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OPINION

Capital is waiting. Canada needs to give it a reason to build.

The capital is available. The opportunity is real. The policy question is whether Canada will give hotel and tourism investors green light conditions so that capital is put to work here.

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Capital goes where it can earn the best return. For years, too much capital that could be building Canada's tourism infrastructure is sitting on the sidelines – or moving to jurisdictions where the numbers are stronger.

Ninety-seven percent of Canada's hotels are owned by Canadians, even those that operate under international brands. These owners invest in their communities, employ local residents, pay taxes, and contribute to local economies. However, investment decisions are ultimately driven by economics, not geography. When investors compare opportunities, the projects that offer stronger returns get the green light, even if they aren't in Canada.

The United States has moved aggressively to attract investment through competitive tax policies and development incentives. Investors have noticed those differences. According to recent industry data, 46 per cent of Canadian hotel investors have already invested in, or considered investing in, opportunities in the United States.

That is not because Canada lacks attractive destinations or strong tourism demand. It is because the economics and regulatory burden of hotel development in Canada have become increasingly difficult. Construction and renovation costs, development charges, taxes, and lengthy approval processes have squeezed returns to the point where many projects simply no longer make financial sense. As a result, Canada's hotel renovation and development pipeline is falling short of its potential, even as communities seek to attract more domestic and international visitors, more events, and more economic activity.

Canada is not lacking investor interest. It is lacking a policy environment that allows many viable tourism projects to move forward. If we want the jobs and economic growth that come with a stronger visitor economy, we need policies that make Canada a more competitive and attractive place to invest.

Public policy cannot and should not guarantee every project's success. But it

should ensure that otherwise viable tourism investments are not undermined by an uncompetitive tax structure. Measures such as the recently announced Productivity Mega Deduction will go a long way to levelling the playing field with the US. However, attracting new investment is only part of the equation. Canada must also ensure that capital is not locked into lower-performing assets simply because the tax cost of reinvestment is too high. Capital gains tax deferrals for reinvestment in new hotel projects, similar the US's 1031 exchange, and reformed Capital Cost Allowance recapture rules could help channel existing capital into additional tourism infrastructure.

The economic case is straightforward. New hotel construction and major renovations require substantial upfront investment. They create immediate construction activity, then support ongoing employment and spending for decades. They generate tax revenues across multiple levels of government and create demand for thousands of related businesses.

But the economic impact of hotel investment extends beyond local job creation and business activity. It also strengthens one of Canada's most important export sectors: tourism. When Canadians think of exports, they often think of oil, minerals, or manufactured goods crossing a border. Yet tourism is one of Canada's most important exports, valued at $35 billion. Rather than shipping products abroad, Canadian tourism brings customers here. Every international visitor injects new money into local businesses, hotels, restaurants, attractions, transportation providers, and retailers. And unlike many traditional exports, those tourism dollars are not subject to tariffs.

Investors have choices about where to deploy capital. If Canada's policy environment makes hotel projects slower, more expensive, or less rewarding than those in competing markets, investment will go elsewhere. We should expect that without a competitive set of policies and regulations, the next generation of hotel development, and the economic benefits it generates, will be built south of the border.

The capital is available. The opportunity is real. The policy question is whether Canada will give hotel and tourism investors green light conditions so that capital is put to work here.

This is a conversation Hotels Canada will advance through its forthcoming Hotel Investment Paper and Investor Day on the Hill.

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