Tourism Industry Association of Canada (TIAC)

Pre-Budget Consultations in Advance of the Upcoming Federal Budget

August 2020

Recommendations:

1. A federally coordinated effort to create guidelines and protocols for the reintroduction of tourism activities, through 'whole of government' consultation with industry stakeholders, various federal agencies, and provincial and territorial governments
2. Provide businesses with tax credits and capital funding for the deployment of health and safety related infrastructure
3. Amend the Business Credit Availability Program (BCAP) to provide Tourism businesses with 100% government backed loans, with a forgivable portion to help cover fixed costs until revenue reaches normal activity.
4. Extend the Canada Emergency Wage Subsidy (CEWS) safe harbour provision and program for businesses hardest hit to at least to May 2021.
5. Assist in the recovery of air travel through; a 24-month reprieve on Air Transportation Security air navigation fees and excise tax on jet fuel; the permanent elimination of airport ground lease rents; lowered fees and levies related to air travel
6. Reinvigorate the visitor economy through a household tax credit for domestic travellers for one year; establishing GST rebates for domestic flights, and waiving Parks Canada entrance fees for 12 months
7. Financially support businesses through funding programs for businesses and organizations dependant on large scale in-person events, including; business meetings and events, festivals, fairs, and sporting events. TIAC recommends a federally-funded Business Events & Convention Development Fund to be jointly administered through regional Destination Marketing Organizations
8. Create a competitive environment for international visitation to Canada by: streamlining the visitor visa process, reinstating Canada's visitor rebate program, developing a tax incentive for businesses to invest in international tourism marketing, and by ensuring that Destination Canada and Business Events Canada are well funded to re-enter the international marketing space.

As part of the 2019 federal budget, the visitor economy was recognized as Canada's number one service export, accounting for one in ten jobs. The government committed to investing in the sector to create middle class jobs, grow Canada's economy, and bring new opportunities and pride to communities. As part of the government's broader innovation strategy, tourism was designated Canada's 7th Economic Strategy Table.

One year later, the visitor economy is now facing unprecedented hardship as a result of the COVID-19 worldwide pandemic, coupled with extended border closures and stay-at-home measures. While appreciating the necessity for safety measures as a means of protecting public health, these safeguards have led to a complete or near-complete shut-down of thousands of tourism businesses across the country. These measures also hit just as tourism businesses were preparing to ramp up for the summer season, and before convention season would normally be in full swing.

Pre-COVID-19, tourism was Canada's 5th-largest sector, responsible for 10% of Canadian jobs, $105B in revenues and 2.3% of GDP. Sadly, a recent TIAC survey of tourism stakeholders (conducted between June 30-July 14, 2020) found **82%** of all respondents experiencing revenue declines ranging between **61% and 100%** in the last month when compared to the previous year. The same survey found **68%** of all respondents saying that without access to government supported financing, they will be unable to stay in business**.** Even more alarming, 42% of respondents expect to be able to operate for no more than three months without government support. Current estimates are that the industry will not likely return to 2019 levels for as long as three years, with many businesses closing permanently. Liquidity is a primary concern for the entire visitor economy, and we urge the government to take the necessary steps to address this issue.

Canada cannot afford to lose its tourism industry. There is much to be done, but it requires the support of the government.

Championing Safety (recommendations 1&2)

First and foremost, the <u>safety of Canadians is paramount for us all</u>. This is why safety is the first pillar of our recovery plan. The industry has already developed robust safety protocols and measures across sectors, including airlines, airports, hotels and the meetings and conventions sector. But, we need a coordinated effort to develop a climate of public safety and help fund costs for new health and safety measures. At this time, we see vastly different travel restrictions across the provinces and territories, and Canada does not have a coordinated approach. Consultation is needed to create an integrated set of reopening guidelines with provinces and territories to rebuild for workers and consumers.

At the same time, necessary health and safety adjustments come at a high cost to businesses who are already struggling to survive as they try to reopen their businesses. Further, with varying levels of responsibility for the enactment of public health policies, businesses are struggling to navigate through inconsistencies between regional, provincial and federal health authorities. This is why support for businesses to make these investments, and cohesive, coordinated reopening guidelines are crucial.

Sustaining Tourism Businesses (recommendation 3-5)

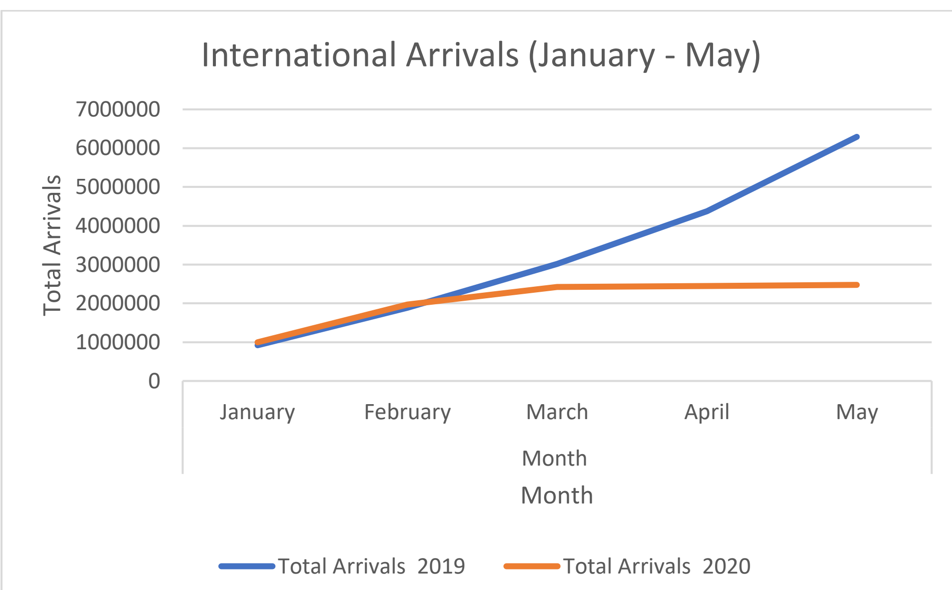
TIAC recognizes government efforts to take quick, proactive steps to help Canadians and businesses sustain themselves during these trying times. However, announced measures have expiration dates, and many tourism businesses have been falling through the cracks. It cannot be overstated that COVID has disproportionately impacted our industry. Quantifiably, we know that despite access to some support programs, research conducted by McKinsey & Company in collaboration with Destination Canada concludes that without further government investments, 61,000 tourism businesses (57% of total) are projected to fail. As a result, 1.66 million tourism sector employees could be laid off (~83% of total), greatly affecting, women; youth, visible minorities; new Canadians, and Indigenous owned businesses and workforces.

For businesses that can access funding, they are increasingly facing barriers to accessing loans as they are being deemed "high risk." Many have been denied support outright or have had to take on higher interest rates than those offered to other types of businesses. Because tourism businesses are now considered a higher risk, businesses are also reporting significant hikes to insurance premiums – as much as 500%. These issues are causing further barriers to recovery for businesses already struggling and will increase the amount of time it takes for them to reach pre-COVID-19 levels of profitability.

We cannot discuss the barriers to recovery without also addressing the struggles of our air services. Facing an uncertain future due to restrictions on international and provincial borders, and a decrease in demand over 90%, we are already seeing the loss of routes throughout Canada and the risk of losing even more. Regional connectivity is essential to travel and tourism throughout Canada, especially outside major metropolitan areas. The growth of regional and rural tourism is a priority of the federal tourism strategy, and one wholly supported by the sector. Without the return of regular air travel, the loss of more air access points will have long-term impacts on small airports and many Canadian communities.

Opening Canada – Enticing travel and Repositioning the Visitor Economy (recommendation 6)

We are just now seeing the devastating impact that border closures have had on our inbound visitor numbers. As shown below, while travel was on track the first two months of the year, we are seeing more than a 98% decrease in visitors throughout the spring months.



In 2019, inbound visitors to Canada brought in an estimated $23.1 billion to the Canadian economy. Even if some international borders reopen in 2020, it is unlikely that we will see much recovery in this market. This is why it is vital to ensure that Canada's tourism marketing agencies (Destination Canada, provincial marketing associations, and local/regional marketing organizations) are given support to market to Canadians. Without a sustainable number of Canadians participating in tourism activities both locally and across the country, tourism businesses, and the sector at large, will fail to be able to sustain itself for the eventual return to regular travel, including international travel. Encouraging travel (marketing), and providing incentives to spend on tourism product (through tax incentives and other measures), will be key in making this a reality.

Looking forward to when borders reopen, Canada will be preparing for the international travel market to be extremely competitive. The loss of inbound tourism has had a substantial impact on most countries, and we already see many countries, including Japan, offer significant inbound travel incentives to peak visitor interest once travel reopens. Destination Canada and other government agencies need to be provided dedicated funds to ensure we are in a competitive marketing position for inbound tourism.

Supercharging the Visitor Economy (recommendation 7&8)

The visitor economy has been on a significant upward trajectory since 2015, in both international visitor numbers, overall spending, contribution to GDP, and employment. It is possible to get this back on track eventually, and businesses are eager to do so.

Segments of the visitor economy that necessitate large group gatherings – namely festivals, fairs, as well as meetings and conventions – will take much longer to recover than some other parts of the visitor economy. Specific funding needs to be allocated to keeping these segments afloat. Canada's major events and festivals – many of whom are non-profits who rely on their annual events to carry on each year – will need revenue support to ensure that events are able to meet visitor expectations once able to operate again. Similarly, many convention centres are municipally operated and have not been able to apply for government funding programs as a result. Urban hotels and other businesses in the meetings sector will also need to make up significant revenues if unable to begin hosting large scale, indoor events by Q4.

We will need to look far beyond our current circumstances to support tourism recovery. TIAC continues to see future immigration as essential to the regrowth and rebound of the visitor economy in Canada. Before the COVID-19 crisis, the tourism sector was facing extreme labour shortages. Our data before COVID-19 indicated that, between 2018 and 2035, nearly 60,000 sector jobs were projected to go unstaffed. This issue is exacerbated by a skills gap, low public opinion of service-level employment, the government's categorization of most tourism jobs as 'low-skill, 'and the use of broad economic regions that make foreign recruitment inaccessible because of unemployment in unrelated 'high-skill' sectors. For the visitor economy to grow, we need to ensure that we get ahead of labour shortages as we move into the recovery phase of COVID-19. This is why the improvement and implementation of the Municipal Nominee Program and the Temporary Foreign Worker Program are essential.