Media Release
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Federal program cuts a slap in the face to Canadian tourism

OTTAWA, September 26, 2006—Unanticipated federal program cuts announced yesterday are a slap in the face to the Canadian tourism industry, says the group representing the interests of Canada's 200,000-plus tourism-related businesses.

"The cuts threaten the well-being of small and medium-sized enterprises in every province and territory—and the livelihood of 1.6 million Canadians," said Randy Williams, President and CEO of the Tourism Industry Association of Canada (TIAC). "And they don't even meet the government's own spending test in terms of effectiveness, results and value for money."

That is because measures to support tourism are an investment, not an expense, he noted, pointing out that they pay off exponentially in terms of increased tax revenues. Tourism-generated tax revenues total an estimated $15.3 billion a year, including a federal share of $7.7 billion.

Elimination of the **Visitor Rebate Program**, under which international business travellers and tourists are reimbursed for the GST and HST they pay on eligible goods and short-term accommodations, is the biggest cause for concern. The government tabled a notice of ways and means motion proposing amendments to the *Excise Tax Act* that would eliminate the $78.8 million program effective April 1, 2007.

Established in response to lobbying by TIAC and other industry stakeholders, the Visitor Rebate Program strengthens Canada's competitiveness as a visitor-friendly nation and promotes spending by visitors—spending that supports Canadian jobs and tax revenues. Canadian duty-free stores located at the Canada-United States land border, which have the right to provide on-the-spot cash rebates to departing visitors, thus encouraging them to spend the rebates in Canada, will be hit especially hard by the program's cancellation.

All other major destinations have visitor rebate programs and, given the increasingly competitive global environment, many are expanding the list of eligible goods and services and making it easier for travellers to access them.

"The elimination of the Visitor Rebate Program reflects a total failure on the part of the federal government to recognize today's economic realities affecting Canadian tourism and Canada's competitiveness as a destination," Mr. Williams said.

He was also critical of the lack of consultation preceding the announcement. "The secrecy surrounding the government's decision to eliminate the Visitor Rebate Program makes a laughingstock of the Parliamentary committee process," he pointed out. Indeed, the House of Commons Standing Committee on Finance launched its prebudget consultation hearings just last week; TIAC testified before the committee on September 19.

Also alarming is the clawback of $5.6 million in unused funding from the **Canadian Tourism Commission**'s relocation from Ottawa to Vancouver.

TIAC, which has been leading industry calls for more funding of Canada's grossly underfunded national tourism marketing agency, says these funds should be converted to marketing dollars instead. In fact, when the government set aside money for the move, it promised that the Canadian Tourism Commission could spend any remaining sums on implementing the new Canada brand. The agency has accordingly allocated the money to marketing priorities.

The Canadian Tourism Commission actually needs an extra $100 million a year—an amount that would generate matching private-sector investments—just so Canada can keep up with the competition.

Other announced program cuts that will negatively affect the Canadian tourism industry include a $4.6 million reduction in the Museums Assistance Program, the accelerated windup of the Parks Canada Agency's Commercial Heritage Property Incentive Fund ($2.9 million), and elimination of $2.9 million of non-committed funds for organizations that include Canada's regional economic development agencies.

"By taking the tourism industry for granted, the government is shooting itself in the foot, because tourism tax dollars support a range of public priorities," said Mr. Williams. "And the government can't exactly plead poverty in this instance," he said, noting that Ottawa simultaneously announced a $13.2 billion budgetary surplus.

The Tourism Industry Association of Canada 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.

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