

# Killing GST rebate will hurt tourism, critics say

**INDUSTRY | Move criticized as a Tory 'tax grab'**

BY NORMA GREENAWAY

OTTAWA — The Conservative government's decision to end the GST rebate program for foreign visitors amounts to a huge "tax grab" and another blow to the country's tourism and convention industries, tourism officials say.

The move will increase the cost of holding a convention in Canada by six per cent, and will bump the price of Canadian tour packages for out-of-country travellers as well, they say.

"This is a tax grab, and it could be in the hundreds of millions of dollars," Randy Williams, president of the Tourism Industry Association of Canada, said Wednesday in an interview.

Max Johnson, owner of the Great Canadian Travel Company in Winnipeg, says he's stunned by the government's lack of foresight at a time when the industry is already reeling from a steady decline in foreign visitors, a strong Canadian dollar and uncertain passport requirements at the Canada-U.S. border.

"It's madness to think that in a highly competitive environment, a unilateral six-per-cent increase for conventions is not going to be negative," Johnson said. "It's absolutely astonishing. And it's kind of ironical given [the Conservative government's] stance on lowering taxes."

Tour operators and other tourism industry interest groups say their only solace is that the plan does not take effect until April 1, 2007.

Williams says his organization plans an intense lobby of MPs in the coming weeks in hopes of persuading the minority Conservative government to change its mind.

The government announced Monday it was eliminating the GST rebate for visitors, a move that will save the government about \$79 million over two years that it rebates to visitors who submitted their bills for eligible goods and short-term accommodations.

The government has argued killing the program is no big deal because only three per cent of travellers fill out the forms to claim the rebates.

But Williams says the \$79-million figure does not include the hundreds of millions the government stands to get over the next several years by imposing the

GST for the first time on conventions that foreign groups hold in Canada, and on previously exempt portions of Canadian tour packages purchased by foreign travellers.

Johnson said he is among operators whose travel packages include the cost of a three-per-cent GST, a system designed to take into account some of the goods and services used during a tour do not qualify for the GST exemption.

After April, the cost of his tours will have to include a GST of six per cent if the plan goes ahead as announced.

"We're a relatively small player," he said. "But if we do \$2 million worth of business to people from outside our country, that's a \$60,000 grab just from me because where I was paying \$60,000 [for a GST of three per cent], I now have to pay \$120,000 [for a GST of six per cent]."

Statistics Canada surveys say the number of U.S. and other foreign visitors to Canada has been on a downward path for months. In July, the number of one-day visits by Americans — 1.2 million — was at its lowest level since the 1970s.

Visits from other countries dropped 1.6 per cent to 368,000, their lowest level in a year.

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# Smaller B.C. firms feeling upbeat

BY ERIC BEAUCHESE

OTTAWA **SURVEY |** Confidence among smaller firms, especially in B.C. and Alberta, rose this fall, a business lobby group said Wednesday.

The increase reflects easing energy and insurance costs, the Canadian Federation of Independent Business suggested in releasing the results of its latest survey of the mood of owners of small and medium-sized businesses.

"Confidence took a sizable jump," it said, noting that its quarterly Business Barometer Index reached 108.6 this month,

up almost 1.5 points from June, and more than five points higher than a year ago.

"This puts us back in the high range of expectations measured in the past five years, which suggests good prospects for the economy for the rest of this year and into next," said federation chief economist Ted Mallett.

Meanwhile, the proportion planning to boost wages by more than two per cent was 44 per cent, suggesting increased competition for workers, with another 27 per cent expecting to raise wages by two per cent.

"Carrying on a two-year trend, businesses in British Columbia

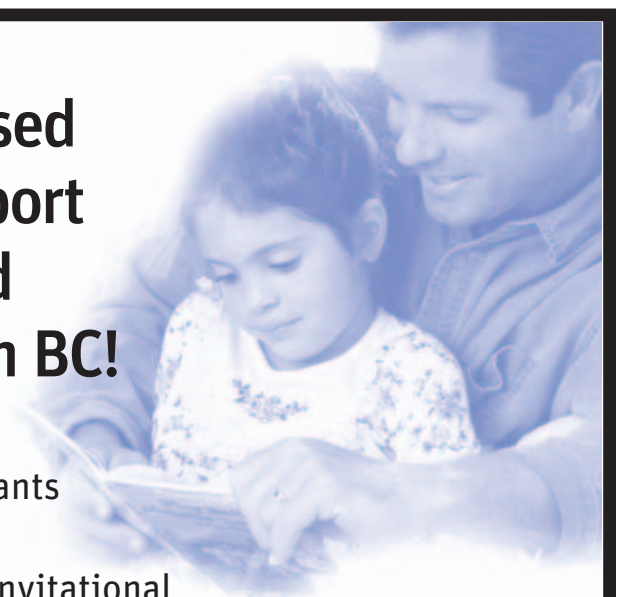
and Alberta lead their eastern counterparts in confidence by a sizable margin," it said. Confidence indexes in both provinces are near historical highs of close to 120, and more than eight points higher than in the next most positive province, Nova Scotia.

However, confidence was also up among businesses in Ontario, Quebec, Saskatchewan, and Newfoundland and Labrador.

The responses from 1,769 members of the business group surveyed earlier this month are said to be an accurate reflection of the national mood within 2.4 percentage points, 19 times out of 20.

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