



Tourism and Hospitality

Introduction

The tourism and hospitality sub-sector includes the following rate groups:

921 hotels, motels, and camping

937 golf courses

944 personal and recreational services

962 advertising and entertainment and

981 membership organizations

Economic Trends

In line with most expert predictions, World Travel & Tourism Council (WTTC) research suggests that global Travel & Tourism will continue to grow at a steady annual rate of 4.2 per cent over the next ten years.¹

World tourism demand continues to exceed expectations, showing resilience against extraneous factors (in particular terrorism, health scares due to avian flu and rising oil prices). According to the latest issue of the *UNWTO World Tourism Barometer*:

- In the first eight months of 2006 international tourist arrivals totalled 578 million worldwide (+4.5%), up from 553 million in the same period of 2005, a year which saw an all-time record of 806 million people travelling internationally.
- Growth is expected to continue in 2007 at a pace of around 4% worldwide.

The expected 4% growth for 2007, though slightly slower than in previous years, is in line with the UNWTO long-term forecast growth rate of 4.1% a year through 2020. The short term outlook remains very positive; especially against the background of a strong world economy and as favourable exchange rates continue to encourage European and Asian travellers.²

Although international travel is expected to remain buoyant Canada did see a 4.1% drop in international travellers.³ According to a Statistics Canada report, the number of non-resident travellers dropped 3.5 per cent during July, August and September 2006 while spending by international travellers was down to 2.8 per cent. The number of tourists travelling to Canada from south of the border fell by 3.9 per cent while there was 1 per cent fewer visitor from other countries. There was also a sharp decline of 4.2 per cent in the same day visitors from the U.S. Over the last seven quarters, international tourism spending has fallen by 10 per cent. Despite the national picture, foreign travel is up in

Ontario and Toronto which saw a 1.8 per cent increase in overseas visitors to Ontario by the end of October. This increase is being attributed to an aggressive promotion campaign in Europe and Asia. A similar marketing campaign in Mexico has resulted in an 8 per cent increase in visitors during the year. Attracting U.S. travellers to Canada continues to be challenging particularly with the strong performance of the Canadian dollar and more competition from U.S. destination; and the struggle is compounded by higher gas costs, strained political relations, and the continued war on terrorism.⁴

On the flip side Expedia.com, the world's leading online travel provider, introduced the latest issue of its quarterly report, Expedia Travel Trendwatch. The consumer survey conducted by Harris Interactive showed, among other things, that 82 percent of U.S. adults plan to travel by air as much or more this spring as last spring. The same survey revealed that new passport requirements won't likely slow travel to Canada, Mexico, Central and South America, or the Caribbean. Surprisingly, this survey contended that the weakened performance of the U.S. dollar is a relatively small concern to those considering international travel.⁵

Statistics Canada figures, backed by Tourism Toronto numbers show a 70 per cent increase in the number of Chinese visitors to Ontario from January to September, compared to a year ago. Tourism officials say the opening of a direct air link between Shanghai and Toronto earlier this year is one reason for the increase, but it's also the result of a concerted marketing effort by Ontario Tourism officials to attract the travel dollars available to a growing Chinese middle class.⁶ Those numbers are small when compared to the market of Chinese tourists currently available to travel. The president of the Hotel Association of Canada, is pursuing an "approved destination status"(ADS), with China. Until Canada receives the new status, it will be difficult for Chinese leisure travellers to come here. At the moment, only Chinese government workers and people travelling on business are easily able to visit Canada.⁷

With a lack of new big tourist attractions and a few major ones closing including the Olympic Spirit Toronto and the Hershey Factory in Smith Falls.⁸ There needs to be some creativity work done to inspire tourists to Ontario. A lot of that then falls to events that draw people to Ontario's cities. Four years in the making, Luminato, the most ambitious arts festival ever mounted in Toronto will have a 10 day program that will feature 70 events (most of them free) and five world premieres.⁹

Keeping Canadians travelling in Canada is even a challenge. With the strong Canadian dollar and its buying power internationally it's no wonder Stats Canada reports increased spending by Canadians abroad. Increased spending by Canadians abroad pushed Canada's international travel deficit to its highest level ever in the third quarter, edging out the previous high observed nearly 15 years ago. Canadians spent an estimated record \$5.9 billion outside the country, up 2.9% from the previous quarter. Spending abroad has shown an upward trend in recent years, with increases in 11 of the last 13 quarters.¹⁰ It also costs less to travel to some international cities like London, England than it does to fly across Canada.

In a surprising move, Air Canada ended all flights to India so it can boost its service to China. Canada will now be the only G8 nation that does not have a national airline servicing India. Yet federal and provincial governments are actively courting Indian trade.¹¹

Social & Demographic Trends

The past year tourism and hospitality have faced a number of trials including: a warmer winter that put many companies in a difficult situation, declining box office ticket sales combined with an ACTRA strike and new demographics of customers.

As in all of the sub-sectors a labour shortage is being experienced in Tourism and Hospitality as well. This is a major challenge when coupled with the winter starting much later in Ontario during the 2006-2007 season. Ontario's largest ski resort laid off 1300 workers after closing down its ski operation in the middle of the winter season for the first time in the resort's 65 year history. The laid-off workers at Blue Mountain were made up of full-time seasonal workers and year round part time employees included housekeeping staff, restaurant workers and ski lift operators.¹² The delayed weather affected all ski resorts in Ontario. By January, the ski resort hired back most of their 1300 seasonal employees.¹³ It is very evident that weather and climate change will continue to have a profound effect on this sub-sector.

The situation in the film and television production industry has been equally challenging with lacklustre turnout at the cinemas and a strike by the members of ACTRA (Alliance of Canadian Cinema, Television and Radio Artists). Canadian admissions have been edging downward for close to five years. Overall box office last year was \$831million. While not a dramatic dip from 2005's \$831.3 million it was enough to register as the fifth consecutive decline since 2002. Indeed, that 2006 total represents a 14.2 per cent drop from the \$968.9 million generated in 2002. Howard Lichtman, president of the Lightning Group, a Toronto based marketing and entertainment consulting firm, remains optimistic about this year's prospects, quoted in Victoria at Show Canada, the annual confab of distributors and exhibitors he predicted "2007 would be a record breaker."¹⁴

Although initially there was hope that the situation would improve for 2007, the ACTRA strike has cast doubt on hopes of a revival in the production industry, which has been in steep decline in recent years, battered first by the 9/11 terrorist attacks, then SARS in 2003 and the impact of a higher Canadian dollar. Major Toronto film and TV production has been in steady decline since 2003 when it peaked at just over \$928 million that year, according to city hall figures. By 2005, it was down to \$773.1 million. A further decline is expected when the 2006 figures are in and with 2007 starting off with the actor's strike, the trend show no signs of levelling off. This decline affects the livelihoods of ACTRA's 21,000 members, 60 per cent of whom live in Toronto, but that of thousands of behind the scenes technical support and trades workers.¹⁵

Consumers place additional demands on the tourism and hospitality industry which include high quality products at low cost. Today's leisure travellers, who comprise of more singles, more female travellers, more grandparents travelling with their

grandchildren, and more large family units (several generations), are much less concerned about which destination they visit, which means they tend to be less loyal to destinations than they ever were in the past. The increased desire for healthy living and the need to escape highly pressured working environments have stimulated the demand for niche products such as spa/wellness tourism, outdoor activities, cruises, and educational trips. The consumer is also demanding a more environmentally aware vacation experience. They want more interaction with local people and a more emotional and cultural link to the people and communities they visit.¹⁶

Technology & Industry Trends

The latest technology and industry trends seem to be geared at the economical, environmentally aware, health conscious and educated tourist. These trends include removing trans fats from cooking oil at hotels, hosting zero-waste conferences, attracting new customers to movie theatres, increased consumer's online capabilities and local marketing activities.

Marriot International Inc. says it will eliminate trans fats from the cooking oil used by its restaurants at more than 2,300 hotels in Canada and the United States. Omni Hotels also said it will cut trans fat by March 1.¹⁷

Another response to the need for a "greener" culture could be seen this year in Canada's first zero-waste international convention. Organizers of the 3000 delegate Professional Convention Management Association convention used real dishes for lunches and dinners at the four day event. Leftover food was delivered to Second Harvest for the city's less fortunate. Food scraps were relegated to composting with the rest earmarked for recycling bins. The zero waste meeting is another selling point for Tourism Toronto.¹⁸

The movie theatre industry is looking at innovative ways to attract more people into its theatres, from holding video-game tournaments to showing live rock concerts and Broadway plays on the silver screen. There is also interest in liquor licensing that would allow patrons to bring beer and wine into adult-designated auditoriums.¹⁹

The growth of online booking as a percentage of overall reservations continues to grow dramatically. More people are booking online and less people are booking through central reservations telephone numbers and offline travel agencies. For example, over the past 3 years, Best Western has seen online bookings grow from between 10 percent to 15 percent of overall traffic to around 40 percent today. At Choice hotels nearly 60% of reservations now come from online bookings. The majority of persons who make reservations online are now booking directly on the hotel or brand's website. This is quite an achievement for the hotel industry despite many new websites attempting to book or refer hotel reservations. Now hotel companies are paying less money to travel portals and are establishing more relationships directly with their guests.²⁰

Through the Internet, consumers now have the ability to see and read everything necessary to choose their favourite hotels. Feedback Forums which allow customer to

post comments and rate reviews as well as the ability to create their own hotel selection criteria and compare hotels with little effort has decreased the need for the more traditional hotel “star” or “diamond” ratings.²¹ TripAdvisor.com. has become the largest travel community in the world, with more than 5 million unbiased reviews and opinions, covering 220,000+ hotels and attractions. In addition to providing travel reviews, the website also connects travelers with major online travel sites, including Expedia.com, Orbitz, Hotels.com and American Airlines, for great deals.²²

The popularity of spa facilities in hotels and resorts has exploded in recent years. For many full-service and resort properties, spas are as much a requirement as restaurants and meeting space.²³

The OSSA Tourism and Hospitality Advisory Committee expressed concern that the marketing, for Canadian tourism spots (both within and outside of Ontario) is not dramatic or compelling.²⁴ To combat that image a \$100,000 campaign to promote Toronto as an exciting place was launched recently. The four ads, appearing in alternative newspapers in January and February in eight U.S. cities within easy driving distance, were designed to poke fun at the city’s stereotypical images as clean, safe and dull. Instead they have provoked home-grown descriptions from ineffectual to “ridiculous” to “deplorable,” due partly to some confusion over their message.²⁵

Legislation & Policy Trends

There have been many changes in the last year that may negatively affect the tourism and hospitality sector that include: the new passport requirements, increased border security, the new program for cargo screening through airports, the cancellation of the Visitor Rebate Program, and legislation requiring changes to tourism facilities.

There is a concern that the Western Hemisphere Travel Initiative passport requirements for all air travellers could also be a challenge to the tourism sub-sector. Beginning in January, Canadians will need passports to fly to the United States. With only about 25 per cent of Americans currently holding passports (compared with 44 per cent of Canadians).²⁶ Ottawa fears that many Americans will not obtain needed documents to visit Canada that means 150 million Americans will lack passports.²⁷

The federal government is investing \$431 million over the next five years to reinforce border safety, Public Safety Minister Stockwell Day announced. He said the initiative is essential to not only ensure safety, but to keep commerce moving. The bulk of the money will go towards the electronic eManifest program, which allows for computer-automated risk assessments of cargo shipments before they reach Canada.²⁸ Another border issue which could affect tourism, is the implementation of the conservatives campaign promise, to arm some of the 5,000 or so people in uniform along the border.²⁹

Security issues are have also been addressed with Transport Canada moving “aggressively” on a report from the global aviation authority that calls for beefed-up air security through improved cargo screening and better training programs. Currently, Canadians flying to the United States must carry a valid passport or show a special

NEXUS cards reserved for frequent travellers. A NEXUS enrolment centre and self-serve kiosks, which can identify and verify travellers in the program through the use of iris-recognition technology, are now operational at the Toronto airport.³⁰

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 Visitor Rebate Program is proposed to be eliminated effective April 1, 2007, as part of the package of specific spending restraint measures announced by the Government on September 25, 2006.³¹ 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.³² The GST VRP is a program that allows foreign visitors to Canada to claim a rebate on GST paid on the items they purchase while in the country.

Although a concern last year, the Smoke Free Ontario Act, which came into effect May 31, 2006, has not caused any significant change to businesses according to the Tourism and Hospitality Advisory Committee.³³ The next part of the legislation coming into effect is all displays of tobacco products will be banned two years later, on May 31, 2008.

Other legislation will require changes to tourism facilities. Bill 198, Accessibility for Ontarians with Disabilities Act (AODA), requires the development of sector-specific standards for accessibility. People with disabilities, people from different industries and sectors, and Ontario government ministries work together on committees called Standards Development Committees. The committees recommend proposed accessibility standards to the Ontario government cabinet minister who is responsible for the AODA. The bill comes into effect in 2025 by then all of Ontario will be fully accessible.

Health & Safety

According to the Ministry of Labour, the major health and safety hazards for tourism and hospitality workers are: chemical handling; working with fuels safely; slips and falls; ultraviolet radiation (outside work); occupational exposure limits; strains, sprains and lifting (ergonomics); electrical contact; being caught in machinery; drowning; heat stress; operation of motorized recreational vehicles; working in remote areas; and working alone.³⁴

Pandemic planning is remains as an important issue for this sub-sector. With a global concern over the potential impact of an avian flu pandemic, protecting guests and employees, and the loss of business from that impact is paramount. West Nile virus also remains a concern for tourism employees who work outdoors. According to experts, mosquitoes are showing a preference for feeding on humans instead of birds, resulting in more human infections.³⁵

Labour shortages are predicted to be an issue for this sector and to combat that they are hiring with increased numbers employees over the age of 65 as well as immigrant workers (i.e. some areas are bringing in housekeepers from other countries during high season). Large tourism projects planned in the next year or two (i.e. Woodbine Entertainment Expansion and Casino Windsor) will put a strain on available labour pools in regions. ³⁶

According to the Ministry of Labour, significant health and safety threats for film and TV workers include: dramatic stunts; chemical and safety hazards, fire hazards/pyrotechnics; firearm hazards; heat/cold stress; special lighting (electrical hazards); handling chemicals (WHMIS requirements); carbon monoxide (in use of gasoline-operated equipment); smoke created during filming; and ergonomic issues related to lifting/moving heavy equipment. ³⁷ The example most recently of this sort of hazard was involving David Richie, 56 (died), was helping disassemble an outdoor set used for a Samuel L. Jackson film, Jumper, when a prop wall collapsed on him and two other men. ³⁸

For live performance workers, serious hazards are: falls; pyrotechnics; smoke and fog; sound; portable electric generators (grounding); noise; and working on or near live exposed parts of equipment and in outdoor venues, because of extreme temperatures. ³⁹

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