MEDIA RELEASE
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TIANS Initiates a Save the GST Visitor Rebate Program Campaign

Halifax, N.S. (February 2nd, 2007) – On Thursday, February 1st TIANS announced a "Save the GST Visitor Rebate Program" campaign rallying its more than 1000 members and other provincial associations to "do their part"!

On February 5th and 6th members of the Nova Scotia tourism industry will be contacting their Members of Parliament to voice their concern and ask their MP's to lobby for a reversal on the decision to cancel the GST Visitor Rebate Program.

In September of 2006 an announcement was made to cancel the rebate program effective April 2007. The economic impact will be significant to tourism across Canada, but even more so in Nova Scotia. "Nova Scotia and the other Atlantic provinces with HST tax will be hit hardest. Effective April 2007 our prices could be increased on services by tour operators and conventions by 14% not the 6% in other regions, making us much less competitive," says Susan Tilley-Russell, Chair of TIANS.

"TIANS wants to ensure that this remains a priority and this campaign will show the broad support advocating a reversal of this regressive action" says Tilley-Russell.

In a statement to members TIANS President Darlene Grant Fiander stated, "What has become apparent since the announcement is that the government gave little consideration to the economic impact this would have on the tourism industry; there was no consultation and no understanding of the effect on conventions and tour operators and general impact on Canada's GDP and jobs."

TIANS has asked its members to focus efforts on February 5th and 6th by calling; emailing and faxing their Nova Scotia Members of Parliament.

TIANS mandate is to lead, support, represent and enhance Nova Scotia's tourism industry. TIANS is the provincial advocate for the Nova Scotia tourism industry and strives to enhance the industry's competitiveness and prosperity through increased professionalism and product development. In accomplishing this goal, TIANS works closely with many partners, regional and sector associations and all levels of government.

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Key Messages: VRP Economic Impact Assessment Report

- The report argues that the decision to abolish the Visitor Rebate Program (VRP) effective the 1st of April 2007 was based on insufficient information and inadequate assessment about its economic impact.

- The decision essentially revokes tourism's status as an export industry. A status recognized in 1991 by the Progressive Conservative Government of the day when the Goods and Services Tax (GST) was introduced. The government recognized, as did (and do) the governments of other countries with a value-added-tax, that tourism is a significant earner of foreign currency for the host country and, further, exempting tourism spending as an export is consistent with accepted tax policy.

- The decision was taken without any prior consultation or adequate consideration of tourism interests and affected stakeholders.

- The report quantifies the argument that an attempt to save $86 million in combined GST rebates and VRP overhead costs will be far outweighed by a host of negative economic impacts. Specifically:

    - A decline in visitor spending of $382 million;
    - A loss of $132 million in government revenue leading to a net loss of $46 million;
    - A reduction in the Gross Domestic Product (GDP) of $238 million; and
    - A decline in employment of 5,700 jobs in the tourism sector.

- Anticipated loss of key accommodation, convention, restaurant/bar and retail expenditure by both group and individual foreign visitors will impact a broad range of Canadian business in a host of Canadian cities and towns.

- This flawed decision will impact on Canada's tourism industry and border towns at a time when they are already reeling from a 28 percent drop in U.S. visitation over the period 2000 to 2005. Early figures for 2006 indicate that the impact of declining US visits continued throughout the year.

A BUSINESS CASE FOR MAINTAINING THE GST/HST VISITORS REBATE PROGRAM

On September 25, 2006, as part of overall expenditure reductions, the federal government announced its intention to amend the *Excise Tax Act* to eliminate the GST/HST Visitor Rebate Program as of April 1, 2007.

The government claims this measure would save $78.8 million a year—an amount that grossly understates the program's importance to Canada's $62.7 billion tourism economy.

The $78.8 million total includes only the GST/HST rebates processed by the federal government's Visitor Rebate Centre in Summerside, PEI., and duty-free shops. (Travellers may claim rebates of the GST/HST paid on eligible short-term accommodation and on the goods they buy to take home with them.) According to the government, it reflects a take-up rate of just 3% of the total number of eligible claimants.

The 3% take-up rate may be misleading. When we make the plausible assumption that each claim is filed on behalf of a travel party rather than an individual, the percentage claimant rate is likely to increase. Moreover, this take-up rate must be seen against the backdrop a highly confusing and complex application process which is widely seen as a deterrent to applications.

Nor does the government's figure reflect the program's value in terms of Canadian tour packages sold in foreign markets, and of foreign conventions held in Canada where at least 75% of participants are non-residents. The current program allows tour operators to price the packages they sell in foreign markets exclusive of GST/HST, resulting in an average 6% price difference that makes them competitive in a market where other countries do the same with their tourism offerings. Therefore, the take-up rate is effectively 100% for tour operators and convention planners.

Thus, the real value of the GST/HST Visitor Rebate Program is likely many times higher than the $78.8 million figure cited by the government. For example, a single major Canadian tour operator reports that the program produced $5.5 million in GST savings for its inbound customers in 2005 alone. In sum, this market constitutes a substantial and lucrative business sector for Canada and one that must not be jeopardized.

Clearly, the government did not consider these implications in its decision to cancel the program, which it made without consulting the tourism industry. Finance Canada Sales

Tax officials themselves do not even have data pertaining to the impact of the GST/HST Visitor Rebate Program on Canada's volume inbound markets.

TIAC is seeking to quantify the total value of the GST/HST Visitor Rebate Program for the Canadian package tour, convention and accommodation segments, and to gauge its implications for the Canadian economy and government revenues. This is the kind of due diligence that Finance Canada officials should have undertaken before the decision to cancel the program was made.

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For Immediate Release

NEWS RELEASE

Proposed Visitor Rebate Cut to Cost Feds Millions

September 27, 2006 – Ottawa – The Hotel Association of Canada (HAC) today called for the withdrawal of the decision to cut the GST Visitor Rebate Program as announced by the Federal Government on Monday, September 25.

"The proposed cut will in fact cost the government of Canada up to $218 million just in lost hotel tax revenue as opposed to the $78.8 million in proposed savings," said HAC President Tony Pollard.

The HAC's greatest concern with this proposed elimination of the GST Rebate Program involves the group and convention business. The total value of this business in Canada in 2005 from outside the country is in excess of $1.28 billion. This proposed program cut puts this at very serious risk by increasing the cost to do business in Canada by six per cent.

"The government is shooting itself in the foot by jeopardizing federal, provincial and municipal tax revenues of $496 million, $218.5 million of which goes directly to the federal level," stated Pollard.

The HAC is dismayed by the government's apparent lack of concern and support for the Canadian lodging, travel and tourism sector. The decision to eliminate the GST Rebate Program simply does not add up and the HAC has contacted Minister of Finance, the Honourable James Flaherty, to request that this regressive motion be immediately withdrawn.

The Hotel Association of Canada is the national organization representing the lodging industry in Canada. Our membership encompasses the provincial and territorial hotel associations, corporate hotel chains, independent hotels, motels and resorts and the many industry suppliers. Our objective is to assist both our national and international members as they endeavor to enhance their competitiveness and achieve their bottom line.

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Because a third of Canadian tourism revenues derive from spending by international visitors, the GST/HST Visitor Rebate Program was developed in the early 1990s to acknowledge tourism's status as an export industry. Export industries are typically exempt from value-added taxes like the GST, and the program was designed to remove the GST/HST from the Canadian tourism equation for international visitors. This policy is consistent with all of the OECD countries and all of Canada's tourism competitors. The decision to cancel the program arbitrarily revokes the tourism industry's export status, even though it continues to serve as a significant source of foreign currency revenue. Again, this decision singles out tourism for different treatment than all other exports.

Now, companies selling package tours in foreign markets would be forced to add a 6% supplement to their total selling price, rendering Canada less competitive as a tourism destination in overseas markets. And for tours and conventions taking place after April 1, 2007, that have not already been booked, the companies will have to absorb the difference themselves, as in many cases the pricing has already been set and the brochures printed and distributed.

Visitor Rebate Programs have been a fact of international tourism life since the 1980s and have been implemented in virtually all OECD countries, including Australia, Korea, Mexico and all of the European Union states. And a number of those countries are taking steps to expand the coverage of their programs and make them more accessible to travellers. Canada would be the only country among the top twenty (measured by tourist arrivals) that does not provide a visitor refund program for our international visitors.

The Canadian tourism industry cannot afford the added loss of competitiveness that cancellation of the GST/HST Visitor Rebate Program entails at a time when it has already been hit hard by decreased visitation from its primary international tourism market, the United States. Visits by American residents to Canada are already down 28% (2000 *vs.* 2005) because of a combination of factors that include the rapid appreciation of the Canadian dollar, rising fuel costs, delays and the perception of increased "hassle" at the border, and uncertainty and confusion about border documentation requirements under the Western Hemisphere Travel Initiative.

Any loss of Canadian tourism revenue translates into a loss of Canadian jobs and a loss of revenue for the government. The industry already generates an estimated $15.3 billion a year in government revenues, including a federal share of $7.7 billion.

PRESS RELEASE
Tuesday, January 16, 2007

Tourism Industry Reveals True Cost of Cancelling VRP

Rather than saving taxpayers' money, cancelling the GST/HST Visitor Rebate Program (VRP) will end up costing the government millions more in tax revenues and thousands of lost tourism jobs, according to a new economic impact report.

The Federal Government estimates it will save $86 million in program and administrative costs; however, the GST Visitor Rebate Program for Individual Travellers, an Economic Impact Analysis, commissioned by Global Refund Canada and endorsed by the Tourism Industry Association of Canada and the Frontier Duty Free Association, demonstrates that the savings will be overshadowed by the loss in GDP of $238 million. This short-sighted fiscal policy will result in a net loss of $46 million in Government tax revenue and the loss of over 5,700 jobs in the tourism sector.

"The decision to cancel the program was based on incomplete information and made without consultation," says TIAC President and CEO Randy Williams. "The industry has been advocating against the proposed cancellation since the announcement last September. There has been a solid case for keeping the VRP for conventions and group tours from the beginning; this report demonstrates the danger of removing the program for individual travellers as well."

By cancelling the individual VRP, while potentially maintaining the program for in-bound foreign tour and convention business, the government will create distortions and inequities in the foreign visitor market.

Leisure visitors may choose to book with foreign tour operators that would still be GST exempt rather than directly through Canadian businesses and internet sites, resulting in less revenue for tax-paying Canadian tourism organizations, while putting more dollars in the hands of foreign operators who pay no taxes to Canada.

Many conventions and trade shows are not designated "foreign conventions" i.e., 75% foreign participants, and are therefore not eligible for the automatic GST exemption. If the government eliminates the individual VRP these non-resident attendees and exhibitors at Canadian conventions will no longer be able to obtain a tax refund for their accommodation and eligible retail expenses.

"It's important to note," says Kevin Boughen, President of Global Refund Canada, "that visitors who receive instant rebates through Global Refund or at border duty free shops often spend their refunds immediately in Canada rather than taking Canadian currency home."

TIAC and the Visitor Rebate Coalition, a group of 14 national industry and business associations, has proposed that a new VRP become a self-regulated and financed industry program, subject to certification and audit by the appropriate federal agencies.

"At the same time Canada is considering cancelling the VRP," notes Williams, "countries around the world recognize the ROI on rebate programs and the necessity of such programs in maintaining competitiveness in the growing global tourism marketplace."

With international tourist arrivals up globally in the first eight months of 2006, the number of international visitors to Canada fell 4.1% during the same period, according the UNWTO World Tourism Barometer. Between 2000 and 2005, U.S. visitation has fallen 28% with profound impacts for Canada's border communities and retail sector.

"In the lead up to the 2010 Olympic and Paralympic Games," says Williams, "is it really the Government's intention to put Canadian tourism businesses at a disadvantage and further alienate international visitors?"

"The answer is clear," concludes Williams. "Maintain the full Visitor Rebate Program under a privatized administration delivery model or, at the very least, delay cancellation of the VRP until further consultation and study takes place."

The full report is available at
www.tiac.travel/images/2007/VRP_EconomicReport_web.pdf

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The Tourism Industry Association of Canada (TIAC) is the national private-sector advocate for Canada's $62.7 billion tourism industry. It performs a unique and pivotal role in ensuring the Canadian business and policy environment works for tourism, by communicating its importance to Canadians, advocating positive measures, and lobbying government for action.

Global Refund has local organizations in 37 countries, with over 200 international Cash Refund offices on four continents, supporting clients in Europe, Asia and the Americas. The strength of our organization and global presence enable us to provide over 30,000 travellers a day with tax refunds through Global Refund.

Frontier Duty Free Association represents the interests of its members, including Canada's 31 land border Duty Free Shops, Canadian Airport and U.S. land border duty free shops, and duty free trade suppliers.

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Geoff Regan, M.P. Halifax West

News Release

Regan Vows To Push Govt To Reinstate GST Rebate

Halifax (January 25, 2007) - Halifax West Liberal MP Geoff Regan vowed Thursday to pressure the Harper government to reinstate a GST rebate for visitors.

Mr. Regan made the pledge after hearing the concerns of members of the Tourism Industry Association of Nova Scotia (TIANS) during a meeting in Halifax. Tourism officials believe the Conservative government's move to eliminate the GST visitors rebate will cause severe damage to the Nova Scotia economy.

"Tourism is a very important to Nova Scotia and there are concerns that eliminating the GST rebate could have a negative impact on that industry," Mr. Regan said.

"The federal government should be looking for ways to bolster the tourism sector, not imposing further obstacles on this industry."

"Nova Scotia and Atlantic Canada are going to be affected more than other provinces because of our HST agreement with the federal government," TIANS president Grant Fiander said Thursday. "Our local operators will be increasing their prices by 14 per cent instead of the standard six per cent GST in other provinces."

Mr. Regan said it is hard to understand why the Harper government would impose such a regressive measure last fall when they were sitting on a $13 billion surplus.

"The choices the Harper government is making are actually hurting hard working Nova Scotians," Mr. Regan said. "Nova Scotians are fed up with the mean-spirited ideologically-driven decisions like this and demand that the Conservatives inject a little common sense into their policies."

Local tourism operators have seen a drastic decline in business due to factors like 9-11, SARS, and current international conflicts. Putting an additional burden on these businesses, when they are already struggling to survive, is simply unacceptable, Mr. Regan said.

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MEDIA RELEASE
For Immediate Distribution

Cancellation of Tourism Rebate Program - Significant Impact in Atlantic Canada

Halifax, N.S. (January 26, 2007) – Atlantic Canada will experience the hardest hit from the proposed cancellation to the GST Rebate Program announced in September 2006 to take effect in April 2007.

Since the announcement TIANS has been working with its national partner, the Tourism Industry Association of Canada, (TIAC) to lobby for a reversal on this decision.

"Research released last week by TIAC indicates that the federal government did not consider the impact on tour operators and the convention business or the true loss in GDP and tourism jobs," says Susan Tilley-Russell, Chair of TIANS. "This action rescinded tourism's status as an export industry; we have become the first OECD Country to cancel a Visitor Rebate Program," says Tilley-Russell. "Other world tourism destinations are increasing incentives to attract travel; we have taken a major step backwards with this announcement".

The effect is compounded in Atlantic Canada, the provinces that collect HST. "This will mean up to a 14% increase in the cost of accommodation based packages versus 6% in other regions, which we will need to pass on to the consumer," says Dennis Campbell, President of Ambassatours Gray Line. "We have greatly decreased our competitive position in markets, in many cases it will have a significant impact on revenue as we increase our costs and no doubt affect the viability of many smaller operators throughout Atlantic Canada," says Campbell.

"There are enough external forces affecting the Industry's competitive position, we do not need government changing policy that impedes the industry's success, particularly when it makes no economic sense," says Tilley-Russell.

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