

The Economics of Canada's Tourist Trade

By C. D. BLYTH

THERE is an expansiveness in the Canadian air that appeals to the tourist. Space, which is something with which Canada is well endowed, becomes an attribute for the tourist, particularly when he comes from the crowded communities in the United States. In a country of such vast proportions as Canada there are many different regions with distinctive characteristics and appeals to tourists of different tastes.

Canada's tourist trade is a topic that draws out Canadians into expressing a great variety of opinions as to its importance and real significance. The next best thing to taking a holiday is remembering one which has already been spent or contemplating someone else's holiday. Consequently, everyone gathers personal impressions and experiences from the influx of tourists from below the line. The ubiquitous habits of these visitors further influence the nature of the tourist trade and contribute to its variegated pattern. It is widely distributed being diffused to some extent into almost every community, providing a demand for many trades and services.

Volume of Traffic

The actual number of bona-fide tourists is difficult to ascertain. The volume of non-resident entries into Canada is very great, exceeding 17,000,000 in 1945 according to the count by immigration officers. But this gross volume of traffic across the border includes a great volume of local traffic, being inflated by the movements of commuters and casual visitors, as well as some purely intransit traffic which has little economic significance for Canada. Close contacts between border communities give rise to a great many movements back and forth, which are really more comparable to inter-urban traffic than to tourist movements

or travel in the more commonly accepted sense. The close social and economic relationships between communities such as those in the Windsor-Detroit region or the St. Stephen-Calais region in the Maritimes give rise to a large percentage of the local traffic. In many communities located on or close to the border there has grown up an inter-dependence with the neighbouring community on the other side of the border with the result that there is a heavy traffic across the border arising out of local dependence upon social and economic facilities located on the other side. While there is not now as much actual commuting in connection with employment as in the past this is still an important source of traffic at some points. Persons living on one side of the border cross each day for employment on the other side further contributing to the swollen total of entries. Social contacts also give rise to large movements in both directions with the many social relationships which exist.

Consequently, one of the tasks of estimating the significance of travel is to isolate the longer-term travellers from this large volume of more casual local traffic which has a distinct character as regards expenditures. Important advances in this direction were introduced in 1941 when much more detail was obtained by the Dominion Bureau of Statistics, particularly on automobile travel, with the cooperation of the Customs Division of the Department of National Revenue and the Immigration Branch of the Department of Mines and Resources.

Tourist Expenditure

But, even the expenditures of longer-term travellers do not fall into any common pattern. Besides the great variety of persons travelling for recreation, there are various kinds of business travellers, all contributing to a variegated pattern of travel habits, tastes and expenditures. It is the longer-term travel-

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lers who account for the larger part of the expenditures. While they represent only a minor part of the total movements of persons to Canada their expenditures contribute the major proportion of the total outlays. The heavy volume of casual local traffic only accounts for a minor part of the expenditures. In 1944 for example about 87% of the expenditures, or \$103 million was made up of expenditures of persons staying two days or longer. These persons only represented less than 2,000,000 or a minor part of the total non-resident entries of 12.6 million in that year. The expenditures of the bulk of the entries, the local and more short-term visitors, only accounted for 13% of the total expenditures or \$15 million. Included in this latter group would be weekend visitors and others staying over night but not extending their visits for more than forty-eight hours. If the term "tourist" is broadened to include this latter category of visitors the total number of "tourists" would be brought up a little higher but would still represent only a minor part of the volume of entries. The remainder of the traffic appears fairly definitely to be mainly made up of casual visitors staying for various short periods of less than a day. The importance of the longer-term tourist as contributors to total expenditures is clearly demonstrated. Even a relatively moderate increase in the number of this type of traffic would lead to much larger revenues. The number of these longer-term tourists represents only a relatively very minor part of the population of the United States and even a small part of the population of the more northerly part of the United States which lies close to the Canadian border and in which there live millions of persons of Canadian descent. It would not require a very great numerical increase in these longer-term tourists in relation to the number of potential travellers in the United States to lead to a very sharp increase in the level of American travel expenditures in Canada.

An interesting aspect of American

travel expenditures in Canada is that these are very small on a per capita basis. Canadians spend much more on travel in the United States in relation to both population and national income than Americans spend in Canada. In 1945 American travel expenditures in Canada were only a little over \$1 per person living in the United States, whereas Canadian expenditures in the United States in the same year amounted to about \$7 per person living in Canada. This is because a much larger proportion of the Canadian population travels in the United States than is the case with American travellers to Canada who represent a much smaller proportion of the population of the United States. The average expenditure per traveller from each country is not so widely different in the aggregate however. If in the future Americans were to spend as large a percentage of their national income on travel outside the United States as do Canadians the level of United States expenditures abroad, and presumably in Canada, would rise to most impressive levels.

During the war years when pleasure travel was greatly reduced, attention was diverted from the tourist trade. The level of expenditures was depressed as the automobile traffic shrunk. The year 1945, however, served as a reminder of the resilience of this trade and suggested the latent potentialities. American expenditures in Canada expanded to well over \$160 million compared with the war-time low of \$79 million in 1942 and an immediate pre-war high of \$149 million in 1937 and what is believed to have been the peak of \$184 million in 1929.

With prosperous conditions in the United States the volume of travel expenditures in Canada could be very high with more leisure and under conditions of easier transportation and travel than have existed in recent years. The limited leisure at the disposal of many persons and the limitations on transportation, particularly arising out of gasoline rationing and tire shortages prevented the movement during the war from reaching the volume which

would normally be associated with such high levels of incomes in the United States as in recent years. There has not been any extended period in recent years in which high incomes coincided with extended vacation periods and with relatively easy transportation and other travel facilities. Peak American travel expenditures in 1929 were not much heavier than in 1945, although much higher than any other year after 1930. But in 1945 transportation difficulties were still a major deterring factor and with the return of automobile travel to more normal conditions in 1946, there should be a great increase in travel by this means which before the war was the typical method of travel to Canada, providing as it did a freedom of movement and opportunity for exploring the varied scenery of the country. The growing practice in industry of extending holidays with pay will be a further stimulant to travel.

Improving Travel Facilities

Highway facilities and international bridges and utilities have been greatly improved since the earlier periods of maximum automobile traffic to Canada terminating in 1930. There has been a considerable development in hotels, tourist camps and other tourist facilities as well, with the result that the potential new post-war peak should be very high in relation to any pre-war experience so long as incomes in the United States remain high. Travel by other means than by automobile reached new records during the war. Train travel particularly was very heavy and carried the group of tourists making the largest volume of expenditures during the later war years from 1942 on. Bus travel was also very high despite curtailments in services brought about by gasoline and tire shortages during the war. Boat travel by services which were able to continue in operation during the war had also reached record levels by the end of the war and air travel grew continually during the war and can be expected to

continue to expand with the introduction of numerous new services. Travel by all these means will probably continue to be very heavy but it is not likely to show an expansion in volume comparable to the growth anticipated in automobile travel. While the immediate outlook is for adequate transportation facilities, there is less confidence in the extent to which available accommodation can meet the heavy volume of visitors anticipated, as new developments in hotels and tourist camps and other accommodations will be held up by building shortages and priorities. While there is scope and need for very material improvements in facilities of this kind to provide adequate services for the tourist, developments of this kind will not all be readily attainable for some time yet.

When The Tourist Dollar Goes

While there are communities and trades depending exclusively on tourists from the United States the expenditures of tourists also provide a source of supplementary income for many selling goods and services across the country in places which are not dependent upon the tourist trade for their chief income. But, this extra demand probably often makes the difference between a lean business and a good business for many firms. It probably also makes it possible for Canada to maintain better travel facilities and other amenities than would be the case if these were entirely dependent upon Canadian demand. The expenditures of American tourists no doubt help to maintain the high standard of Canada's luxury hotels.

Although expenditures are widely distributed across Canada, there is nevertheless some concentration in the more developed regions in the country with the result that in many districts the amounts spent are spread more thinly. While total expenditures may represent only a small percentage of the total personal expenditures on consumption in Canada, probably less than 3% in 1945, their significance lies more in

their regional distribution and in their providing marginal sources of income and in the demands concentrated on certain forms of expenditure like meals. While expenditures by non-resident travellers are fairly widely distributed across Canada, they are particularly stimulating in some communities and in some trades where they contribute cash incomes and consequently permit many persons to carry on other occupations in other seasons. They are related to the tendency for many Canadians to follow different part-time occupations during the year.

The expenditures by American tourists are disbursed for a wide range of goods and services. Transportation, meals and hotel rooms and other lodgings naturally represent a considerable part of the total. The amount spent on retail merchandise, gasoline and automobile accessories and for fishing and hunting guides and other travel services is not known exactly, as samples of expenditures relate only to total expenditures in Canada. However, much of the tourist dollar is spent for these different purposes and it is possible to form some opinion as to their real size indirectly from available data on the length of stay of tourists in Canada. It has been estimated that the number of meals consumed by American visitors to Canada in 1945 totalled something of the general order of 100 million. This would represent the annual consumption of something like 90,000 permanent residents of Canada. The average cost of the meals is more conjectural, but it is not unlikely that the total amount spent on meals represented 20 or 30% of total expenditures on meals in hotels, restaurants and dining cars in Canada. Likewise the American demand for overnight accommodation represents a relatively substantial part of the total transient demand for rooms in Canada. The amount spent on merchandise is less readily estimated. There is normally a substantial American demand for many types of merchandise which are available to Americans in Canada. There is a notable demand for such goods as wool-

lens, chinaware, handicrafts and other specialized articles many of which can be bought more favourably in Canada. Many of the goods bought originate in British countries resulting in increases in the British supply of Canadian dollars. It goes without saying that the demand for fishing and hunting guides is heavy. Many clubs are maintained in the fishing and hunting districts of Canada primarily for American visitors. Likewise tourist demands for many other services are substantial, particularly services in the recreational field. Substantial demands for gasoline, automobile equipment and other services to motorists are a natural result of the large volume of American motorists in Canada. Many of these cover long itineraries in the country following some of the choicest scenic routes.

The place of revenue from tourists in our international accounts is also relatively very important. It produces a substantial source of United States dollars. In normal times before the war gross American travel expenditures amounted to a total which was much larger than the value of any individual commodities exported to the United States except gold. Net American travel expenditures in Canada are considerably less than the gross, however, ranging from \$68 million to \$80 million in the three years before the war. This is because of the high level of Canadian expenditures in the United States. The latter in typical years represent as much as one-half of the American expenditures in Canada, with the result that the credit balance on tourist account is much more moderate than the level of gross expenditures would suggest. Per capita Canadian expenditures in the United States are much more than per capita American expenditures in Canada. Winter resorts in the South, metropolitan areas and neighbouring summer resorts and shopping centres all act as magnets drawing Canadians into the United States. The level of Canadian expenditures is closely related to incomes in Canada as a large part of these expenditures is in the

luxury category. Canada has had debit balances from all current account transactions with the United States each year consistently with the exception of the latter period of the war when there were abnormal large receipts from sales of munitions and grain. As current account deficits are likely to continue to be characteristic of Canada's current account with the United States in normal years in the future as well, this United States dollar revenue from travel will continue to have a special international financial significance for Canada. It will be particularly significant as long as Canada's sterling income is not entirely convertible into U. S. dollars.

The American tourist dollars is therefore a very desirable source of Canadian income to attract. It is usually spent on the employment of existing Canadian resources and capital facilities, serving to reduce Canadian overhead costs. It does not, however, deplete resources in the way that exports of some primary products to the United States do. Furthermore, capital invested on improved transportation facilities and tourist accommodation not only brings in returns in the form of larger tourist income but develops facilities used by Canadians as well, so generally raising the Canadian standard of living.

Combines in Restraint of Trade and The Canadian Policy Towards Them

By C. H. HERBERT

The Economics of Combines

The argument of the anti-monopolist is simple. It is directed against monopolies, cartels, combines, and all other forms of agreement, whether formal or tacit, in restraint of trade. It states: The general purpose of such agreements is to fix the price of a product at a point where it will yield the maximum profit to the producer and not where it will encourage the maximum consumption of the product. This is accomplished by a restriction of competition and limitation of output. Furthermore, in order to protect their capital investment, monopolies and other combines will try to prevent the introduction of new and more efficient processes which might render their own equipment obsolete. The restriction of output, the enhancement of price, and the interference with technological progress all tend to prevent the public from enjoying as much as they

otherwise would the products of industry. It is claimed, in other words, that the national wealth is kept below its potential maximum.

Two extreme examples of a monopoly keeping the price of a product at a level that was highly detrimental to the public interest can be found in Scandinavia in the cases of the galosh and the electric light bulb cartels. In 1926 the Swedish co-operatives decided to break the galosh monopoly, which had been in existence since 1911, and immediately on the announcement of their intention to do so the price of galoshes was reduced from \$2.27 to \$1.74 per pair. The Co-operative Union was not content with this and started the operation of its own galosh factory which finally brought the price down to 93c per pair and resulted in the virtual doubling of the use of galoshes in Sweden. In the case of electric light bulbs, Swedish co-operators took the lead in founding the North European Luma Co-operative Society which started to manufacture electric light bulbs in