

BOARD OF TRADE OF METROPOLITAN MONTREAL

What Does the Future Hold for Canada's International Tourism Industry?

Notes for a speech by Jean-Marc Eustache  
President and CEO  
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April 20, 2010

Check against delivery

Good day ladies and gentlemen,

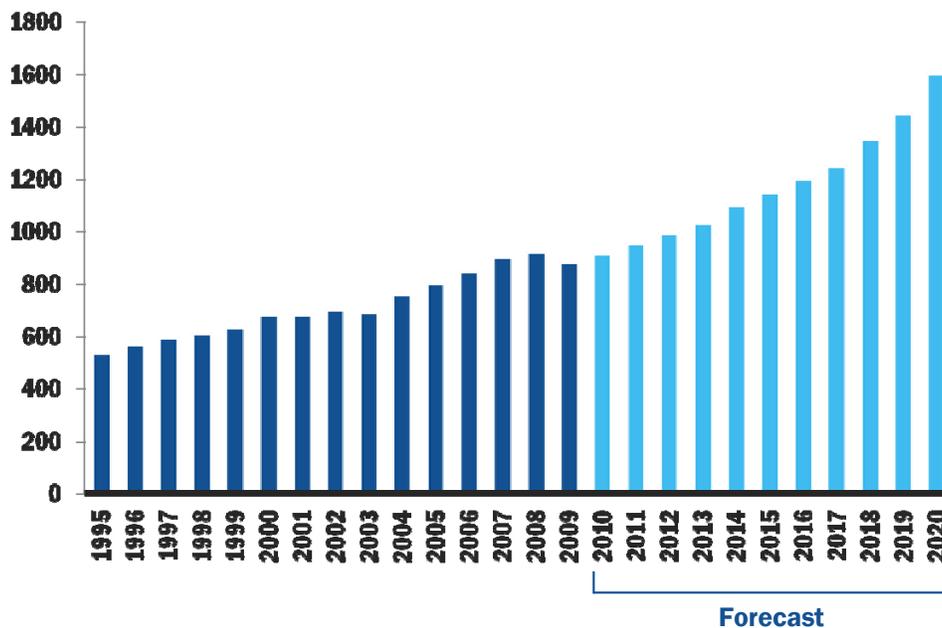
It is an honour for me to be here.

My thanks to the Board of Trade of Metropolitan Montreal for inviting me to speak to you today about tourism. Ours is a major industry, and an industry of the future. And as Québec did in the case of hydro power, we should devote more effort to harnessing its full potential.

Tourism is highly dependent on human resources, and it creates huge numbers of jobs. Besides the major economic benefits that it generates directly, it is a big part of many other industries, including construction, aerospace, and retail sales.

### International Arrivals (World) 1995-2020

In millions of people



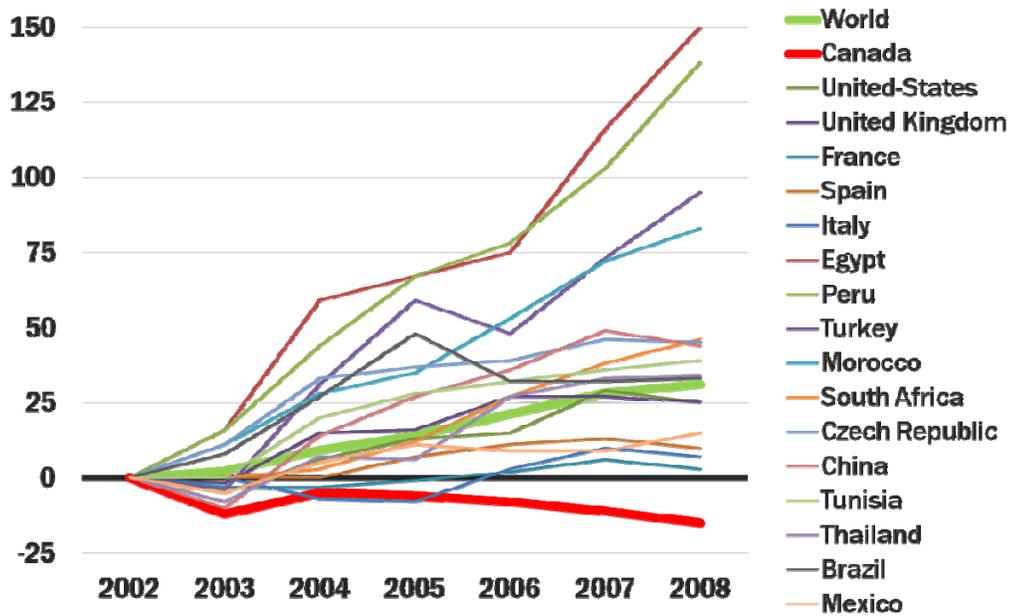
Source: UNWTO

In 2009, there were 880 million *international* tourists in the world, and they spent more than \$900 billion.<sup>1</sup> These numbers were down 4% from 2008, due to the economic crisis and the flu virus. The UN World Tourism Organization expects the tourism sector to bounce back in 2010,<sup>2</sup> and recover strongly thereafter. Incidentally, over the past 50 years, tourism has always shown itself to be highly resilient.

<sup>1</sup> UN World Tourism Organization (UNWTO).

<sup>2</sup> UN World Tourism Organization: Tourism Highlights – 2009 Edition. The average annual growth rate is expected to be 4.1 per cent by 2020.

### Growth of International Tourism Variation in percentage over 2002



Our market is evolving. There are more potential tourists than before, from more countries than ever before. And there are many more destinations competing for their business. From 2002 to 2008, international tourism grew by 31%. Almost all countries posted gains—except Canada.<sup>3</sup> The classic destinations—France, Spain, Italy, the United States and the United Kingdom—attracted about 30% of all international tourists in 2008. In the emerging destination countries, tourism is growing at impressive rates. In some of these countries, international tourism has more than doubled. In that six-year period, 11 destination countries were responsible for one-quarter of world tourism growth.<sup>4</sup>

### Travel and Tourism Competitiveness

	Ranking in 2009 (out of 133 countries)
Swiss	1
Austria	2
Germany	3
France	4
<b>Canada</b>	<b>5</b>
Spain	6
Sweden	7
United States	8

Source: World Economic Forum, Travel & Tourism Competitiveness Index 2009

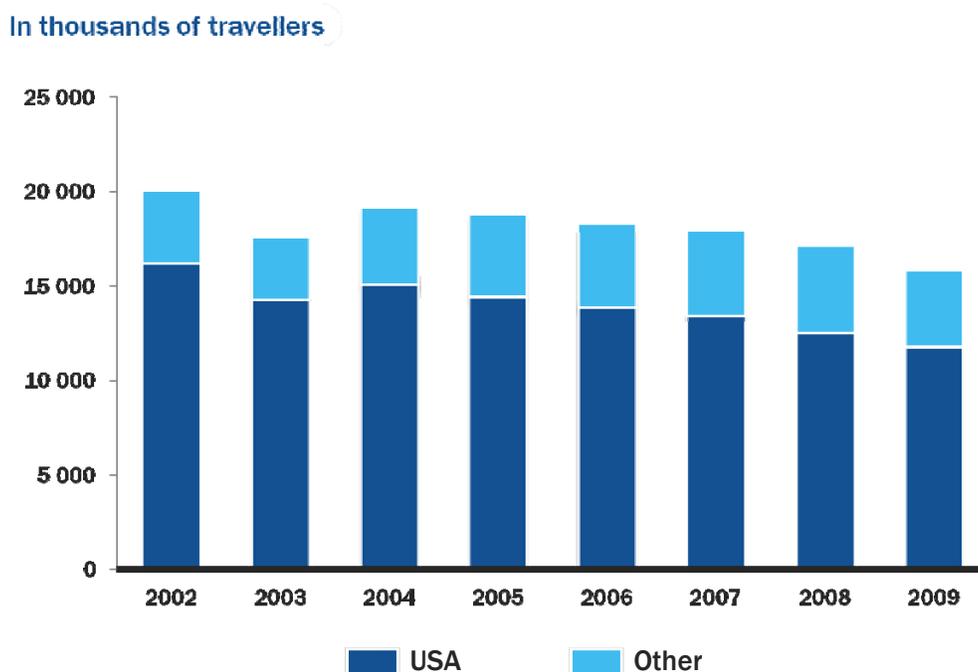
<sup>3</sup> Technically, Hungary was the only other country to post a decline over the same period, but its situation improved from 2007 to 2008, while Canada's did not. The overall drop in Hungary has been far more severe than in Canada, however.

<sup>4</sup> i.e., 55 million of the additional 218 million tourists during the period in question, who visited the following countries: Mexico, Egypt, Peru, Turkey, Morocco, China, the Czech Republic, South Africa, Tunisia, Thailand and Brazil.

Oddly enough, though, if you ask people which countries they would like to visit one day, Canada is always high on the list. And in measurements of different countries' relative competitiveness, we rank fifth, behind France and ahead of Spain and the U.S. Those are the top three destinations in the world.<sup>5</sup>

So the bottom line is, despite our undeniable assets, when it comes to numbers of visitors, we have gradually slid all the way down to 14th in the world. Since 2002, our overall drop has been more than 20%, largely attributable to the U.S. market. And we're having trouble growing the number of overseas visitors.<sup>6</sup> In 2009, we welcomed barely 16 million foreign tourists, 12 million of whom were from the U.S. In Quebec, the decline in U.S. tourists has been more severe, but we are doing better with international visitors.<sup>7</sup>

Canada: International Arrivals 2002-2009



Source: Statistics Canada

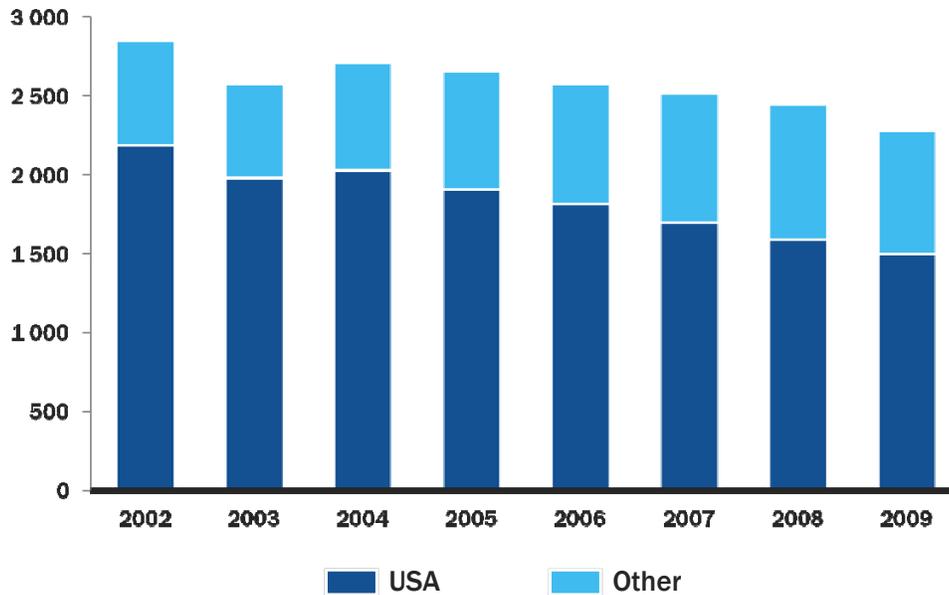
<sup>5</sup> World Economic Forum.

<sup>6</sup> Statistics Canada, *Bulletin 66-001-P*. In 2009, after the crisis hit, the decreases were considerable: Canada had 11.7 million U.S. visitors and 4.0 million from overseas, for a total of 15.8 million—a 7.8% drop.

<sup>7</sup> Care must be taken with provincial statistics, which are based on travellers' entry points. For example, a tourist might enter Canada via Ontario and visit Quebec, or vice-versa.

## Québec: International Arrivals 2002-2009

In thousands of travellers



Source: Statistics Canada

In short, we have real potential... but our market share is dwindling. We have assets, but we also have liabilities.

### Top-performing markets

There are many countries that boast excellent tourism potential, and that perform up to this potential.

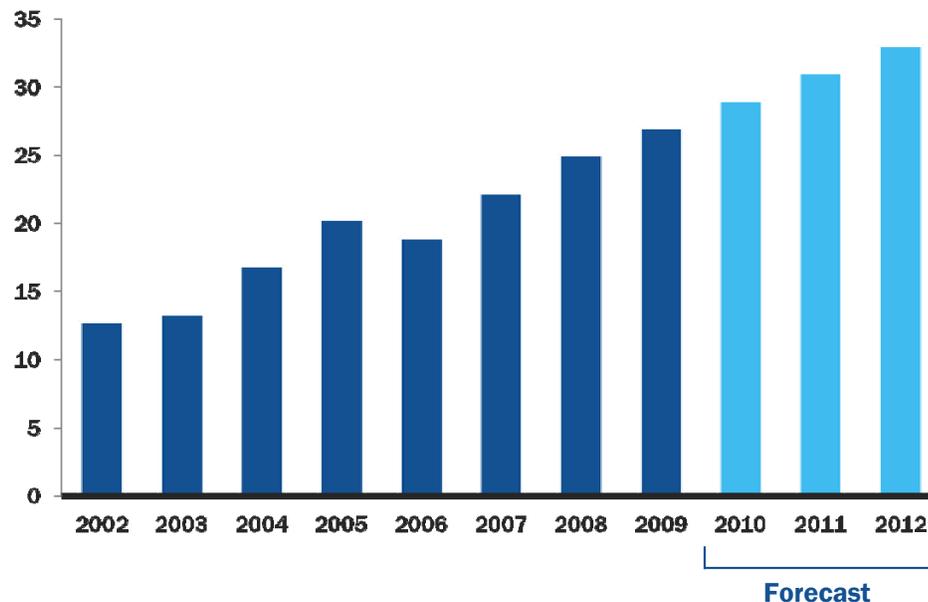
Take Turkey, the world's eighth-most-popular destination.<sup>8</sup> In 1990, Turkey drew five million visitors. Last year, it welcomed 27 million.<sup>9</sup>

<sup>8</sup> As of 2008.

<sup>9</sup> UNWTO, *Tourism Highlights*; Turkish Tourism Agency; *International Tourism Demand for Turkey: A Dynamic Panel Data Approach*; World Travel and Tourism Council, cited by the UNWTO in *Turkish Tourism Defies Economic Downturn*.

## Turkey: International Arrivals

In millions of travellers



Source: UNWTO

The Act to Promote Tourism set the ball rolling, in 1982. Under this legislation, the government encouraged investment, through such means as leasing of public land at affordable prices, tax exemptions, import duties, and easing of restrictions on foreign workers.

The government invested in transport infrastructures, including new international terminals. These allowed the country to capitalize on the arrival of low-cost carriers, which have helped democratize leisure travel all over the world.

Another important factor was the TEDA project, launched in 2005 to tackle the language issue, which until then had hampered the dissemination of Turkish culture. TEDA has reversed this trend by providing grants for the translation and publication of literary, cultural and artistic works.

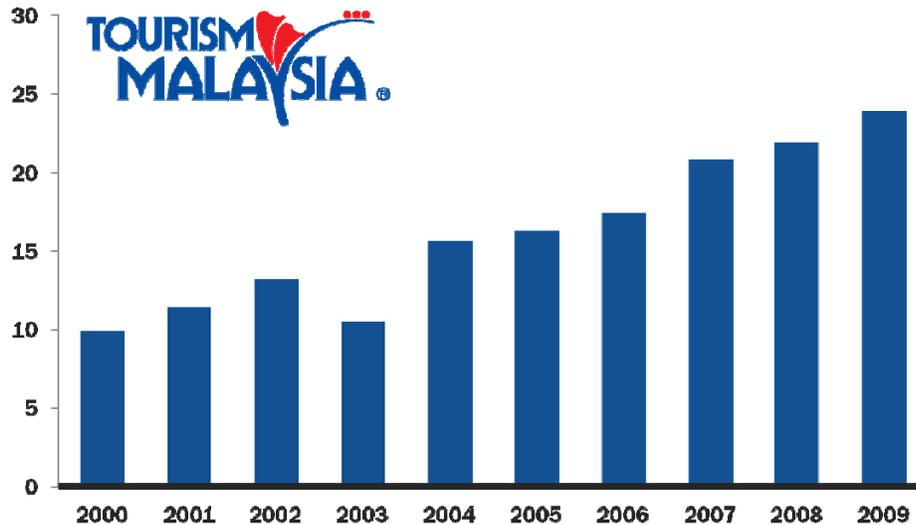
Where the tourism product itself is concerned, the Turks have succeeded in positioning Istanbul as a short-stay destination, and in leveraging the country's seaside-resort potential: the country has more than 8,000 kilometres of coastline. There are 286 certified beaches, testifying to Turkey's growing concern for environmental stewardship.

Lastly, the Turkish government has withdrawn visa requirements for travellers from several countries.

A word now about Malaysia. Ten million visitors in 2000, 24 million in 2009—an increase of 130%.

### Malaysia: International Arrivals

In millions of people



Source: World Tourism Organization (UNWTO)

Here again, we're talking about a country with abundant natural and cultural potential that has put a lot of work into optimizing and harmonizing policies that have an impact on tourism.<sup>10</sup> Malaysia imposes visa requirements on very few countries. Like Turkey, it has capitalized on its easy access by air. Its air travel infrastructures are not only of high quality; they are also highly competitive.<sup>11</sup>

The last country I will mention is a tiny state that gained its independence in 2006. It has placed tourism, which already accounts for 15% of GDP, at the core of its development strategy. This country is Montenegro. By 2020, Montenegro will have the world's fastest growth in travel and tourism visitor receipts from exports, at an annual average of 11.4%.<sup>12</sup> This achievement will come in spite of infrastructures requiring improvements, and a turbulent history.

<sup>10</sup> See the World Economic Forum indicator, according to which Malaysia was ninth in the world (out of 133) in 2009.

<sup>11</sup> The country ranks fourth in the world for price competitiveness, and 13th on the "ticket taxes and airport charges" sub-index (World Economic Forum, *Travel & Tourism Competitiveness Report 2009*).

<sup>12</sup> World Travel and Tourism Council, *Travel and Tourism Economic Impact 2010*.

Montenegro adopted a tourism master plan back in 2003. It places high priority on sustainable tourism, and calls for a national infrastructure-upgrade plan as well as development of ecotourism supply. All this is orchestrated by a ministry that is responsible for land planning, the environment, sustainable development, architecture, and foreign investment all at the same time. In other words, the left hand knows what the right hand is doing.

### Tourism destination management

Here is what strikes me immediately about these three countries.

- First, the leadership shown by their governments. They have grasped the importance and the potential of tourism as a driver of development, and their essential roles in this development. They have implemented co-ordinated strategies: Encourage investment. Ease entry restrictions for visitors. Harmonize regulatory frameworks. Reconcile heritage conservation and economic development. And so on.
- Next, air transport. These countries have understood that a destination's relative accessibility can make all the difference. It's also clear that they are insistent on modern infrastructures, and development of their air carriers. For a long-haul destination like Canada, there is a lesson to be learned here.
- Third, the product. In this regard, the concept of sustainability comes up time and again: tourism development will increasingly be keyed to the development, and therefore the protection, of natural and cultural heritage assets. Incidentally, ecotourism is forecast to grow by 20% annually; and culture tourism by 15%.<sup>13</sup> In short, you have to look after the authenticity of the destination, which is your stock-in-trade. Every destination must assert its fundamental character.
- Fourth, reputation. Reach. An aura. I very much like the example of Turkey in this respect, with its concerted efforts to raise awareness of its culture through its creators, from a tourism perspective! After all, you don't set out to visit a country that you've never heard of, that has no fragrance, colour or flavour.

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<sup>13</sup> UNESCO.

## In Canada

For years, in Canada, we reaped the benefits of limited competition, and a weak currency that made us an accessible destination. Those days are gone. The competition is exceedingly fierce now, and we've become a rather expensive place to visit. Ask people what is keeping them from coming here, and the answers you'll most often get are: it's too expensive, it's too far, I have no reason to go, and there are other places I want to see first. In short, given the cost, Canada doesn't seem to be worth the trip.<sup>14</sup>

Five main reasons given for not visiting Canada  
(nine countries surveyed)

	Average
Other places I want to see more	81%
Too expensive, can't afford	78%
No real reason to go	64%
Destinations, attractions too far apart	58%
Too far, flight too long	57%

Source: Canadian Tourism Commission

But ask people if they would be interested in travelling to Canada and, if yes, why, and about a hundred million folks will answer: to see our natural wonders, our historic sites and our cultural attractions.

Travellers interested in core Canadian tourism offerings  
(seven countries surveyed)

	In millions of travellers
Viewing beautiful landscapes	106.3
Seeing historical and cultural attractions	102.3
Visiting parks, heritage sites	98.7
Vibrant cities, close to nature	94.6
Observing wildlife in natural habitat	81.1

Source: Canadian Tourism Commission

In other words, as in Montenegro, Turkey and Malaysia, so-called sustainable tourism, keyed in large part to our natural and cultural heritage, is emerging as an essential avenue for development.

<sup>14</sup> Canadian Tourism Commission, *Global Tourism Watch 2008*. Cited in *Competing Beyond Price* (Deloitte and Tourism Industry Association of Canada).

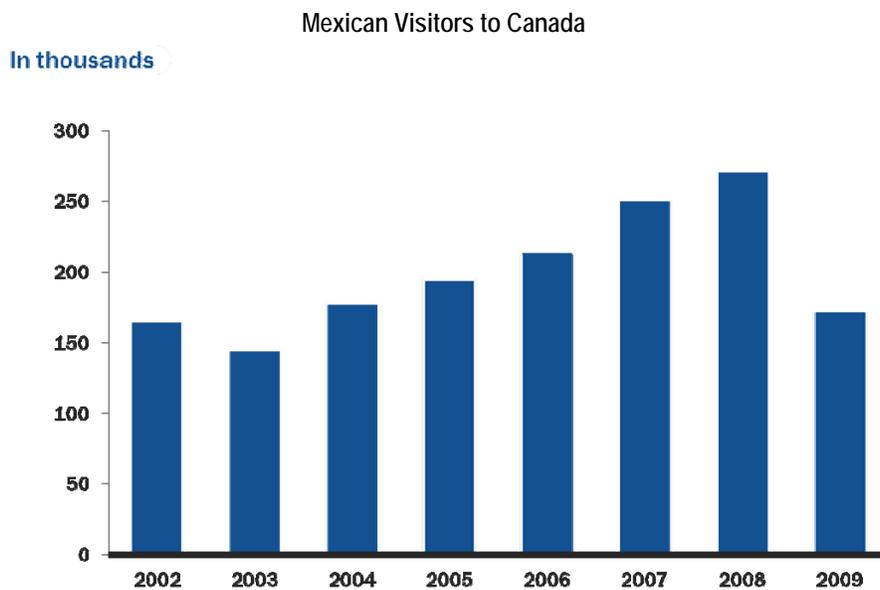
In 2009, the federal government announced its intention to develop—jointly with stakeholders—a national tourism strategy, built around better consistency of actions and investments. The message was reinforced by the Prime Minister himself last June 4, when he spoke of how important it is to improve co-ordination of our efforts. We support that initiative, and I was very pleased to hear the Prime Minister say he believes in tourism. Consistency and co-operation, therefore, would seem to be on the agenda.

I must mention, however, that a few weeks after Mr. Harper made those remarks, Ottawa announced it would impose a visa requirement on visitors from Mexico—effective the next morning!

The visa application must be made in English or in French, and prospective travellers have to provide their entire background: education, employment, salaries. They must also supply originals of their bank statements for the past six months, pay stubs, and a phenomenal amount of documentation.

This did not go over very well in Mexico, to say the least. And that's perfectly understandable. I don't know if any of you here today would particularly appreciate it if you were asked to provide the same information. At any rate, the results were immediate.

In 2008, we welcomed approximately 270,000 tourists from Mexico. That made the country our fourth-largest, and fastest-growing, source market. This momentum was brutally halted in 2009: the number of visitors dropped by 37%.<sup>15</sup>



Source: Statistics Canada

<sup>15</sup> Canada imposes visa requirements on close to 150 countries, among them China, India, Brazil, Chile and Argentina, all countries with definite tourism potential.

A few weeks ago, Ottawa announced plans to overhaul security measures in our airports and enhance system performance. At the same time, it announced an increase in the fees charged to travellers to pay for this security. For international flights, the Air Travellers Security Charge has increased 50%.

That's only a few dollars, you might say.<sup>16</sup> But by repeatedly charging a few dollars here, and a few dollars there, Canada is pricing itself out of the market. When it comes to price competitiveness for attracting tourists, we rank 106th out of 133 countries, and this is our main weakness.<sup>17</sup>

I was quite pleased to note that the President of Air Canada came to much the same conclusion a few weeks ago, when he sharply criticized the rents charged by the federal government to airports—a situation that Transat has publicly denounced for many years. Hundreds of millions of dollars are quietly flowing into the government coffers in Ottawa every year. This is a hindrance to the development of the tourism industry in Canada. The pseudo-privatization model that we have adopted in this country must evolve.

We must stop viewing this industry as a cash cow. This incongruous vision handicaps us, and we saw the results once again, several weeks ago, when yet another Canadian airline declared bankruptcy. That came on the heels of the disappearance last year of a tour operator that had been in business for 40 years. One of the reasons it went under was pressure from the credit card companies.

These companies offer consumers refund protection, known as a chargeback warranty, if a service purchased by the consumer is not provided. In our industry, however, the credit card companies pass the financial risk on to the travel firms, through the imposition of excessive financial constraints on them. And they do this despite the fact that protection funds exist in the three largest Canadian provinces.

Incidentally, there is a meeting tomorrow bringing together industry representatives, the provincial authorities in Quebec and Ontario, Visa, MasterCard, and Moneris, a credit card payment-processing firm. I would urge them to be creative and seek solutions that not only protect consumers, but are financially viable, without imposing an undue burden on merchants. A portion of this financial impact must also be assumed by the credit card companies themselves: they are the ones offering the warranty—and realizing significant profits as a result.

As you can see, we are in a rather odd industry. An industry where we sometimes have the feeling that the credit card companies have us by the throat, while the government is rifling through our pockets. This is not the way to go about building an economy, promoting investment and acquiring the means to aggressively target foreign markets.

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<sup>16</sup> From \$17 to around \$26 for departing international flights, per passenger.

<sup>17</sup> World Economic Forum, *Travel & Tourism Competitiveness Report 2009*. For ticket taxes and airport charges, Canada ranks 98th out of 133 countries, and 106th when it comes to overall drivers of price competitiveness.

To sum up: in Canada, we aren't able to "*think tourism*" and act strategically. With our market share in decline, a strong dollar, and a product undergoing transition, there is a pressing need for a national strategy—one characterized by a renewed vision and greater consistency. And if we have to hire Montenegrin or Turkish experts to help us, then let's do it.

## Montreal

Montreal is a part of the solution.

Provided that we make tourism a fundamental development strategy for the city.

Usually, what's good for tourism is also good for residents. After all, what are tourists looking for? A city that's friendly, interesting, clean and safe, that they enjoy walking around in. From this point of view, the interests of the local population and those of the tourism industry are convergent.

Many cities around the world have made the tourism shift, and are reinventing themselves and refocusing on the people there—permanent residents as well as those passing through. Chicago, Copenhagen, even New York are examples, but they're not the only ones.

In Montreal, enormous progress has been made in the past few years. Our city is evolving—for the better. There have been some eye-catching achievements, like the Quartier des spectacles, the Quartier international, the neighbourhoods along the Lachine Canal—and plenty of other improvements. They are making Montreal increasingly attractive and welcoming.

All in all, tourist attractions are important—essential, even—but before thinking about grandiose projects, you have to deliver the basic goods, from a perspective of sustainability. Making sure you have neighbourhoods and streets where going for a stroll is a pleasure, where there are things to see and do, and a community to discover.

Montreal is also part of the solution because it is our anchor attraction in Quebec. Without it, it would be much more difficult for us to attract tourists to Quebec's regions. With Montreal, everything is possible.

Another solution to consider, in my mind, is the river. Montrealers and Quebecers don't notice the St. Lawrence River any more. They take it for granted. And that's when they're not taking it for a garbage dump, a shooting range, or—even today, in 2010—for a sewer. And yet, the St. Lawrence River Valley, from Montréal to the Gulf, is the backbone of our tourism offering. It is home to wonderful landscapes and heritage treasures, often poorly protected, and without a doubt underexploited. These past few years, though, I have seen several initiatives that give me reason for optimism: the *Route Verte*, the Lake St-Pierre Biosphere Reserve, the Promenade Champlain in Quebec City, and the Massif de Charlevoix project. Here we have a whole series of "sustainable" projects that enrich our tourism supply, with sure-fire benefits for the surrounding communities.

Allow me to throw out a few ideas:

- A new “St. Lawrence Plan,” based on conservation and development of environmental and cultural assets along the St. Lawrence River and Valley.
- Urgent efforts to revitalize our built heritage and our environment, so that all of Quebec’s cities and towns, and every Montreal neighbourhood, can boldly assert their character. It’s a matter of pride and respect, and one of responsibility. Responsibility of governments, businesses, and all citizens. And there is plenty of work to be done. It’s not primarily a matter of tourism: let’s do it for ourselves!

In this regard, I must commend the people of Quebec City, who in the past 10 or 15 years have done remarkable things, in both the upper and lower town. Quebec City is a true jewel, and certainly deserves a tip of the hat!

- In terms of international marketing, I would also recommend improved co-ordination and better strategies. We may not have pockets as deep as the Australians... so let us be more ingenious than the Australians !
- Let us take measures to promote foreign investment. In the past few years, 17 new hotels have been built in Montréal, in large part with foreign capital.
- Let us adopt a forward-looking operating framework that will pave the way for the healthy development of our airlines and our tourism companies, instead of following a policy of carelessly sucking the lifeblood of travellers and industry alike.
- Let us leverage the potential of our airports—especially Montréal-Trudeau, which has become a world-class facility—and become a competitive destination that is easy to access from abroad.

On that note, I would like to pay tribute to the airport authority, Aéroports de Montréal, and its president and CEO James Cherry, for succeeding in giving us an airport we can be proud of, that is run with rigour and efficiency. Without a high-quality, efficient airport, no large city can hope to stay in the tourism game... and on that score, we can say that ADM has delivered the goods: we are well equipped. Congratulations.

Having said that, it is beyond me how we have only just started the work to improve the Dorval Interchange. And how in 2010, will still have no rail shuttle linking the airport and downtown. The Quebec Finance Minister has just pledged \$200 million to the project, but has set no timetable, even though a rail link was deemed a priority back in 2002 at the Montreal Economic Summit.<sup>18</sup> Fortunately, Mr. Cherry’s team will be steering the project, and that is reassuring to me.

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<sup>18</sup> Excerpt from the budget speech: “For any metropolis, the quality of airport infrastructure is a factor in attracting head offices, research centres and other engines of development. Aéroports de Montréal’s work in this regard in the past ten years should be underscored. The airport-to-downtown connection is integral to the quality of airport services. Montreal must be provided with an efficient link to its airport. In fact, this project was recognized as a priority at the 2002 Montreal economic summit. The time has

Which leads me to a final remark... If we want to succeed, we're going to have to step up the tempo! It is unbelievable how long it takes us to get things done. Surely it is possible to do things well, and do them more quickly! Take the new home of the Orchestre symphonique de Montreal: we've been talking about it for more than 25 year. There was a sod-turning ceremony hosted by... René Lévesque, in July 1985! In other words, it will have taken us more than a quarter-century to build a concert hall...

## Transat

Transat, too, is part of the solution. Right from the company's inception, selling Canada as a destination has been at the heart of our strategy. Today, we are the leading incoming tour operator in the country, selling approximately 250,000 packages to Canadian destinations each year. With Air Transat, we connect Canada to 34 European cities via direct flights. And we draw close to half a million European passengers per year from these cities. This so-called point-to-point approach, in combination with a comprehensive accommodations and excursions offering, is unique and custom-tailored for tourists. It has given us the critical mass we needed to be the leading tour operator linking Canada with its two biggest European markets, the U.K. and France.

The other markets where we have a presence are:

- Departures from Canada for sun destinations. We are the leader right across the country, in a market where the competition is both frenzied and irrational.
- Tours, especially long-haul tours, which are a promising product family. We market destinations all over the world, under the Rêvatoours and Vacances Transat banners.
- And finally, short- and medium-haul travel from France, such as tours and stays in the Mediterranean Basin as well as to destinations like Scandinavia.

Being a vertically-integrated player also means that we control a significant portion of our retail distribution. We are the largest travel agency network in Canada, mainly under the Marlin Travel and Club Voyages brands, and we also have a solid presence on the Internet.

In short: Transat is today the leading international tour operator in Canada, number four in France and number six in the world. And, for a long time to come, I hope, a major contributor to Canada's success on the world tourism stage.

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come to take action. I am announcing that we are going to allocate \$200 million to the creation of an express rail link between the airport and downtown Montreal. The project will be carried out by Aéroports de Montréal."

## In conclusion

In Canada, we have everything we need to ensure that future generations can prosper from tourism, in a way that respects the legacy we all share. To succeed, it will take a global strategy, consistency, and more agile decision-making.

Most of all, when it comes to tourism, I invite us all to adopt a new way of thinking. We should not only view tourism as an important industry, but realize that it can also be *a strategy for development* and a factor in enhancing quality of life for all of us. Provided that we let it inspire our policy-making and decision-making.

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*Our thanks to the Transat Chair in Tourism at UQAM for assistance in preparing the section on the travel development strategies of Turkey, Malaysia and Montenegro.*