Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

By: The Tourism Industry Association of Canada

Supported by all 13 of Canada's Provincial and Territorial Tourism Industry Associations

- **Recommendation 1:** That the government provide qualified and limited financial support to tourism and events businesses with revenue losses greater than 40% from September 2021 to May 2022;

- **Recommendation 2:** Provide a tax incentive to Canadians for the 2022/2023 tax year to travel locally or within Canada, invest in reinstating consumer confidence;

- **Recommendation 3**: In consultation with Tourism HR Canada, conduct a comprehensive review of all current Immigration, Refugees and Citizenship Canada (IRCC) programs to identify opportunities and align policies that will work for tourism, and to create a dedicated immigration pathway for the sector;

- **Recommendation 4:** Develop a comprehensive pan-Canadian tourism workforce strategy that complements new investments in marketing and other recovery efforts.

When the pandemic struck, the tourism industry was the first hit, the hardest hit, and will be the last to recover.

Prior to COVID-19, tourism was one of the fastest growing industries in the world. As Canada's fifth largest sector, tourism was responsible for $105 billion in GDP, provided 1 in 10 Canadian jobs, and was made up of 225,000 small- and medium-sized businesses across Canada.

The impact of COVID-19 on the tourism economy has been greater than SARS, the 2008 economic crisis and 9/11 combined.

Over the past year, the industry has seen an unprecedented decline:

- 85% drop in inbound travellers
- 95% drop in airline revenues
- 95% decline in ground transportation (train and motor coach) traffic
- 80% decline of revenues in the accommodations sector
- Over 500,000 industry jobs lost
- No in-person conventions, trade shows or meetings, festivals, exhibitions or major events held in Canada
- Zero cruises for 2 years; devastating impact on supply chain

Since 2020, the tourism industry has been advocating for sector-specific support. In many cases, these businesses are seasonal with different schedules of revenue generation and seasonal labour forces, larger debt service ratios than most industries, and an inability to pivot to online services. Due to these factors, many tourism businesses and organizations fell through the cracks and were unable to access federal support programs.

A key learning over the past 17 months is that Indigenous tourism operators have disproportionally fallen outside the criteria of government relief measures. To protect viable businesses in this emerging sector, it is vital to place an Indigenous lens on all recovery measures. Some of these businesses are located on reserve and thus may not have a CRA number due to their tax status. This has made it very difficult for Indigenous tourism business owners to benefit from government funding supports such as the wage and rent relief programs.

The industry was pleased to see tourism repeatedly mentioned in the spring 2021 federal budget. The government's $1 billion package of tourism supports is a step in the right direction in recognizing the value and contribution of the tourism economy and the support required to ensure the industry can survive until we can begin to rebuild. However, looking ahead, the industry needs continued, tailored, sector specific support.

Recommendation 1: That the government provide qualified and limited financial support to tourism and events businesses with revenue losses greater than 40% from September 2021 to May 2022.

Canada's tourism industry commends the government for its swift and comprehensive action in implementing a number of support programs throughout this period. However, the industry continues to advocate for sector-specific programs specifically aimed at the hardest hit businesses.

With cases decreasing and vaccination increasing, tourism businesses are looking forward to reopening. Unfortunately, with fragmented and unpredictable reopening plans across the country, tourism businesses and organizations need support beyond the next few months. These businesses have been without revenue for over 16 months – for many summer businesses, it has been closer to 20 months. In addition, the support that they did receive from the government, which kept many afloat, is debt-based. The industry cannot handle more debt.

While the perception is that the whole tourism sector is back on track, this is not the case. This summer will not be enough to recover from the losses and especially not enough to go through next winter.

The CEWS and CERS programs have a lifeline to many businesses across the country, especially those hardest hit. While we welcome the extension of the programs to October, tourism businesses will still need this vital support in the fall, especially with the decline of the rate of these supports starting in July 2021. Even with the recent border announcements and the loosening of restrictions, we are looking at our second summer lost.

The new CRHP is positioned as a bridge to the CEWS program; however, upon analysis, we have concluded that the timing and support levels will not work for the tourism industry, particularly as the majority of our sector will not be able to see recovery until spring 2022 at the earliest.

Relief and liquidity remain major challenges, especially for larger operators who haven't been able to access government funds. While some programs have helped, there is still a need to further adjust support measures such as HASCAP to provide access to larger funding amounts while offering better terms to help sectors such as hotels, transportation providers.

Also necessary is a strategy to resolve the insurance issue is; Insurance is a fixed cost expense that has skyrocketed without any relief for tourism operators.

Without tailored support, we will see further devastation within the $105 billion sector, the tourism labour force, and the 225,000 small- and medium-sized Canadian businesses.

Recommendation 2: Provide a tax incentive to Canadians for the 2022/2023 tax year to travel locally or within Canada.

A crucial part of recovery will be **consumer confidence.** We need federal leaders to support positive language and messaging around travel and encourage Canadians to travel and spend domestically to support and rebuild tourism.

Tourism businesses are prepared to offer experiences and deliver services following all the necessary health and safety protocols. We must showcase Canada as a safe destination for travellers.

Full recovery is forecasted to take years, but a significant increase in domestic travel can accelerate recovery by one year. Sustained funding for Destination Canada is critical to ensure Canada stays top of mind. Tax incentives should remain in place until the tourism economy recovers to near pre-pandemic performance levels.

In addition, the business meetings and events sector is a key influencer in the strategy to boost Canadian consumer confidence. In Canada, business travellers spend four times more than leisure travellers. The sector has a $19.3 billion direct GDP impact and sustains 229,000 direct jobs. Meetings, exhibitions and conventions are planned ahead – often years in advance. We must ensure that Canada is seen as a competitive choice for business meetings, exhibitions and conventions moving forward. This sector's performance in the coming years will also largely dictate the recovery of our urban centres as large group gathering restrictions ease and work-from-home policies change.

Recommendation 3: In consultation with Tourism HR Canada, conduct a comprehensive review of all current Immigration, Refugees and Citizenship Canada (IRCC) programs to identify opportunities and align policies that will work for tourism, and to create a dedicated immigration pathway for the sector;

Recommendation 4: Develop a comprehensive pan-Canadian workforce strategy that complements new investments in marketing and other recovery efforts.

COVID-19 has caused significant disruption to the tourism labour market, much greater than the economy overall – disproportionately impacting youth and minority populations. On average, the tourism unemployment rate is nearly double that of the overall economy. Before the pandemic, there were over 2 million individuals employed in the tourism sector. Through COVID-19, the tourism industry has now lost over half a million jobs.

Research conducted by Tourism HR Canada shows that many workers do not plan on returning to tourism jobs once they are restored; this is causing some of the greatest labour shortages ever seen by Canada's tourism industry and hampering recovery. COVID-19 has heightened and accelerated systemic issues and barriers to employment in this sector.

Tourism plays a key role in supporting small business and creating jobs. One in 10 Canadian jobs is tied to tourism, which is nearly 2 million jobs from coast to coast to coast. Tourism jobs exist within all regions across Canada, and the industry employs Canadians in every province, territory, and electoral riding. Communities and small businesses rely on tourism to create jobs and enhance overall quality of life for Canadians. The tourism industry recovery is essential to the overall recovery of the economy, and will only be possible with a comprehensive strategy to restart the tourism workforce.

The economic and social implications of an unequal and slow recovery will impact tourism excessively – with more persistent underemployment of vulnerable workers. During the winter, only 5.9% of tourism businesses could fully open without any limitations or restrictions on their operations. Most businesses were placed under tighter restrictions, and 62.5% reported having to release staff due to those restrictions.

Over half of tourism businesses took on debt to survive, and three-quarters have maintained their core staff—even at a financial loss—to keep their businesses operating. Among businesses that have taken on debt, most are concerned that it will hamper their ability to recover.

The tourism recovery will happen at different speeds. Tourism industries such as restaurants and recreation facilities that derive significant demand from locals will have opportunities to recover earlier than those that rely on domestic tourists. Businesses that rely heavily on international tourists face the longest recovery outlook.

A program to encourage interprovincial/territorial labour mobility for the tourism industry would help in identifying and addressing interprovincial/territorial barriers for Canadians looking to live and work in other parts of the country.

Many promising supports were proposed in Budget 2021 to help tourism workforce recovery efforts. Accessing and harnessing these initiatives will demand a focused and all-of-sector approach to advocate on behalf of the sector to ensure that appropriate resources are directed at tourism jobs. The Canada Recovery Hiring Program was a welcome initiative with the impending decline of CEWS and CERS supports. However, upon careful analysis, this program is unlikely to work for the tourism industry due to timing and inadequate level of subsidy, which is simply not enough for cash-strapped businesses. It also cannot be used to recall furloughed workers, which is the main supply businesses are hoping to bring back as they scale up operations.

Tourism HR Canada recommends priority strategies to restart Canada's tourism workforce to fall under the following four categories:

- **Supply**: Prioritizing redeployment and re-employment is essential to the recovery of the tourism economy.

- **Skill:** Training, reskilling, upskilling – new skills are needed for tourism to be globally competitive and resilient. The tourism industry is going to rely heavily on accessible virtual learning that enables job seekers and workers to obtain micro credentials and tailored learning products.
- **Sentiment**: Real-time labour market information and the ability to synthesize, analyze and inform policy decisions are crucial at this junction.
- **Strategy:** Tourism's workforce relies on community-led models that must involve collaboration between employers, governments, workers, education providers and various support services.

The tourism economy is a significant source of employment for newcomers to Canada. Therefore, TIAC continues to work with Tourism HR Canada and in consultation with industry and government to develop a comprehensive made-for-tourism immigration strategy. Upcoming review of TFW policies overlooks the practicalities of how the program supports Canada's economic aims. The policy review seems to focus on the abuses within the program, not the legitimate business needs of the majority of employers who consistently abide by the program requirements.

We must focus on a pan-Canadian workforce strategy that is aligned with the marketing efforts and other recovery activities to overcome the reputational damage to the tourism industry as an attractive career choice, while improving overall sentiment of the value of tourism to communities across the country.