Title: Canada's Path to Becoming a Tourism Superpower

Issue:
Tourism—Canada's overlooked economic engine—remains stagnant while control of our hotel assets, brands, and data slips away. New national policies are essential to reverse this decline and unlock the sector's full potential.

Background:

1. **Significant Market Size But Flat Economic Contribution**
- From 1995 to 2019, tourism revenues were stagnant in real dollar terms, ranging from 1.5% to 2.1% of GDP.
- In 2022–2023, accommodations and food services (which account for 30% of tourism spend) grew at 3%, employing 1.7 million people (10% of national employment), the same proportion—adjusted for inflation—as in 1995.
- The majority of SMEs in tourism are owned and operated by women and minorities, heavily concentrated in Ontario, Quebec, Alberta, and British Columbia.

2. **Big Gap Vs. Federal Government Objectives**
- In 2019, the federal government set a target to increase the tourism sector's GDP contribution to over $61 billion by 2030 and to improve Canada's ranking in the World Economic Forum's Travel and Tourism Index from 13th in 2021 to 7th by 2030.
- While domestic travel has recovered, Chinese travel to Canada is down 80% from its 2019 peak, representing a $2.5 billion annual shortfall. Canada must diversify and attract new traveler segments.

3. **Hotel Owners Facing Margin Pressure and Labour Shortages**
- Though the accommodations sector is a cash cow, generating $2.7 billion in operating profits, margins are under strain. Operating costs—including labour and supply chains—are outpacing revenue growth, while financing options remain limited.

4. **Absence of Canadian Brands, IP, and Data**
- Competitor nations gaining market share have implemented policies to protect IP and data and have nurtured "national champion" travel agencies and hotel chains.
- Canada lacks a national online travel agency and has no regulations requiring foreign OTAs (e.g., Expedia, TripAdvisor) to disclose IP, data practices, or AI governance.
- There is no national hotel chain of scale. Foreign brands represent 60% of hotels, and the top three account for 70% of branded properties.
- Foreign entities have acquired major Canadian hotel brands, including Fairmont and Four Seasons. China owns more than 100 hotels across the country.

Key Actions/Innovation Agenda

1. **Tax Reform and Reducing Government Spending/Waste**
- Travelers pay $4 billion annually in layered consumption taxes—federal, provincial, municipal, and destination-related. These should be rationalized and redirected.

- The orthodoxy that government marketing drives tourism revenue must be challenged with data science. Cliché advertising campaigns have wasted hundreds of millions and turned Canada into a meme.

2. Legislative/Regulatory Changes Required

- Amend the Investment Canada Act to limit foreign ownership of hotels and hospitality businesses to 49%.
- Mandate Canadian content in hospitality, akin to CRTC music rules, spanning furnishings, F&B, technology, and workforce.
- Offer financial incentives for Canadian-owned brands, data, and IP. Currently, new brands require more equity and receive no credits for technology investment under SR&ED.
- Build consensus to establish new real estate development permitting policies at the local level that require a certain percentage of urban zones are designated "hybrid" hotel and residential. Develop case studies of flexible real estate development including serviced apartment hotels, including Singapore and Dubai,

3. Sustainability and Indigenous Inclusion

- Canada's tourism industry is producing 6.4 percent of world Greenhouse gas emissions (GHG), which is three times its national GDP contribution. However, the hotel industry is generating 20 times this impact.
- New regulations could require modular construction that employs parametric prefabrication, allowing for flexible outputs, reduced supply chain costs, and reduced construction waste by tenfold for a new hotel building.
- Canada should establish sustainable tourism zones and attract foreign investment. Models include Saudi Arabia's Red Sea project, Norway's EV cruise ships, and Australia's Indigenous tourism zones.
- Certified hospitality marketplaces should require a minimum Indigenous business presence in most regions, including managers and staff. First Nations entrepreneurs must be empowered as suppliers and owners.

Conclusion

- To realize its potential as a tourism superpower, Canada must act decisively to reclaim its competitive edge and reimagine tourism as a vehicle for inclusive, sustainable national growth.

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