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Discussion Paper
on
A National Tourism Strategy



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Discussion Paper
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A National Tourism Strategy

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1. Introduction

Tourism is a growth industry in Canada and around the world. Over the past decade, the Canadian tourism industry has grown **rapidly, with** much of this growth coming from an increase in the number of international visitors to Canada. Canada **cannot**, however, take future growth for **granted**, simply on the **basis** of past performance. Increasing competition **is** a fact of life; these competitive forces are **further** affected by the formation of regional blocs such as the European Economic Community and the ASEAN nations.

Unplanned, rapid growth of the industry within Canada brings **its** own attendant problems in terms of the ability of the industry to respond quickly to shifts in market **demand**, predict new demands and develop the physical **plant**, financial and human **resources** necessary to meet those needs. Increasing numbers of tourists entering Canada have a direct impact on the nature of our communities, even while contributing substantially to local and regional economies. Environmental impacts, industry ownership **issues** and negative public reactions to **'foreign'** takeovers of local businesses are also factors that must be addressed within any growth scenarios.

Ensuring that growth continues **and** that **it** continues in harmony with other national social and economic factors requires careful **planning** and coordination among all elements of the Canadian tourism industry. At the federal government level, the responsibility for developing, coordinating, directing and implementing tourism strategies and programs and ensuring the integration of policies with an impact on tourism rests with **ISTC-Tourism**.

The purpose of this document **is** to **identify** **ISTC-Tourism's** role and priorities in achieving growth within the tourism industry. It outlines the current context and conditions facing the industry, as well as future opportunities, within which other federal government departments and agencies, provinces/territories and the private sector can develop their own roles and priorities. By developing a shared understanding of the issues facing the industry and the **ISTC-Tourism** response to them, everyone involved in the tourism industry will be better able to work in a cooperative and coordinated fashion in pursuit of the continued growth of the industry.

2. The Tourism Industry Today

Tourism Is Becoming The Largest Industry In The World

Over the last decade, the international tourism industry has grown at an annual rate faster than many other areas of world trade, including exports of **manufactured goods, minerals and agricultural products**. The World Tourism Organization has estimated that total international tourism **receipts**, other than international air fares, **grew** by 55 percent between 1980 and 1987. Canada's international receipts grew by 73 percent during the same **period**; in other words, we achieved a higher market share of this growth than many other countries. **In fact**, Canada now ranks ninth in the world as a generator of international tourism receipts.

As a **result** of this **performance**, international tourism is becoming a much stronger element of our tourism industry. International tourism receipts **represented** over 28 percent of total tourism industry revenues **in** 1988 compared to 22.7 percent in 1980; international receipts are now almost \$7 billion on **an** annual basis. This trend is good news for the industry because it indicates that Canada is doing well in an economic sector that has significant growth potential.

Canada's performance as **part** of the world tourism market has been particularly impressive when compared to our major competitors for tourism dollars. For example, during the same 1980-87 **period**, international tourism receipts in the United States grew by only 52 **percent**, by 47 percent in the United Kingdom and by 38 **percent** in France. Australia's industry, however, outperformed Canada's **during** this period as its international receipts grew by 94 **percent**.

In the past, tourism growth around the world has been confined largely to the western industrialized nations **fuelled** by continuing economic prosperity. However, today's trends suggest that emerging nations and eastern bloc countries will be contributing to the future growth of the industry. The economies of Asia-Pacific countries such as Taiwan, Singapore, South Korea, and Thailand are booming. As liberalization trends continue in Soviet bloc countries, it is hoped that economic gains will follow and that travel restrictions will be loosened. For these and other reasons, analysts predict that tourism will be the world's largest industry by the end of the century.

Research estimates suggest that the Canadian **product**, when measured against the number of potential travelers worldwide, could be a realistic and attractive option for some 31 million potential international visitors; this includes 25 million from the United States and 6 million from all overseas markets. As long as the international economy remains strong, international tourism is expected to continue growing **unchecked**. This growth means that the Canadian tourism industry **is forecast** to attract over 18.7 million international visitors annually by 1995, compared to the 15.5 million international visitors to Canada in 1988. This is an increase of 2.7 percent annually.

However, achieving this growth would result in more than double the **current** international **tourism receipts** — from \$6.9 billion to **\$14.2 billion** — an annual increase of 10.9 percent. Welcome byproducts of this growth for governments include the approximately 150000 new jobs that would be produced and the generation of significant new tax revenues — **estimated to** be an additional \$1.7 billion for the federal government and \$1.3 billion for provincial governments.

Canada is in an excellent position to take advantage of the larger tourism market of the future. We have internationally-known and popular tourism destinations and a good image. Recent events such as the Calgary Olympics and Vancouver's Expo 86 have focused world attention on what the country has to offer, and expanded our international image from the traditional 'mountains and **Mounties**' dimension to incorporate more cosmopolitan elements.

However, Canada is not unique as a tourist destination; other countries and destinations will continue to be popular with travelers and will remain **significant** competitors. To stay competitive requires an understanding of the changing markets and customers for our tourism products, the development of the right products and experiences for the **future**, and the development and implementation of an appropriate marketing program to respond to market opportunities.

Tourism Is An Important Industry In Canada

An enormous number of Canadians derive their livelihoods from tourism activities — 630000 to be precise — yet tourism is one of Canada's most under-acknowledged industry sectors. In fact, few decision-makers and even fewer Canadians know the full impact of tourism on our national economy.

The \$24 billion spent by foreign visitors and traveling CanadianS in 1988 represents more than 7 percent of all personal expenditures on goods and services in that same year. Consider also that:

- The tourism industry is the largest single foreign exchange earner — \$6.9 billion — in **Canada**, outside of the automotive industry;
- In 1988, tourism generated close to \$11 billion in tax revenues for provincial and federal governments, revenues that are essential to finance important social and economic programs across the country and reduce the public **debt**;
- More than 60 000 **businesses**, most of which are small, Canadian-owned enterprises, employ skilled professionals as well as new entrants to the **labour** force and people with few technical skills.

Because tourism has both a local and regional character, the industry provides important spin-offs in regional development terms. It accounts for a large share of the economic activity within every province and territory; even in the industrial heartland of **Canada**, tourism ranks as the fourth largest industry in terms of its economic impact.

The sheer size of the tourism industry means that sustaining its health and promoting its growth have a direct impact on the **strength** of the Canadian economy on both a national and regional **basis**. In the 12-year period 1976-1988, Canada's tourism **receipts** grew from \$9.2 billion to more than \$24 billion; projections are that receipts will grow to almost \$37 billion by 1994.

In addition to the economic benefits associated with tourism, there is little doubt that the industry makes a major contribution to enriching the social and cultural life of the nation. As Canadians struggle to define their own nationhood and identity, the tourism industry helps to provide a focus for community and national pride. Native and multicultural communities are stimulated to share their cultural heritage with visitors and, in the process, are seeing the revitalization of old crafts and skills. Seeing ourselves through the eyes of the tourist helps Canadians to appreciate the beauty and benefits of Canada. Scenic locations are being preserved and new activities stimulated in view of their tourism potential, but the long-term beneficiaries are Canadians themselves. The fairs, festivals, museums and galleries which Canadians enjoy in all parts of the country are similarly supported to some extent by the

international visitor. The quality of life of Canadians would be immeasurably poorer without these attractions and facilities and without the opportunity for exchanges with other peoples which tourism provides in abundance.

An industry of this size, importance **and** potential in Canada and around the world not only requires but deserves consistent and continuing strategic planning to maximize the benefits that tourism can bring to Canada.

Our Tourism Customers Have Been Changing

While it is clear that the international market is growing in importance for the Canadian tourism industry, that is not the only factor to which the industry must respond. Social and demographic changes **are altering** the nature of our traditional customers. Increasing competition is changing the way we must sell to those customers. **And**, new international economic forces and trade liberalization are creating new environments in which we must be ready to operate.

The primary source of international travelers is the industrialized countries of the western world. In most of these nations, similar demographic changes are taking place. These changes include a rapidly aging population, families with fewer children, more **single-parent** families, and greater urban concentration. In general, people have more leisure time, better health and a higher level of **discretionary** income than in the **past**; this is particularly the case in the 55-64 age group.

More families have two income-earners which provides for the additional discretionary income necessary for **travelling**. However, because both adults are working, it is often **more** difficult to coordinate holiday time to take extended vacations. At the same time, higher income professionals, in reaction to the pressure and long hours of their occupations, are taking more frequent 'getaway' trips as well as longer, more 'exotic' vacations. As a result, people tend to take more **frequent** trips of shorter duration in addition to the traditional summer 'touring holiday' which has been the backbone of the Canadian tourism industry for so many years.

Over the longer term, the increasing urbanization of the industrialized countries should result in more tourism demand for the type of 'clean air and open space' experience that Canada can provide in abundance. Some indicators of that trend are already apparent with the increasing demand for the 'soft adventure' vacation, such as hiking, bicycle touring and white-water rafting.

Communications technologies have made the world a smaller, more familiar place than ever before, and this has helped **to** breakdown resistance to traveling great distances. Images on television and in movies, the globalization of business activity, the increasing ease and accessibility of transportation, **are** prompting people to travel the world in unprecedented numbers. The increasing sophistication of travelers is felt in other ways. Higher levels of education and income are resulting in demands for higher quality experiences and better service. As people travel more frequently, thanks to earlier **retirement**, better health and more disposable income, they become more demanding consumers and they want different experiences. It means that attractions and entertainment **must** be constantly updated in order to have lasting appeal.

Non-traditional markets, particularly Southeast **Asia**, are becoming more important as a source of international visitors to Canada. This trend reflects the new economic power of these countries and the increasing mobility of people in some Asian countries as well as the changing population base of Canada itself; people immigrating to Canada from Asia and the Indian sub-continent increase the profile of this country in those areas and increase the motivation of friends and relatives to visit here.

Developing the ability to provide services, facilities and ease of access to tourists **from** completely different cultural and linguistic backgrounds is an important element in Canada's efforts to attract larger numbers of these visitors.

3. Canada's Tourism Strengths and Limitations

Canada Has Four Distinct Tourism 'Experiences'

A tourism 'experience' is a group of **attractions and/or events combined** with the supporting accommodation, food and transportation **services**. The Canadian tourism industry consists of four basic types of tourism 'experiences', although, **in industry** terms, these are often referred to as tourism products:

- ❑ **Touring is the** basic sightseeing experience involving travel to and through areas of scenic beauty or cultural interest. Touring is the traditional strength of the **Canadian** industry; these types of trips, including packaged tours, account for almost half of all international travel to Canada.

- ❑ Outdoor **sport/adventure** involves travel to a specific place **in** order to engage in an active, participatory experience, such as hiking, canoeing, photography, etc. This is a very important area for **Canada**, accounting as it does for about one-quarter of international demand.

- ❑ The city experience is a trip to a specific urban **centre** to enjoy shopping, “dining, the **theatre**, museums and everything else that city has to offer. The city is also the hub for tours to outlying areas and a jump-off point for an urban-rural vacation experience. Canada's city products are not as well known by the international **traveller** and account for only about **one-fifth** of international **demand**; however, this area is also the fastest growing segment of the international market.

- ❑ Resorts are usually **equated to sun/beach holidays**. **There are, however**, a growing number of **four-season resort** destinations **in** Canada, although these are not necessarily comparable to other destinations. This product accounts for **only** one-seventh of international demand **at present**; it is the Canadian **traveller** who is the mainstay of this product **area**.

These products are not mutually exclusive, and there is considerable overlap, particularly between touring and each of the other three product areas.

The Touring Experience Is Canada's Major Strength

It is readily apparent that Canada's main tourism strength today is in the touring experience. Our major touring products are international in **calibre** and in appeal — unspoiled wilderness, spectacular mountains, rugged coastlines,

sophisticated cities, historic towns, and a variety of cultural and ethnic attractions. However, only three areas of the country **form** the current basis for our internationally competitive touring products:

- ⇒ the central Canada **corridor** (Windsor to Quebec City) wherein lie four major cities as well as Niagara **Falls**;
- ⇒ the Rocky Mountain National Parks circuit offering the scenic beauty of the mountain parks along with the services and facilities of two major cities;
- ⇒ the British Columbia *Lower Mainland* **area**, including Vancouver **Island**, which offers the scenic beauty of the coast as well as the attractions of two major cities.

Other **touring** possibilities exist in abundance across Canada but have not yet been developed or promoted to the point where they are able to generate significant international awareness. Many of these potential touring areas lack the necessary infrastructure at the present time to link the touring products.

Canada's national parks, marine parks and reserves are major generators of domestic and international tourism. Today, a few of these areas represent a significant part of Canada's image abroad and are part of the basis for the strength and visibility of this country's touring product.

Cultural distinctiveness is an important part of Canada's tourism product as well as the manner in which we market Canada internationally. Canada offers a rich Native and multicultural heritage which has great appeal to both Canadian and international travelers. At the same time, our 'frontier' history and European origins are reflected in such diverse attractions as the Calgary Stampede, the Gathering of the Clans in Nova **Scotia**, the **Montréal** Jazz Festival, Winnipeg's **Folklorama**, the Stratford Shakespearean Festival, to name just a few.

The Outdoor Experience Has Appeal As Well

The Canadian tourism industry has internationally competitive advantages in the outdoor **sport/adventure product area**. **Activities** such as **hiking, rafting, kayaking, trophy/fly-in hunting and fishing, heli-skiing, whale watching, and photo safaris** appeal to small groups of people in an increasingly segmented market environment. Though small in relation to the total size of the

international **market**, these products have high yield potential as they generally attract the upper income end of the market seeking 'upscale' experiences and willing to pay a high premium to obtain them.

Our Cities Need More Exposure

As international tourists become more sophisticated and demanding in their travel needs, cities **are** taking on more importance as tourism destinations in themselves and as 'hubs' for a 'hub and spoke' touring experience, in addition to their more traditional role **as** gateway entry points. Toronto, **Montréal** and Vancouver already enjoy international reputations as metropolitan **centres** with much to offer the **visitor**; other major **centres** need more international exposure, direct air access from major international points and promotion before they can enjoy the same status. Edmonton, for example, is headed in this direction with its new direct air services **from** Japan.

Canada Has A Different Kind Of Resort Experience

Canada's resort product is somewhat unique in that it does not conform with the international perception that a resort must be located in a hot, sunny climate near a large body of water. **The Canadian resort product range** is . broad. At one end are the large, four-season resorts such as Whistler in British Columbia. At the other are the more rural, single-season type experiences such as hunting and fishing resorts, farm holidays and beach bungalows. The resort product in Canada caters primarily to a domestic **market**; however, there is a growing demand for the short 'getaway' vacation which, in the future, could strengthen international **demand**, particularly North American, for what Canada can offer in this product line.

There Are Limitations To Our Tourism Product

While Canada enjoys competitive advantages in many of the industry's product areas, **there** are a number of important limitations which restrict what we have to offer and how we offer it to the international **traveller**.

- Q** The touring product suffers **from** gaps in the quantity and quality of attractions as well as basic infrastructure and services. Lack of concurrent *historical* or cultural attractions and short operating seasons make it difficult for some **areas** to compete successfully;

- ❑ They are a number of areas in Canada which have the potential to provide **good, internationally** competitive touring products if further development takes place; these areas include the Maritimes, Newfoundland the southern Rockies, the **BC** interior and the Prairies;
- ❑ Canada's national parks have considerable potential as generators of tourism income if more amenities and services could be developed adjacent to them. The lack of good **interpretive** services in some parts of the Parks system and their short operating period also limit the role they can play for the international tourist
- ❑ More coordinated efforts to define and promote cultural themes for touring would result in significant new opportunities in this area. Tours focusing on Native cultural **sites** and attractions in parts of British Columbia, Acadian history in the Atlantic Provinces, or a range of other possibilities touching on the cultural heritage of Canadians could **provide** attractive new product offerings. Understanding of this area **is** currently weak and we have not yet developed the right linkages between the product and marketing systems;
- ❑ The most competitive **skiing** facilities operate at full capacity-only during the 'season' with significant under-utilization for the balance of the year. Opportunities to develop shoulder and off-season activities which would extend the season have to be explored more fully, as does combining skiing facilities with other products - à la Whistler and Vancouver - **to offer** a different experience;
- ❑ Hunting and fishing lodges have the same problem with off-season under-utilization. In addition, many of these facilities have limited capacity and access and require **significant** upgrading and product diversification if they are going to appeal to the new type of international **tourist**;
- ❑ Many of Canada's cities, beyond the **big** three of Toronto, **Montréal** and Vancouver, do not yet have a clear image as a destination per se in the international market **and**, to some extent, even in the domestic market. This problem could be overcome through strengthened marketing efforts promoting the attributes of interest to the international **traveller** - quality restaurants and accommodation, shopping, cultural attractions and entertainment;

- ❑ In order to meet the growing demand for the ‘getaway’ vacation, Canada’s resort product will increasingly have to be able to operate on a four-season basis, and the range of **urban/rural packages will need** to be **further developed;**
- ❑ While tour packages exist in abundance for the Rockies and Western **Canada**, packages for Eastern Canada are **more** limited. Across the country, there are few tours programmed for the shoulder seasons — April/May and **September/October;**
- ❑ More innovative tour packages, combining **urban/resort** experiences or multi-modal travel, have yet to be developed to respond to what research has clearly indicated are new consumer demands.

4. Opportunities and Challenges

Future opportunities for the Canadian tourism industry are limited to some *extent* by a number of issues that affect the industry **as** a whole; these require concentrated effort and coordinated industry-government involvement if they are to be **resolved**.

Developing Our Human Resources Is A Pressing Need

The key to success in the tourism industry, especially with the **increasingly** sophisticated **traveller**, lies in the ability to provide high quality service at the right price. Service is a critical **ingredient** in the tourism 'experience'. Poor service, dirty or untidy facilities, bad food or poorly-organized activities can reduce the appeal of even the most interesting **destination** for both the affected tourists and their friends **and** relatives back home. Service relies completely on the skills and abilities of the people involved in the industry and suffers if the industry cannot attract sufficiently trained or motivated individuals.

The most pressing human resource issue for the industry, in the short-to-medium **term**, is a shortage of workers. Its poor image among people entering the **labour** force (low pay and long hours) and its reliance **on** a declining pool of young people when the industry is growing mean that the tourism industry has more trouble attracting prospective employees than some other sectors of the economy. Poor training, high turnover, the perception of few career opportunities and limited upward **and** horizontal mobility also act as recruitment and motivation **barriers**. As a **result**, the industry lacks well-trained people in a number of areas important to high quality service (e.g.: world class chefs) as well as in tourism management..

Attracting, training and motivating the tourism industry **labour force** is a pressing priority for both the industry and governments. Innovative compensation packages, flexible working conditions, viable and visible **career** paths and more in-house training opportunities must be explored as means to increase the industry's attractiveness. At the same time, the industry must develop a more active and effective marketing effort to 'sell' the industry's opportunities to potential employees with the ability to help improve the quality of service **that** the industry provides.

The establishment of job standards throughout the industry would also contribute to this process. **If** potential employees are to enter the industry with the right skills and knowledge, the industry must be able to recognize and reward people who meet the established requirements through industry-based

and defined **certification** programs. Certification can also provide further benefits by helping to improve workforce mobility, enhance the career image of the industry and act as an incentive for the existing work force to increase its skill level. Important efforts to this effect have already been made, particularly by the Canadian Restaurant and Food Services Association, the Hotel Association of Canada and the Alliance of Canadian Travel Associations; however, these efforts need to be expanded to all parts of the industry.

We Must Become More Intelligent Data Gatherers And Interpreters

As with all industries in the modern **context**, good information is the basis on which the tourism industry will flourish or founder. New trends, commercial and competitor intelligence and market research are the foundation for successful **development**, packaging, promotion and sales efforts. While both governments and industry have intensified research efforts aimed at potential visitors, to date we have yet to prove ourselves as good intelligence gatherers. We also need to develop our ability to interpret what we learn for appropriate use by both governments and the industry.

One of the problems in this area is **largely** a result of lack of adequate cooperation and information exchange among governments and competitive rivalries within the industry. The consequence has been a **Canadian** industry that spends more time reacting to new trends and market opportunities than it does in anticipating them.

Some barriers have been overcome. A new Canadian Tourism Research Institute has been established with a mandate to **generate** and provide tourism research and information to the entire industry. More sophisticated data on the economic impact of the tourism industry are being developed. However, the international data base — products, trends and **particularly** information on the competition — remains poorly **developed**, and the efforts of domestic information gatherers are still largely uncoordinated and unshared. Improving these efforts is a low-cost, no-risk means of strengthening Canada's competitive position and increasing total tourism revenues.

Financing Can Still Be A Problem

Access to adequate financing is a key ingredient in the development of new tourism infrastructure. Many projects have received government funding in the past **but**, for the most **part**, debt and equity financing is usually provided by the private sector. While venture and risk capital is generally attracted to larger and better established tourism projects adjacent to major urban areas, smaller or rural-based projects and attractions have more difficulty obtaining financing.

To some **extent**, the tourism industry still suffers a poor reputation in financial circles because of past financial and management problems, low returns and the traditionally short operating season. The advantages of the industry, in terms of sustained market growth, the realities of the risk situation and its increased business sophistication and **professionalism**, are not widely understood and have yet to be successful in attracting capital from the financial marketplace.

These problems are slowly being **resolved**, however. An inventory of financial instruments for the industry is now available, new instruments are being **examined**, and the financial community is actively discussing problems and opportunities with the tourism industry. In addition, financial deregulation and the **resulting** increase in competition should see more financial resources available **to** all facets of the industry. At the same time, opportunities to attract foreign investment, particularly from Hong Kong and Japan, are greater than ever before.

Our Packages Need Better ‘Packaging’

The proper ‘packaging’ of tourism **experiences is** another essential **component** for future industry focus. Packaging involves assembling and coordinating all of the basic components of the tourism experience — transportation, sightseeing, ente**rtainment**, accommodation and food services — and then distributing it in a manner calculated to respond to market demand and to attract the attention and interest of the **priority** target groups in the marketplace.

Currently, the tourism **industry** suffers from a fragmented and uncoordinated approach to the packaging component. The different sectors within the industry — hotels, restaurants, attractions, air, rail and bus lines — attempt to pursue their own objectives independent of each other without recognizing the mutual benefits of cross-industry **planning**. Innovative packages, such as urban-rural combinations, are not widely available, and most of the packages which do exist **are** still being sold in the old tried-and-true way — without the ‘sizzle’ which is critical in an increasingly competitive marketplace.

Canada faces a unique problem because of the vast ‘empty’ spaces between urban centres and between different tourist attractions or events. This problem makes packaging an even more important ingredient for the ‘successful’ tourism experience than it is for most of the industry’s major international

competitors. Within the limitations defined by Canada's spaciousness, there is still a need to develop and combine experiences in the way the market demands.

There is yet another critical side to this issue which the tourism industry must address; this involves the development of a stronger and more aggressive distribution system for the packages that **entrepreneurs** are putting together. A more integrated system involving packager, wholesaler, retailer **and**, ultimately, consumer will assist the industry in producing packages focused more closely on market needs **and**, therefore, selling the packages successfully. The international industry is already becoming increasingly **integrated**, with larger **firms** exerting direct ownership or control over packaging, promotions, sales and even the tourism facilities and services themselves. The Canadian industry must adapt if it is to compete successfully.

We Must Use All Seasons To Greatest Effect

Seasonality is a structural factor with which the Canadian tourism industry has struggled for decades. Dramatic climatic changes throughout the year have usually been seen as a restrictive element producing extreme fluctuations in **utilization** between 'in-season' and 'off-season' periods. However, as the four-season dimension **of tourism continues** to grow in market attractiveness, . Canada's climatic variability could and must be turned to competitive advantage. Developing the potential of this market advantage will require coordination among many complex operational and marketing factors including pricing, packaging, staffing, and government policies that currently limit the season of public facilities.

Over the last few years, there have been greater marketing efforts aimed at the shoulder seasons; as a result of these concentrated efforts growth is occurring, although more needs to be done throughout the industry.

Adopting New Technologies Can Increase Industry Efficiency

While the need to improve **workforce** skills is **evident**, two important factors are combining to force the tourism industry to become more technologically 'literate' than it has ever had to be in the past.

The **first** is the decline in the number of young, part-time workers willing to accept near minimum wage levels. This means that **labour** costs are going to increase rapidly. Developing or adapting existing technology will enable the industry to make **more** creative use of the human resources it employs, while helping to keep personnel costs at a manageable level.

The second is that Canada's competitors for the tourism dollar are relying more extensively upon sophisticated computerized information and marketing systems. For example, the Australian Tourist Board can qualify prospective visitors in its database by 52 distinct indicators. Apart from airlines and major hotel chains, the tourism industry generally has been slow to recognize and use new technologies, particularly in market development and promotion activities.

While technological adaptations will help the industry increase its efficiency and flexibility, tourism will always be, most visibly, a service industry that requires a high degree of the 'human touch' in order to attract and maintain its clientele. Service cannot be provided by a computer, but people can use technology to provide better service.

We Need To Improve Transportation Capacity

Deregulation and privatization initiatives are being pursued by national governments throughout the western world as they seek ways to improve market performance and reduce government expenditures. These initiatives also have an immediate impact on the development and growth of the tourism industry. This trend is particularly evident in the transportation sector where the consolidation of airlines is **having a direct impact on general air tariffs and discount fares.** Of course, deregulation and the 'open skies' environment pose a potential threat to domestic and international carriers alike facing competition not only **from** U.S. airlines but **from** airlines throughout the world.

Currently, the Canadian industry suffers because airline routes **from** high potential markets either do not exist at all, are **inefficient**, or have insufficient carrying capacity. This is particularly true of the American South and Southwest. For example, there is no non-stop flight to anywhere in Canada from **Atlanta, Georgia**, the largest American airport in terms of daily take-offs and landings.

Similarly, **particular** Canadian destinations which could have high tourism appeal in the United States, are not served by airlines or aircraft with sufficient capacity to meet demands from particular market segments, especially the meetings and incentive travel markets. It is impossible to sell a 500-person meeting if it takes **three** air transfers to get to the destination or the capacity simply doesn't **exist**.

The Impact Of Trade **Liberalization** Presents New Challenges

The development of free trade zones throughout the world could represent a problem and an opportunity for the Canadian tourism industry. Trade **liberalization** has traditionally been followed by increased levels of tourism activity among the countries party to the new trading arrangement. However, no one **can** yet predict the **full** impact of the virtual elimination of all barriers to the free movement of goods, services and people throughout the European Economic Community which will occur in 1992. One can assume that this will have a direct impact on competition for the European tourism dollar and the way **in** which we do business in Europe. Further, it may foster more coordinated European marketing efforts directed to North American and Pacific Rim tourists.

Similarly, the **ASEAN** countries with their booming economies and large and increasingly well-off populations are becoming particularly attractive markets **for** the Canadian tourism industry, from both a business and leisure travel perspective. It remains to be seen, however, whether nations such as **Canada** can exert a sufficient pull **to** entice **ASEAN** business and nationals to look beyond that region in significant numbers.

On the other **hand**, the Free Trade Agreement between Canada and the United States should increase levels of tourism activity between the two countries. More extensive business-related travel to all parts of this country will help strengthen Canada's visibility in the U.S. market and improve consumer knowledge of what Canada has to offer the American visitor.

The globalization of economies and the consequent increase in business travel will have a major impact on the international tourism business; however, it is still too early to **predict** with any certainty whether the formation of political or trading blocs will encourage this trend on a world-wide or primarily a regional basis.

The Canadian industry should be **planning** now to take advantage of potential that presents itself and to meet new competitive challenges that may arise. In any new **environment**, the business that understands it the fastest is usually the one to benefit the most in the short-term.

Concern For The Environment Can Benefit The Tourism Industry

One of the most pressing public concerns currently affecting all economic activities and developments is their impact on the environment. The United Nations has committed itself to the concept of 'sustainable development' as the key to maintaining industrial development while preserving the integrity of the earth's environment. **In this regard**, tourism has been identified as an activity that can promote economic activity while, at the same time, ensuring that there is little or no damage to the environment.

Canada's commitment to the concept of sustainable development is both an opportunity and a challenge for the Canadian tourism industry. The opportunity exists in that the industry can promote itself as an environmentally-sensitive activity that is worthy of public and government support. The challenge for the industry is to develop activities and attractions that bring increasing numbers of tourists to Canada without destroying the 'pristine', natural environment that attracts these visitors in the first instance. Nowhere is this land-use question more evident than in Canada's north and in the National Parks which are, at one and the same time, 'consumable' and 'sustainable' assets — tourism draws and monuments to the preservation of Canada's natural heritage.

Governments Are Becoming Part Of The Competition

While it is true that the tourism industry worldwide is growing rapidly, it is equally true that international competition for existing and new tourism dollars is intensifying just as rapidly. Service industries are the most rapidly expanding economic generators in the western world; all governments have come to recognize the importance of tourism within the service sector.

As a **result**, national efforts to support and expand both domestic and international tourism are growing as rapidly as the industry itself. For example, in the United States, state tourism budgets exceeded **Cdn. \$295 million** nationwide in 1988/89. Many of these states provide head-on competition for Canada as they attempt to lure other Americans to their areas as well as overseas visitors from Canada's primary markets. These initiatives are supported by massive private sector marketing efforts worldwide, of which Disney is only one example. In counterpoint the Canadian federal advertising budget directed to the United States was only \$25 million during the same year, **with an additional \$8 million directed to other overseas markets. While** provincial and private sector-advertising supported the federal marketing **effort**, this came nowhere near matching the U.S..

The U.S. experience is not a unique one. Current statistics make a compelling case for expanding tourism marketing budgets. They demonstrate that those **areas** of the world experiencing the strongest growth in tourist arrivals — the Far **East**, the Pacific and Europe — **are also those areas in which** national governments are focusing more resources on tourism as one of their **primary industry sectors**. For example, in 1988/89 the **U.K.** spent \$51.5 million; Italy \$47.5 million. Malaysia's marketing budget was \$39.5 million, while Australia spent \$38.2 million.

The impact of the government regulatory environment is an important factor in the ability of the tourism industry to 'sell' Canada. Regulations affecting such areas as customs and immigration processing, airport facilities, liquor sales, hunting and fishing **licence** restrictions, are in place for valid and important reasons. They do, however, have an impact on the quality and nature of the tourism experience which must be recognized and factored into decision-making.

5. The Potential for Market Growth

The most dynamic part of the Canadian tourism industry is the growth that can be anticipated from the international market. The challenge, of course, is to ensure that Canada achieves a larger market share within this growing **segment**, rather than simply maintaining our current base. Meeting this challenge requires that the industry focus its efforts on new markets and market segments, where the development potential is highest — high **growth, high yield** and a resulting higher return on investment — as well as maintaining current markets.

There Is Growth Potential In The United States

Market opportunities are **apparent**, particularly within the United States which remains Canada's largest market and one which has become more diverse and segmented in its demands. Research has identified specific market segments where **there** is high potential, including more off-season, seniors, the weekend 'getaway' consumer and long-haul air travel from the American South and **SouthWest**. These **are** areas within which, with concentrated efforts, the industry can induce market growth beyond what would otherwise occur naturally.

In some sense, the industry has little choice but to develop new markets. Over the past few years, the traditional American touring market has stagnated. Changing social and economic demographics probably account for the flatness of this industry staple, although competition from American destinations, the lack of big new Canadian-based events or attractions, and the resurgence in attractiveness of Europe **are** other factors.

The influx of border-state Americans driving across the border for their annual two-week tour of Canada will continue to **represent** an important market for the industry. These tourists, however, contribute, on a per capita basis, far less to the industry than the upscale or long-haul travelers or those seeking more exotic experiences or packaged tours. An increase in yield from American tourists will have to come **from** exploiting these new markets.

The value of the Canadian dollar **vis-à-vis** the American dollar contributes to the competitiveness of the Canadian product in the entire American market. At the same time, European and Japanese **currency** values and the costs of traveling within those areas make Canada a relatively more attractive destination for those Americans who are aware of Canada and what we can

offer. In the global economy, however, currency fluctuations cannot be predicted over the long **term**, and the industry must be positioned and structured in such a way as to withstand the impact of a shift in exchange rates.

To develop new potential and ensure growth within the American market is a major challenge for the industry which has relied on a particular market segment for so long. The national marketing emphasis has been moving over a number of years **toward** year-round campaigns. In an era of limited financial resources — both government and private sector— more must be done to coordinate marketing efforts and sharpen the image of Canada as a tourism destination in the high potential markets.

In The Pacific Rim, Japan Has The Most Immediate Potential

While it is logical to focus significant attention on our largest **market**, countries of the Pacific Rim are making a larger **contribution** to the Canadian industry than ever before. The overseas market has shifted considerably in recent years, with Asian tourists, particularly from Japan, coming to Canada in increasing numbers. Growth potential exists here, as well as in new market areas such as Taiwan, South **Korea**, Hong Kong, Singapore and Thailand over the next ten years.

There is no doubt **that**, of all countries of the Pacific Rim, Japan offers the highest potential for short-term growth. The number of Japanese traveling to overseas destinations is estimated to reach ten million by 1990; this is double the 1985 number. The strength of the Japanese Yen and Japanese government policies that encourage outbound tourism are contributing to this boom. Japanese tourists **are** important to Canada's industry for another **reason**; they are among the highest spending international travelers on a per capita basis.

The challenge for the tourism industry is, once again, to attract a larger share of the Japanese tourist dollar than that represented by natural growth alone. New opportunities for sightseeing tours can be developed on the basis of the Japanese taste for natural beauty. But, new products must be developed for the Japanese tourist that focus on cultural, entertainment and sports experiences identified by our research in addition to the touring opportunities that now exist. Services such as Japanese-language menus, information materials and guides, must be made increasingly available.

New ground is already being broken with the growth of tours to Canada based upon fall foliage and winter scenery in addition to the popular summer tours. Market potential also exists with the growing number of young Japanese prepared to take independent touring trips to **Canada**; attractions such as **Anne of Green Gables**, Niagara Falls, our National Parks, and winter fun could be the means to develop this potential.

Our Traditional European Markets Are Not Static Either

Canada's traditional markets in Europe are not remaining static either. In the **French market**, because of changes to air fares and the advent of charter carriers, Canada is now positioned as a medium-haul rather than long-haul destination. West Germany is the world's largest generator of tourism expenditures; while our traditional outdoor product is close to the saturation point in this market, the potential of touring and city products has already been identified by market research.

A similar opportunity exists in Great Britain where demand for the Canadian tourism product must be expanded beyond the 'visiting friends and relatives' segment that has been so long at the core of demand. For both Great Britain and West Germany, new products must continue to be developed and new means found to promote and sell these products. Continued reliance upon our traditional wholesalers and retailers packaging and selling the traditional Canadian product will not realize the growth potential that exists.

There are other countries within Europe which represent future potential for **Canada**, although these are secondary markets upon which we can rely for 'natural' growth. The highest growth potential exists in Italy, the Netherlands and Switzerland. Continued development, packaging and marketing of Canadian products will help the industry to maintain its current market share. However, as consumers face an increasing array of choices, increasing market share will only be achieved as a result of an acceleration of development and marketing activities.

6. The Role of ISTC — Tourism

Governments Are A Natural Part Of The Industry

The role of governments, especially national governments, **cannot** be overstated as a prime factor defining new tourism realities around the world. The Canadian experience is no exception to this trend. **In fact**, governments at all levels **are** directly involved in the Canadian tourism industry through ownership, licensing or regulation of many of the facilities and services that comprise the tourism infrastructure. This involvement is not restricted to parks and heritage sites; it crosses a broad range of transportation facilities, international agreements, taxation and other policies.

The Operating Environment Continues To Change

The environment which helps to define the tourism industry and the role of governments within the industry continues to change. **In** defining a role for **ISTC-Tourism**, practical realities must be considered and addressed by the industry and governments alike. These realities include:

- ⇒ the changes in market demand and composition which **are** defining future realities and opportunities for the tourism industry worldwide;
- ⇒ increasing international competition;
- ⇒ the establishment of closer partnerships within the **tourism** industry across the country;
- ⇒ the **current** strengths and limitations of Canada's tourism products as well as the systemic problems constraining the development of the industry as a whole;
- ⇒ the *new fiscal* environment of the **federal** government;
- ⇒ the priorities of **the** new Department of Industry, Science and Technology of which **ISTC-Tourism** is now a **part**;
- ⇒ the regional development priorities of the federal government and the operating agencies through which they **are** delivered.

These facts argue for a federal government role that is significantly **different** than it has been in the past. Information, focus, an ability to coordinate diverse interests to achieve a common goal, and a vision of how to realize the market potential that exists — these **are** the attributes that the national government should bring to the industry ‘table’.

The Context **Has** Changed For **ISTC-Tourism**

ISTC-Tourism functions as a branch of the new Department of Industry, Science and Technology (**ISTC**). The primary mandate of ISTC is to promote international competitiveness and excellence in products and services in all parts of Canada. This new orientation **represents** a significant shift in federal industrial strategy away from the specific financial support of the past and towards:

- ⇒ a stronger advocacy role in order to **influence** economic framework policies and issues;
- ⇒ a more direct analytical role with respect to trade policies and issues;
- ⇒ a **greater** emphasis on providing information and services to individual businesses **and** sectors of the economy;
- ⇒ a more focused and effective international presence.

Within the **Department**, tourism has been identified as a key industry sector and an important functional area. In fact, the legislation establishing the Department mandates the Minister of Industry, Science and Technology Canada **and**, in turn, the Minister of State (Small Businesses and Tourism) to develop and implement national policies to promote and expand tourism.

Concurrent with the change in the Department’s mandate and role, the federal government has made the decision not to renew the Tourism Sub-Agreements of the Economic Regional Development Agreements (**ERDAs**). The federal view is that the Tourism Sub-Agreements are no longer an appropriate policy instrument given that they achieved what they were originally designed to accomplish.

Financial support for tourism projects will continue to be available through the regional development agencies and programs established by the federal government. These include the Atlantic **Canada** Opportunities Agency, the Western Economic Diversification Office, the FedNor program in Ontario and the Tourism Enterprise Development Program in Quebec, as well as special programs for the Northwest Territories and the Yukon.

Regional tourism strategies, following from the national overview presented in this paper and outlining priority activities, are currently being developed for each of the regions, and these strategies will be used to guide the decision-making of the regional agencies and programs.

The shift in the strategic direction of the Department combined with the move away **from** direct **funding** programs **requires** that **ISTC-Tourism**, the other levels of government and the industry develop new and more creative ways of **working** together to achieve growth within the industry.

ISTC-Tourism Has Clearly Defined Its Mission

ISTC-Tourism has a single mission — to support the growth, excellence and international competitiveness of the **Canadian** tourism industry. The goal implicit in this mission is to augment the number of international visitors to Canada in **order** to increase the revenues for both industry and governments from international tourism. Increasing receipts from international tourism requires a focus on high-yield markets and products where there is **significant** growth potential and a high return on investment at the same time as sustaining demand from traditional markets.

ISTC-Tourism Will Play A Three-Part Role

ISTC-Tourism is the focal point for tourism management within the federal government, providing leadership to other federal departments and agencies and acting in partnership with and in support of the provinces and the Canadian tourism industry.

The leadership component involves efforts to identify and address those issues with the potential to affect the health of the tourism industry generally across Canada. Playing a leadership role in terms of the industry's international marketing efforts involves helping to open up new export markets and applying different techniques to test products and penetrate high-yield markets.

The **partnership** aspect is designed to **maximize** the utilization of resources and the benefits derived from these **expenditures**. This role also implies working to coordinate the efforts of the private sector and other levels of **government**. This requires a closer coordination of activities and an increased emphasis on developing the appropriate **partnership arrangements** with **provincial/territorial** and private **sector groups** wherever possible. By investing together, more resources can be levered to generate greater benefits for all partners.

The nature of **ISTC-Tourism's** partnerships will be modified to greater effect. Where previously we have participated in ad hoc partnerships for specific industry projects, we now intend to engage major industry players to plan and coordinate specific activities that achieve objectives relating directly to the mission of **ISTC-Tourism**.

The **support** component is extremely important to an industry as fragmented **as** tourism and one which is composed largely of small, **owner-operated** businesses. The support role will assist the private sector by providing the industry with a variety of research, information **and** other business services to help industry owners and operators develop their own business plans and arrive at better decisions based on the best data and intelligence available.

Activity Areas And Priorities Have Been Identified

Consistent with its mission and role, **ISTC-Tourism** has identified the activities and priorities on which it will focus over the next five-year period. Their selection emphasizes **ISTC-Tourism's** commitment to improving international competitiveness and concentrating on those markets which have the potential to produce high-yield payback or maximum return-on-investment at the same time as sustaining demand from traditional markets.

(1) Advocacy

The objective of **ISTC-Tourism's** advocacy activities is to **increase** the recognition of tourism as a vital sector of the Canadian economy and to raise the position of the tourism industry on the federal government agenda. Both the federal government and the industry are unable to take advantage of many new opportunities because of their current inability to influence each other's decisions in a direct and timely manner.

In this regard, there are three key priorities:

- ❑ To influence federal **government policies and programs** which affect tourism development, with an emphasis on:
 - ⇒ human resource issues;
 - ⇒ issues of **investment**, financing and taxation and **the regulatory environment** which affects **them**;
 - ⇒ transportation issues, particularly the need to **match market** development initiatives with air access; and
 - ⇒ issues relating to tourism and the **environment**.
- ❑ **To work with regional** agencies to establish policies and priorities which will reflect the real needs of the tourism industry.
- ❑ **To work with the industry** to assist in the **development of** self-sustaining industry associations which will be more credible and powerful lobby groups for their own interests.

(2) Business Services

The objective of ISTC-Tourism's business services activities is to contribute to the strategic planning and decision-making of both the private sector and governments.

In this regard, there are three key priorities:

- ❑ To provide up-to-date commercial intelligence including **information** on market trends and demands, competitor **data**, industry performance analysis and background on best business practices.

- ❑ To ensure the continued development of appropriate tourism products geared to high-growth and high-yield markets, with a particular emphasis upon:
 - ⇒ maximizing the tourism potential of federally-owned property and facilities including National and Historic Parks and National Museums by stimulating the development of tourism **infrastructure** and services in surrounding areas;
 - ⇒ developing key **cultural/** heritage attractions and major events in our cities and major touring **corridors**; and
 - ⇒ developing new package tour products for the off-season.
- ❑ To stimulate the development and use of technology by the Canadian industry by providing information on its impact on the industry and its potential applications.

(3) International Marketing

The objective of **ISTC-Tourism's** international marketing efforts is to increase Canada's international competitiveness and develop new market opportunities **in** high-yield markets.

In this **regard**, there are two key priorities:

- ❑ To generate awareness of Canada as a tourism destination in selected international markets; and
- ❑ To influence the international marketing efforts of key tourism industry partners.

The focus of **ISTC-Tourism's** marketing efforts over the next 3-5 year period will be on the following:

- ⇒ targeting high-yield and high-growth market segments;
- ⇒ promoting Canada's off-season, high-yield products;

- ⇒ increasing the marketing emphasis on upscale (**high** spending) **consumers**, seniors, off-season, weekend and long-haul travelers;
- ⇒ promoting **under-utilized** products where research demonstrates potential; and
- ⇒ **matching** new market initiatives **to the development** of **innovative product** such as getaway vacation travel, **urban/rural combinations**, outdoor adventure travel and native cultural experiences.

7. Conclusion

There is a great future ahead for the Canadian tourism industry. The international tourism market is still growing and all indicators suggest that this growth will continue well into the future. While changing demographics and needs **are** redefining the tourism marketplace throughout the **world**, these changes represent **future** potential for the Canadian industry if it can be proactive rather than reactive in its planning.

At the same time, the problems facing the industry are not unsolvable; in **fact**, their resolution could strengthen the industry significantly and lead to new market opportunities for both the tourism industry and other Canadian businesses.

What is very clear, however, is that Canada is not alone in the international marketplace. Virtually all over the **world**, national governments and their tourism industries are looking for new competitive advantages and promoting the benefits of travel to their destinations. In today's terms, **the** competition is not the property next door, it is thousands of properties and tourism experiences scattered around the globe.

For this **reason**, it is imperative that the tourism industry in Canada begin to view itself as the Canadian Tourism Industry and work together to achieve a greater share of the international tourism dollar. This requires a high level of coordination and cooperation within the private sector itself, between levels of government and between governments and the private sector.

Working together successfully requires a great deal of consultation and planning, especially in an industry as dynamic and changing as tourism. Over the last few years, consultation has been extensive. Ongoing contact with the provinces and the tourism industry is maintained daily by ISTC staff in the regions. Formal mechanisms such as the Tourism Tomorrow Conference, the National Tourism Data Task Force, the Tourism **Marketing** Council, the Tourism Research Committee, the Canadian Council of Tourism Officials and regular meetings of Ministers of **Tourism**, as well as the wide array of working networks established to deal with **specific** issues, are testimony to ongoing consultation as a basic operating principle of **ISTC-Tourism**.

For the **necessary** coordination and cooperation to take place, objectives, roles and activities must be clearly articulated and understood by everyone involved. This paper has described ISTC-Tourism's mission, role, activities **and** priorities in **order** that **provincial/territorial governments and the private** sector can undertake **their** own planning with the full knowledge of what to expect from **ISTC-Tourism**.

The tourism industry has achieved much in the past and can be justifiably proud of its contribution to Canada's economic and social life. Working together on the basis of clearly understood principles will provide the Canadian tourism industry with the solid foundation it needs to realize its enormous potential.