



Board of Trade of Metropolitan Montreal

The 21st Century: The Tourism Century

Address by Jean-Marc Eustache
President and CEO
Transat A.T. Inc.

CHECK AGAINST DELIVERY

December 6, 2005

Ladies and gentlemen,
Good day.

Say the word “tourism” today and most people will essentially picture a pleasant leisure activity which happens to engender economic benefits, but whose true scope and importance remain unclear to them. And yet, tourism is an *industry*. And it’s a major one, inextricably linked to globalization.

In the majority of developed countries, its economic importance is undeniable; for example, in large cities like Montreal, where some six million visitors annually spend an estimated \$2 billion.¹ And the economic importance of tourism is even more obvious in many developing nations, where it is the driving force of economies and a chief source of prosperity.

1. A complex socioeconomic system

Tourism is more than an “industry” in the traditional sense; it can be said to hinge on a highly complex socioeconomic “system.” At its core, tourism depends on a certain number of *attractions* — and, of course, the organizations and businesses that develop those attractions. Without these “engines,” virtually the entire tourist economy would disappear.

These attractions include, for example, all of a country’s natural and historical sites, as well as an entire range of institutions and events that make that country, as they say, “worth the visit.” The Rocky Mountains. Versailles. The Louvre. Disneyland. Las Vegas. The Monaco Grand Prix. All of these are in *direct competition* with Old Montreal, Mont-Tremblant and the Montreal International Jazz Festival.

An event like the Jazz Festival, as we know, has a huge impact on tourism. Because of its intrinsic power of attraction, of course, but also because of the sustainable contribution it makes, year after year, to Montreal’s reputation and “personality” as a city. This is important because all of the world’s great cities play this role of tourism “engine.” And each of them does so by playing up its distinctive personality. As a tourism asset, a city’s “aura” is intangible, but fundamental.

Usually, the bulk of a tourist’s budget does not go to the attractions per se, but rather to what I would call the tourism *infrastructure*. By this I mean the transportation, accommodation and food services without which the tourism experience would be, quite simply, impossible. This is what we at Transat do. We are in the business of “packaging” and marketing these types of services. One distinguishing feature of our industry is that the product doesn’t come to the client; rather, *the client has to go to the product*.

So, there are two complementary “constellations” of businesses. Some of them rely essentially on tourism, and others not. But each of them has a role to play, and all reap the benefits. More

¹ Tourisme Montréal, *Évolution du tourisme à Montréal de 1980 à 2001*. The statistics quoted here refer to the year 2001, the most recent studied in this document, which was produced in 2003. In the aftermath of September 11, 2001, the figure of 6.1 million tourists for 2001 lagged behind that for 2000, which was 6.4 million.

important, all players have an impact on the reputation of the destination. Quebec is home to more than 26,000 so-called tourism businesses, of which some 18,000 are in the accommodation and food services sectors. They account for an estimated 320,000 direct and indirect jobs.² And a quarter of those businesses are here, in Montreal.

A tourism destination is more than a collection of businesses, however; it is also a “welcoming community.” A community with its particular character, which can be more or less attractive, welcoming, well prepared or well equipped.

So there are a lot of players in the tourism arena. To such a degree, in fact, that a lot of aspects lie beyond the control of the “industry” proper. A business like the one I run has only *the slightest influence or control* over the reputation of the destinations that it markets, and even less so when it comes to the actual factors contributing to that reputation.

Let us look at a simple example: the question of security. This is a fundamental issue. Montreal has always been able to capitalize, and with good reason, on the fact that it is among the safest of large cities. Obviously, tourism businesses have nothing to do with this reputation. It is *the community*, through its values, institutions, priorities and rules, that is at its source.

2. The economic benefits of tourism

There can be said to be “two tourisms.” Domestic tourism, in other words travel within Canada by Canadians; and international tourism, which is divided into “inbound” and “outbound” tourism.

In Canada, *total* receipts from tourism are estimated to be \$55 billion. Around 70% of that amount is attributable to domestic tourism.³ The other 30% is accounted for by the approximately 20 million foreign tourists who visit us annually, the vast majority of whom come from the United States.⁴

Impressive as they may seem, these statistics don’t do justice to the scale of tourism’s importance to the economy, and certainly not to its spinoff effects. The total estimated economic activity generated by tourism in Canada in 2005 is of the order of \$223 billion, and it is expected to double, to over \$400 billion, by 2015.⁵

² Conseil québécois des ressources humaines en tourisme and Emploi Québec, *Diagnostic des ressources humaines en tourisme, Horizon 2004-2009, rapport final octobre 2004.*

³ Canadian Tourism Commission and Statistics Canada.

⁴ World Tourism Organization. Figures were 20.1 million tourists in 2002, and 17.5 million in 2003 (the year of the SARS outbreak). In 2004, we will have reached 19 million visitors, according to Statistics Canada, including 15.1 million from the U.S. and 3.9 million from overseas.

⁵ World Travel & Tourism Council, *Tourism Satellite Accounting Research*. Tourism generates some 736,000 direct jobs, and more than two million direct and indirect jobs. The direct contribution to GDP is estimated to be \$52 billion (3.8% of GDP).

More than two million Canadian jobs are directly or indirectly dependent on tourism; that's 13% of the workforce in this country.⁶ Which means, seated at your table, today, is at least one person who makes a living from tourism — and might not even be aware of it.

Tourism is one of the biggest industries in the world, representing economic activity totalling over \$6 trillion U.S. yearly, or more than 10% of total worldwide GDP, and employment for over 220 million people.⁷

We have a few of those 220 million — about 4,500—working with us at Transat, in Canada, France and at some of our destinations. Over the past 20 years we have built, against long odds, one of the world's largest organizations in the field of international tourism, with annual sales in excess of \$2 billion. Transat is vertically integrated, from airline to travel agency.

We started out by selling France to Quebecers, and Quebec to the French. Then, gradually, we expanded our presence in Europe and in Canada, and added a range of sun destinations.

Through our Jonview business unit, we are also the largest *incoming* tour operator in Canada. Jonview has set up a network of service providers here in Canada and acts as a distribution channel for their products abroad via its partner tour operators. Jonview enjoys a strong presence in Europe, including the United Kingdom, France, Germany, the Netherlands and Switzerland, and we are starting to position ourselves in Asia and Latin America.

3. The importance of concerted action

I want to come back now to the “complexity” of our industry.

On the one hand, we have a potential tourist, who is seeking an *experience*, not so much a destination. And believe me, the variety of experiences being sought by tourists is constantly expanding. We now have to meet a whole mosaic of consumer preferences: ecotourism, health tourism, cultural tourism, nautical tourism and bicycle tourism, to name a few.

On the other hand, we have the “host” community; some of whose members see tourism as a source of economic benefit, and others as a problem, while still others see nothing at all.

Between the two, we have the private sector, but also, to a significant degree, governments.

There are few industries, it seems to me, where the actions of the private and public sectors are so intricately enmeshed, and where actions taken by one or the other have such potential to offset each other or, one hopes, have a snowball effect.

⁶ World Travel & Tourism Council, *Tourism Satellite Accounting Research*.

⁷ World Travel & Tourism Council.

And I should emphasize here that our educational institutions also have an important role to play, because there is little room for amateurism now, and there will be even less in the future. Training is an increasingly vital component of our industry.

Governments:

- Control the conditions for their citizens' exit from the country, and the conditions for entry by tourists.
- Control natural sites and the infrastructures providing or barring access to them. The Rockies are lovely to look at and ski in, but you need roads to get there. Or consider Cuba's beaches: take away the airports, roads and state authorization to build hotels next to them, and they have zero tourism value.
- Governments control cultural policy, which has a direct impact on a destination's appeal.
- And they also control myriad regulations and policies that may be favourable or unfavourable to travel and to tourism development.

This is true, for instance, in the case of air transport—a sector we know quite well as we have been active in the field since 1987. Our Air Transat unit is Canada's largest international charter carrier, with some three million passengers a year.

When you look at the size of our domestic market, the fact that we are far from our target markets, and the great distances one must travel within our country, it becomes obvious that air transport is the kind of issue that requires governments and industry to work together—otherwise things will never get off the ground.

In this profession, as in any other, the need to work together, to make concerted efforts, is huge. A tourism destination needs to be *properly managed*. Individually, neither governments, businesses nor the community have control. Only by working *together* can a workable strategy be arrived at and adopted. This is why structures have been set up so that we—and by “we” I mean the destination and the industry—can properly play our role and fulfil our potential.

This applies to, among other things, promotion and marketing, especially abroad. Under the auspices of the Canadian Tourism Commission, we have been able to harmonize the marketing operations of the private sector as well as the federal and provincial governments. Meanwhile, Tourisme Montréal plays a very active role, and has done for years, in mobilizing the industry's vital forces. But there is still a lot of work to do, and time is short.

Because we are in danger of missing a train that is arriving too quickly at our station, and might not stop at all if we do not take action.

4) The 21st century, the tourism century

The thing that's most striking when we examine tourism is its growth, especially the expansion of *international* tourism. This is why I say that the 21st century will be the century of tourism.

In 1975, approximately 200 million so-called international tourists travelled; i.e., they crossed a border. Today their ranks have swelled to nearly 800 million; by 2010 they will number a billion; by 2020, a billion and a half.⁸ So growth, at least at the global level, is in the cards. That's the good news. It is pretty much a given that international tourism, at least in absolute numbers, will continue to grow in Canada.

The picture isn't all rosy, however. First of all, because we now have many up-and-coming destinations as competition. Russia, the Eastern European countries, South America, the Middle East, *even Africa* now have enormous appeal to increasingly adventurous tourists.

In France, where we are present with our outgoing tour operators Look Voyages and Vacances Transat France, we've witnessed a sharp rise in interest in Caribbean and Southeast Asian destinations. Indeed, from 1997 to 2004, increasingly fewer tourists from France have visited our shores. Looking at the Americans, our closest neighbours and natural customers, our progress has been less than spectacular. Growth in inbound tourism has been slow between 1998 and 2004, with a steady flow of only 15 million U.S. citizens visiting Canada each year.⁹ So either they're staying at home, or they're going elsewhere.

The competition among destinations has never been as fierce, and the "tourism market" is far more globalized than in the past. In Canada, our market share of global demand for tourism is declining. From 3.5% some 20 years ago, it has fallen to around 2.9% at the present time, and within five or six years it is expected to stand at 2.5%.¹⁰

And that's not all. Traditionally, tourists have come to our shores from either the United States or Western Europe. A handful of countries provided the bulk of tourists travelling worldwide. Basically, the 80/20 rule applied: 80% of tourists came from a handful of countries, which were always the same, and visited a handful of countries, which were always the same — including Canada. That's all changing, and fast.

Already, in Canada — if we exclude the Americans — British, French, German, Japanese, Australian, Korean and Mexican tourists, in that order, are the largest tourism client groups. Incidentally, we welcome twice as many British tourists as we do French.¹¹

⁸ World Tourism Organization. For 2004, international arrivals were estimated to be 760 million, up sharply over 2003 (691 million, although that was the year of the SARS crisis), and 2002 (703 million). The increase for 2005 is expected to be around 5% according to the WTO (as reported by Laszlo Buhasz in the *Globe and Mail* of February 5, 2005), which could eventually boost the total to around 800 million. Revenues amounted to some \$523 billion US in 2003, according to the WTO.

⁹ Statistics Canada. 1998/14.9 million; 1999–2000/15.2 million; 2001/15.5 million; 2002/16.2 million. The figure for 2004 is estimated to be 15.1 million (see Note 5, above).

¹⁰ World Travel & Tourism Council.

¹¹ Statistics Canada, figures for 2003. Approximately 691,000 from Britain and 275,000 from France.

In fact, a significant portion of international tourism future growth, which the World Tourism Organization estimates at about 4% per year worldwide, will come mainly from Asia as well as Latin America. According to some estimates, a *million* Chinese *per year* could express interest in visiting Canada between now and 2020.

In the face of all this, we must acknowledge the fact that, for 30 years now, virtually all our marketing efforts in matters of tourism, especially in Quebec, have been directed toward the U.S. and Europe. Just what is it that attracts our potential tourists from the Far East, say, or Mexico? Is our product adapted to their expectations? What “experience” are they looking for? How can they be swayed? How, and in what language, are we going to welcome them? In short — and to use a travel metaphor — the baggage we’ve built up over the past generation or two is still useful, but it’s not enough. There is huge potential, but we are going to have to make significant shifts in strategy if we want to tap it properly and reap the benefits. Otherwise we risk having the rug pulled out from under us.

5. Renewing strategy

Looking at the big picture, over the past 25 or 30 years we have mostly gone after the U.S., British and French markets, capitalizing to a great degree on Canada’s history, heritage and natural wonders. Obviously we have to keep on doing this. It would be very unwise indeed if we did not highlight our *natural* advantages to our *natural* target audiences. It is vital that we realize, however, that this model cannot lead to similar successes over the *next* 25 to 30 years.

If we want Montreal, Quebec and Canada to play their roles in the tourism economy to the fullest, we are going to need a new strategy and new vision. More than that, it is going to take concerted efforts if we are to strategically manage our destination. What markets are we going to favour? What instruments and equipment do we need to exploit them? What issues are at stake, and how will we manage them? And, of course, where is the money going to come from?

Montreal, clearly, is already a major tourism destination — it is indeed a tourism “engine.” It must stay that way, and we have to exploit all its potential as such. This is our finest asset when it comes to “attracting” new clients.

This is the spirit in which Transat recently announced its support for the Entertainment Complex being planned by Loto-Québec and Cirque du Soleil in the Peel Basin, which also calls for the relocation of the Montreal Casino.

All over the world, the entertainment market (in its broad sense) is becoming an increasingly important component of the tourism industry. Entertainment is not always the main purpose of the trip, but it is becoming a key differentiator for competing destinations. In the United States, for instance, the two most popular vacation destinations are Las Vegas and Disney World.¹² And some 80% of Americans say that visiting a casino is a perfectly acceptable thing to do.¹³

¹² Charles R. Goeldner and J.R. Brent Ritchie, *Tourism, Principles, Practices, Philosophies*, 10th edition, 2005, p. 227.

¹³ Survey conducted by the American Gaming Association, 2004 (Goeldner and Ritchie, p. 217).

If we are to redouble our efforts south of the border (and it seems to me this would be a logical course of action), the Loto-Québec project can help us become a more persuasive destination in the eyes of American tourists. I am quite sensitive to the social issues that have been raised in connection with this project. These are legitimate questions that bear close examination, and for which there are answers.

In this matter, as in others, we will be called upon to make choices. And in Quebec, making choices isn't always our strong suit. Too often, we tend to waffle, to spread things thin, to sit on the fence. At the end of the day, we often lose a huge amount of time, and worse, adopt half-baked or compromise solutions that unfortunately don't get the job done. It is my firm opinion that neither Montreal, nor Quebec, nor Canada can afford to shun emerging market niches. Especially given the fact that our competitors are only too happy to exploit them.

6. Facing new threats and challenges

If the 21st century looks set to be the century of tourism, it is also, unfortunately, bringing new threats and new challenges. In the space of four years, our industry has lived through two "shock treatments."

The events of September 11, 2001, brutally disrupted tourism worldwide.

Then, in the summer of 2003, the SARS outbreak hit the entire industry head-on. The result was an immediate drop in bookings to Canadian destinations.

It's something we've always known, of course, but now we have proof on a heretofore unseen scale: tourists can easily and quickly change their travel plans, especially if they have reason to believe their safety to be at stake.

You may have seen in the news that just a few weeks ago a luxury ocean liner sailing off the coast of Somalia *barely* escaped an attack by modern-day *pirates*. One has to admit there's something a bit surrealistic about the fact that in 2005, the tourism industry is in the midst of steeling itself against flu epidemics and marauding pirates. To say nothing of hurricanes and tsunamis. Believe me, in the past few years life in a tourism-industry company such as ours has been anything but boring.

From this perspective, the other challenge faced by our industry, as well as by companies and governments, has to do with the *health, flexibility and response times* of organizations.

These events, these past few years, have led us, in the case of Transat, to institute very profound changes, at all levels. The objective is to be able to anticipate, insofar as is possible, when storms are about to hit, to resist them, and to respond rapidly. This has led to major changes to our structures, our business processes and our corporate culture.

In the future, governments, the community and the private sector will have to pay close attention to this issue, and to the importance of creating an environment that helps organizations be more sound: sound in financial terms, sound because they are managed *professionally*, and sound because we will have mapped out a vision and coherent action—together.

7. Conclusion

I would like to conclude by summing up my remarks to you today, and reiterating that:

1. First of all, our future as a tourism destination demands a renewed vision, built around a solid network of world-class attractions. Montreal is and must remain one of them. Our job is also to create or develop others in the regions. Both the private and public sectors will have to work together toward this objective, and we will have to find the courage to make the necessary choices and investments.
2. Second, we need to improve our long-range radar and come up with new marketing strategies to keep up with our diversifying client groups. We have to redouble our efforts in the United States — we cannot let that market get away. And in doing so, we must rely a great deal on the Internet.
3. Third, we must ensure that the new generation of travel professionals is ready, by working with our colleges and universities. Our 26,000 small and medium-sized tourism enterprises will not be able to thrive unless we take huge strides in this area. “Well-informed amateurism” sometimes has its charms, but it cannot be seen as the way of the future.
4. Fourth and last, our organizations must become even more imaginative, robust and flexible. They have to talk to each other more, and form alliances. They must adopt and adhere to industry best practices, provide world-class service.

All over the world, the 21st century is set to become the tourism century.

If we want it to be so for us, we have to take action now.

Thank you very much for your attention.