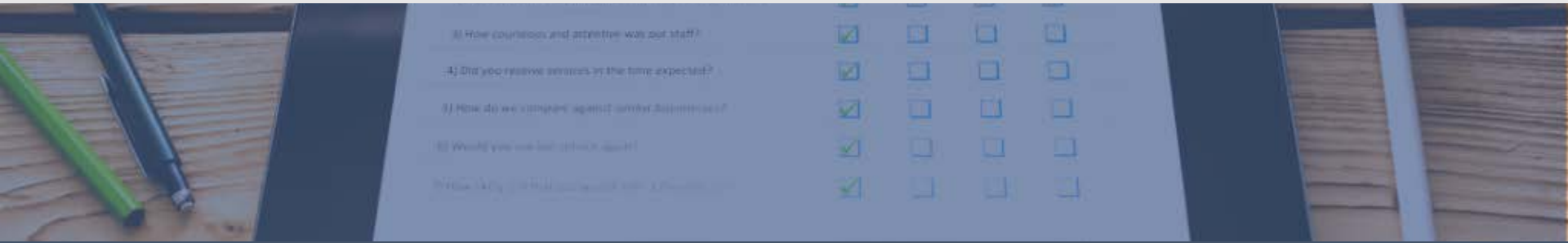




Tourism Industry Association of Canada

SURVEY

Tourism Sector Access to the Business Credit Availability Program



Introduction

On May 6, 2020, the Tourism Industry Association of Canada (TIAC) launched an industry-wide survey on the Business Credit Availability Program (BCAP) to gather more information on what aspects of the program are working and not working for those trying to access funds. With nearly 250 responses, TIAC was able to collect information from a large cross-section of businesses in the tourism sector.

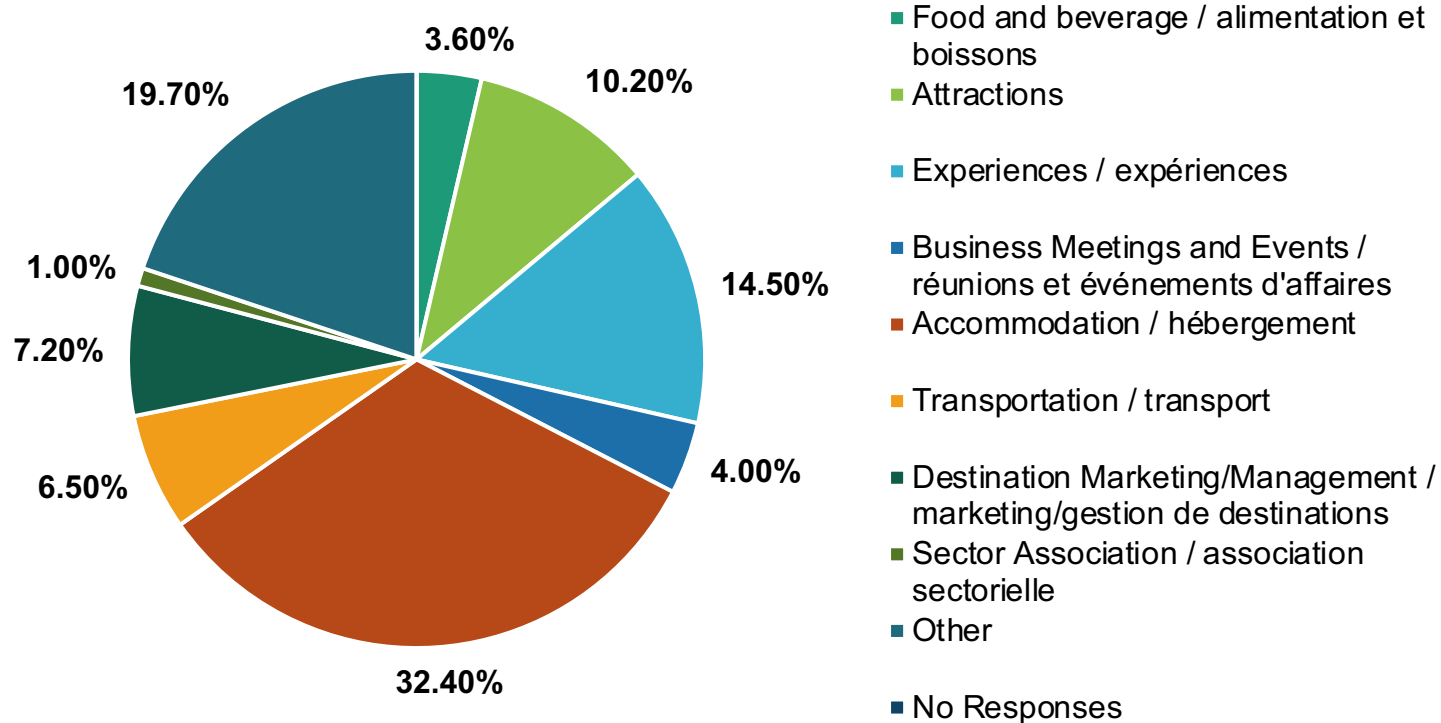
TIAC understands that the BCAP program was adjusted to meet the needs of larger

medium sized enterprises on the day this survey closed (May 11). Further, large corporations have access to liquidity supports under the new LEEFF program. While TIAC is glad for these measures, these survey results show that the vast majority of those unable to access the program still fit into the small business category, and that more adjustments must be made to the BCAP program to ensure tourism sector businesses have access to funds that will keep their doors open for business in a post-COVID-19 economy.

The tourism sector has seen exceptional growth the last number of years. As a result, many new businesses that were flourishing the last few years stand uncertain of their future. Multiple respondents are micro-enterprises or very small owner-operator companies who are forced to cease operations due to government regulations. However, despite forced government closures, there is no government support to back up these businesses that would, under normal circumstances, be continuing to

thrive. The current circumstances and requirement for these businesses to find funding through private, for-profit lenders has led many to be deemed too risky for further investment. This represents a substantial failure by the government to protect businesses and workers who have been encouraged to invest their time, energy and own money into tourism businesses under the encouragement of the government over the last number of years.

Response Breakdown by Sector



“Other” responses included receptive tour operators, hunting/angling guides, small airlines, travel agencies, retail operations, and theatres.

Size of Businesses

The vast majority of respondents are small businesses, with total revenues under \$2M per year. This breakdown is generally representative of the makeup of the tourism sector at large.

Current Support Levels

Under the current business conditions of COVID-19, an overwhelming 52% of respondents stated that they face imminent closure without further financial support within three months time. In total, 83% of respondents face business shutdown within 6 months under current business conditions, at current levels of support.

Applications to BCAP

36%

of respondents had
applied for BCAP funding

Of that number, 37
(only 12% of total survey
respondents) had
successful applications.

Applications to BCAP

Those denied funding shared a number of reasons that they were given.

A few common answers include:

- Unclear processes from their lending institution/ lending institution advised business that the program is not yet running
- Not-for-profit ineligibility
- Business is too small to qualify based on total pay for salaries, or owner-operators who do not take salaries are ineligible due to lack of payroll
- Business payroll too large to qualify
- Rejected based on insufficient credit history for business, and debt ratio (business in first few years of operation)
- Bank assessed them as too risky due to nature of tourism business in the current climate
- Not seen to have credible collateral or require a “co-signer” for the loan
- Business assessed as ineligible due to a shareholder loan

Several respondents also indicated that, while they had applied in mid-March, they still have not heard either way if they have been approved or denied.

Other Assistance

Many respondents have applied for other assistance measures. 49% have accessed the CEWs program, with deferral payment plans and Canada Emergency Business Account also popular programs.

Under “other” the most frequently cited program was the Canada Emergency Response Benefit, and \$40,000 interest free business loans. Work sharing and provincial supports were also mentioned.

Many businesses also indicated that they have not applied for support.

Common reasons why include:

- Seasonality – they cannot show lost revenues yet as operations had not begun until May 1 or later
- Not-for-profit or DMO status make them ineligible for support
- Unable to justify taking on more debt, especially if they cannot pay back loans/have no income this season
- Landlords will not participate in rent relief programs – this response was very common
- They have delayed application in hopes that they can receive funding closer to high-season, when there will be a more substantial revenue loss to make up for
- There is confusion on where and how to apply for various measures



600-116 Lisgar Street
Ottawa, Ontario K2P 0C2



communications@tiac-aitc.ca



(613) 238 7887