TIAC of the Government's VEIC (Venture Enterprise Investment Corporation) discussion paper.

## SMALL BUSINESS LOANS ACT

### 3. Recommendation

In connection with the Small Business Loans Act, the limits should be raised to \$250,000 (amount of loans outstanding) and \$2,000,000 (gross revenue). There may be a problem of chartered banks requiring mortgages for a small business loan. They should accept a second mortgage as the loan is government guaranteed.

#### Government Response (Agree in principle)

In June 1977 the limits on the amount of loans outstanding and on the gross revenues for eligibility were substantially increased, from \$50,000 to \$75,000, and from \$1.0 to \$1.5 million respectively. The SBLA again comes up for legislative review in June 1980, and at that time consideration will be given to further increases in the limits. Lenders under the SBLA are already authorized to accept second mortgages as security, the security requirement being that the lender is satisfied sufficient security has been taken. Moreover, recent changes have been made that should increase the availability of funds from lending agencies. For example, the interest rate on guaranteed loans was previously tied to the average yield on Government of Canada bonds. Financial institutions were reluctant to lend money at a rate significantly lower than the market rate, regardless of risk involved. The new rate, set at one per cent above prime, has encouraged financial institutions to use the program. Over the first 11 months of 1978 SBLA loans increased 66 per cent to \$142.3 million.

An additional source of funds which may have been overlooked is the Federal Business Development Bank. In the year ended March 31, 1978, the FBDB made 1,901 loans to the tourism industry for a total of \$109,254,000, an average of \$57,487 per loan.

## COMMUNICATIONS

### 4. Recommendation

Small Business is concerned about the bureaucratic process involved in the collection and dissemination of information that is necessary to the small business operator.

There is a need for a publication that would bring together in one place all of the information required by a prospective operator before starting a new business. This type of publication should be accompanied by a system of easier and simpler access to government information. The basic problem is where to go and whom to talk to.

Government Response (Agree in principle)

The Government has established Business Information Centres in Ottawa and in all provinces of Canada to overcome the difficulties faced by small business in dealing with the complexity of government organization.

In addition, there are many excellent publications available from the Small Business Secretariat, Federal Business Development Bank and other sources to assist the small businessman in dealing with governments. A selection of these publications would include:

- (a) The Government of Canada and Small Business
- (b) Small Business Loans Act, Annual Report
- (c) Small Business Loans
- (d) Small Business Intern Program
- (e) New Statistics on Small Business in Canada
- (f) Small Business in Canada: Perspectives
- (g) The Small Business Policy
- (h) FBDB Services for Businesses Anywhere in Canada
- (i) Counselling Assistance to Small Enterprise
- (j) Minding Your Own Business - a series by FBDB
- (k) Starting and Managing Your Own Small Business; Financial Post/McMillan Co., Small Business Series
- (l) In addition there are also numerous provincial publications available
- (m) ABC (Assistance to Business in Canada).

DUTY-FREE SHOPS, HIGHWAY BORDER CROSSINGS

5. Recommendation

The Sub-Committee was asked to review a proposal concerning the establishment of duty-free shops at highway border crossing locations. The establishment of these shops would extend to the automobile traveller the same facilities now available to air travellers and to road travellers entering Canada from the United States.

That the proposal be given further study by a committee drawn from the appropriate federal and provincial government departments, provincial and national industry associations and potential suppliers of merchandise. The further study should include a detailed look at costs and benefits and at the ways and means of implementing that would ensure the small business community an opportunity for investment.

6. Recommendation

The study should also consider how the duty-free shops, if established, could function as currency exchange facilities.

Government Response (5 & 6 Under review)

This matter has been referred by the CGOT to Revenue Canada for comments as to feasibility. Its legality has been established and its feasibility will be reviewed by the Government.



TRAVEL INDUSTRY AWARENESS

CGOT TOURISM AWARENESS ADVERTISING PROGRAM

1. Recommendation

That CGOT include in its advertising and publicity activities a program to emphasize the importance to Canadians of a friendly and courteous attitude to all visitors to our country. Funding for this program to be additional and not diverted from marketing budget already under severe stress from devalued Canadian dollar and other inflationary pressures.

Government Response (Agree)

On February 23, 1979, CGOT launched a national tourism awareness campaign, Tourism is important to all of us. Other initiatives were taken in FY 77/78, i.e., publicity campaigns directed to general and trade media, and educational seminars with other federal departments and agencies on the economic importance of tourism to Canada will be continued.

CGOT TO BE CLEARING HOUSE FOR INDUSTRY AWARENESS INFORMATION

2. Recommendation

That CGOT act as a clearing house for all tourism awareness program information related to provincial, territorial, municipal and private sector initiatives. This information to be compiled and disseminated by CGOT to provide the broadest possible knowledge by all parties concerned of the nature and effectiveness of such programs in their respective areas.

Government Response (Agree in principle)

Much of this material has been compiled and publicized through CGOT publications: "Canada Tourism/e" and news releases and bulletins. However, the picture is not complete, particularly as regards small municipal and regional programs. Efforts are being made to obtain this information through provincial tourism ministries and appropriate private sector associations.

FIELD EDUCATION AND MANPOWER TRAINING

3. Recommendation

That working with provincial and territorial tourism ministries, CGOT organize seminars on a regional basis to keep the private sector abreast of training, educational assistance, and other incentives available from Government sources.

Government Response (Agree in principle)

The Tourism Industry Association of Canada was recognized as the focal point for liaison between the private sector of the industry and the federal government. CGOT is providing financial assistance to TIAC to conduct a series of regional seminars on industry problems at various key locations across the country.

The National Advisory Committee on Accommodation, Food and Beverage Services (NAC) is composed of membership from the private sector and provincial and federal (CGOT) levels of Government. It has formally offered its services to the industry, through Task Force Chairman John Powell, in the fields of manpower training and development relevant to the industry sectors it covers.

The Canada Employment and Immigration Commission is associated with NAC with respect to matters related to program development, in particular the examining of new training methods for the hospitality industry.

FAIR EXCHANGE CURRENCY POLICY

4. Recommendation

That for the duration of the depreciated Canadian dollar situation, CGOT lead the federal drive to ensure "fair exchange" for American visitors on their currency for Canadian dollars:

- i) By establishing currency exchange facilities at major border crossing points; and
- ii) continuing to advise in its U.S. advertising that prospective visitors from the United States obtain Canadian money before entering Canada or at a chartered bank as soon as possible after crossing the border.

Government Response (Agree in part)

Recommendation i) requires further and extensive interdepartmental consultation.

Recommendation ii) is being addressed in the planning of the 1979 U.S. marketing program of the CGOT.

INCLUSION OF MORE FEDERAL AGENCIES IN TOURISM AWARENESS EDUCATIONAL SEMINARS

5. Recommendation

The program of seminars held with Canada Customs field officers in the spring and early summer of 1978 be expanded in 1979 to include Parks Canada, Transport Canada, Department of Employment and Immigration, and the Royal Canadian Mounted Police.

Government Response (Agree in principle)

The CGOT is addressing this recommendation through the Interdepartmental Committee on Tourism. Experience gained from the 1978 program demonstrates that the availability of CGOT personnel to conduct the seminars places a heavy strain on resources in headquarters and field offices. Before significant expansion of the program can be implemented, the utilization of manpower resources must be thoroughly examined.

INCLUSION OF TOURISM IN PROVINCIAL EDUCATIONAL CURRICULA

6. Recommendation

The Minister of Industry, Trade and Commerce recommend to his provincial colleagues that they confer with their respective colleagues in the educational portfolios with a view to including tourism as an important element of each province's economic well-being.

Government Response (Agree in principle)

Courses on tourism are in fact offered by provinces. The 1978-79 issue of CGOT's Directory of Courses, Tourism, Hospitality, Recreation, lists 200 course programs being offered by post-secondary institutions across Canada.

CGOT has been working with the National Advisory Committee (NAC) on Accommodation, Food and Beverage Services and the Employment and Immigration Commission to help the industry identify and meet its training needs.

CGOT is also negotiating with one province on a proposal to introduce tourism as a special introductory project leading to the first year's study of Canadian history in Grade 6. It is hoped that the successful implementation and completion of this proposal could serve as a pilot project which would be made available to other provincial Ministers of Education.

7. Recommendation

It is further recommended that CGOT, in co-operation with provincial and territorial tourism departments, organize annual seminars, regionally, to keep the private sector of the tourism industry aware and up-to-date on all programs and forms of assistance in the fields of education, training and other incentives available from provincial and federal resources. In most instances this would not require organizing a completely new series of meetings, but could be largely achieved through presentations made at regular meetings of local branches of the various industry associations.

Government Response (Agree in principle)

To the extent that additional resources are available, CGOT will increase its capability to deliver and coordinate programs for increasing its information activities on government policies and programs to tourism operators. CGOT will also cooperate closely with TIAC for an effective delivery of information to associations at the local level.

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AUSSI PUBLIÉ EN FRANÇAIS