

2021 Tourism Recovery Plan

Prepared by Members of TIAC's Industry Recovery Committee
January 2021

Tourism Recovery Plan to Ensure Canada's Tourism Economy Survival and Competitiveness through COVID-19

Prior to COVID-19, tourism was one of the fastest growing industries in the world.

In Canada, tourism was a growing industry and a leading economic driver. As the country's fifth largest sector, tourism was responsible for \$105 billion in GDP, 1 in 11 Canadian jobs, and 225,000 small- and medium-sized businesses across Canada.

But now due to the COVID-19 pandemic, Canada's tourism economy is in crisis and employs 521,300 fewer Canadians than it did this time last year. While some Canadian sectors have experienced a small degree of recovery, Canada's tourism economy has remained stagnant.

Tourism was the first hit, the hardest hit, and will be the last to recover.

The news of COVID-19 vaccine distribution gives us reason for cautious optimism. However, if we wait for mass vaccination before committing to tourism recovery measures, it will be too late to restart Canada's tourism economy—and too late for the businesses and jobs who depend on it.

Health and safety measures are imperative to help rebuild consumer confidence and restore businesses of all sizes. Tourism businesses have complied with all public health regulations, with many going above and beyond by implementing rigorous safety measures to ensure the health and safety of their employees, their guests and their communities. The sector is committed to continuing compliance as the pandemic evolves. The Canadian government must act quickly to set out a plan to safely reopen the country to both domestic and international visitors, and ensure Canada's tourism economy can survive and recover.

Tourism Spending in Canada 1986-2020 Q2

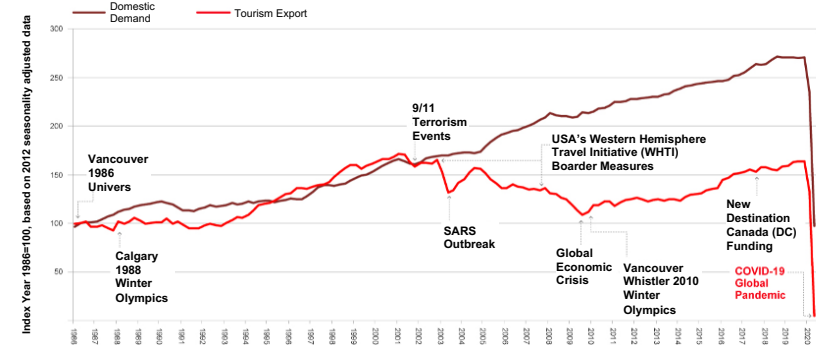


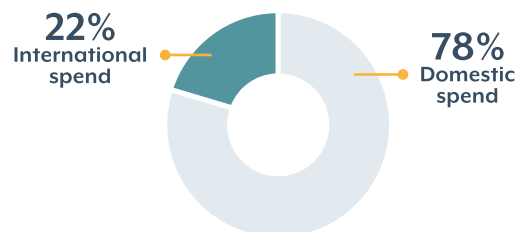
Chart courtesy of Destination Canada
Sources: Statistics Canada, National Tourism Indicators; IATA Market IS, Jan 2019 to June 2020; aircanada.com; Destination Canada estimates, based on STR Reports

2021 will be a critical year for the restart of Canada's tourism economy. Tourism businesses are doing their part to prevent the spread of the virus, but revenue and employment losses are not forecasted to start to recover until the summer of 2021. Domestic travel will be a crucial first step, but will not be able to fill the revenue gap from the halt of international travel. The only way to ensure a full recovery of the tourism sector is to reopen borders. A recent study conducted by Destination Canada indicates that if borders stay closed until October 2021, **recovery to 2019 levels is not expected until 2026.**

CONTRIBUTION TO THE ECONOMY

78% of tourism spending in Canada is from Canadians, however international visitors spent an average of \$1,047 per trip, compared to about \$244 per trip for domestic visitors.

Spending in 2018 (\$M)



The industry is encouraged by the announcements made in the November 2020 Fall Economic Statement, particularly the following:

1. Creating the Highly Affected Sectors Credit Availability program
2. Increasing the maximum rate of the wage subsidy program to 75% for the next three periods
3. Extending the current subsidy rates of the Canada Emergency Rent Subsidy program
4. Providing \$500 million in additional funding to the Regional Development Agencies
5. Anticipated support for airlines and festivals/events

There is much work to be done to ensure an effective, sector-specific roll-out of these programs and supports. As the voice of the industry, the Tourism Industry Association of Canada (TIAC) looks forward to continued collaboration and dialogue to ensure that these supports are made available in a timely and sector-specific way.

The following Tourism Recovery Plan has been developed by a committee of tourism leaders from across Canada, representing all sectors of the tourism economy, and lead by TIAC. (Appendix A)

In the following plan, our recommendations are outlined under the following three themes:

- | | |
|--|-------------|
| » Supporting Business Solvency | Pages 6-8 |
| » Championing Safety | Pages 9-10 |
| » Keeping Canada Globally Competitive | Pages 11-12 |

Recommendations are also based on the following phases:



1

RESPONSE

Government support for business solvency is vital and ongoing

2

RECOVERY

Government investments are required to stimulate business recovery, to encourage Canadians to explore Canada and to keep Canada competitive on the global stage



3

RESILIENCE

Government investments and commitments support tourism growth, sustainability and resilience



It is important to note that, Indigenous tourism operators have disproportionately fallen outside the criteria of Government relief measures. To protect viable businesses in this emerging sector, it is vital that an Indigenous lens be placed on all recovery measures.

The following recommendations need to be included in the next federal budget announcement in order to fully support the recovery of the tourism economy.

With government support, we can plan for the survival of the industry and enable Canada to recover our competitive position at the global level.



Supporting Business Solvency

Over the past year, tourism businesses have lost revenue and cashflow. Regardless, fixed expenses like rent, mortgages, property taxes and utilities have continued. The following measures will support the tourism economy to ensure it is positioned to survive financially into recovery. In a recent survey of over 2,000 tourism businesses, which was facilitated by the Coalition of Hardest Hit Businesses, 66% of respondents indicated that without access to government supported financing and business support programs, they will be unable to stay in business.

It is recommended that extensions of existing business support programs go directly to those that need it the most and **support the hardest hit businesses into recovery.**

1. Highly Affected Sectors Credit Availability Program (HASCAP)

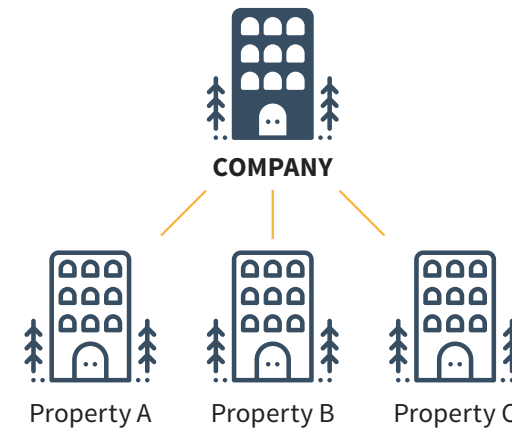
For this program to work as intended, it is crucial that financial institutions prioritize tourism sector businesses and fast track their applications. It is imperative that tourism stakeholders get timely program information and support.

Recommendations:

- » **Financial institutions must be ready to receive HASCAP applications by February 2021.**
- » **Program must be available on a per property basis** and must provide support to owners of multiple businesses.

For example... **HOTELS**

Family owned business with three separate properties, must be able to access business relief programs for each



Program details announced January 26, 2021

- » Financial institutions accepting applications as of February 1, 2021
- » 100% government backed loans
- » Up to \$1M per business and up to \$6.25M for affiliated businesses

2. Regional Relief and Recovery Fund (RRRF) – Tourism Envelope

This program has been seen as a critical support for many tourism businesses that are unable to access support through other government programs. The Fall Economic Statement committed \$500 million in program support through to June 2021, specifically to help tourism businesses.

In our recent survey, 41% of respondents were unaware of the COVID related financing available through the RRRF, and of those who did apply, only 14% were successful in obtaining this financing. We are hopeful that with a more collaborative approach to rolling this out, we can ensure the support is marketed and accessed properly.

Recommendations:

- » **RRRF funding must prioritize supporting tourism stakeholders** that are unable to get relief from other business support programs.
- » **Program must be available on a per property basis** and must provide support to owners of multiple businesses.
- » **The RRRF must be made available to not-for-profit tourism associations with contractual relationships but no staff and support Destination Marketing Organizations.**

3. Canada Emergency Rent Subsidy

The extension of the current subsidy rates and top up will provide relief for many tourism businesses.

Twenty-six percent of the respondents to our recent survey indicated that they are not current with their mortgage payments and 17% are not current with property tax payments, due to inability to keep up because of a lack of cashflow.

Recommendation:

- » Enable **access to the 90% top up** for businesses that are impacted by limitations on mass gatherings and travel restrictions, and include businesses that have provided essential services but have not closed.

***The extension of the current
subsidy rates and top up
will provide relief for many
tourism businesses.***

4. Canada Emergency Wage Subsidy (CEWS)

The Canada Emergency Wage Subsidy (CEWS) has been a lifeline to the sector and has provided businesses the ability to retain their workers. The increase of the maximum subsidy rate to 75% and extension until June 2021 was welcome news. Over 67% of survey respondents are currently using the CEWS program, which has enabled 22% of respondents to have 100% of their staff active and working.

Recommendations:

- » **Increase subsidy to 85% for hardest hit businesses until the end of summer 2021.**
- » **Ensure the program works for seasonal businesses**, associations and other tourism businesses that show no revenues in specific periods due to business cycles, yet have year-round employees.
- » **Base year-to-date revenue comparison on 2019 or a rolling reduction for 12 months.**
- » Modify program criteria to **include 100% of the costs to carry furloughed employees.**

***CEWS has been a
lifeline to the sector***

5. Support Canada's Air Sector

According to a recent McKinsey & Company article, global tourism forecasts a cumulative drop of \$3 trillion to \$8 trillion before tourism expenditures return to pre COVID-19 levels. Research conducted by the International Air Transport Association (IATA) shows total losses in 2020 of \$118 billion with demand down 61% vs 2019 numbers.

Canada is currently an outlier when it comes to direct financial aid to the air sector and is losing market share to global carriers. Without government support, Canada is at a disadvantage as recovery gets under way in global aviation.

Recommendations:

- » **Provide immediate liquidity for the aviation sector** by supporting carriers, airports and by providing sufficient funding to government service providers such as NavCan and Canadian Air Transport Security Authority (CATSA).
- » **Establish incentives for airlines to maintain service to remote communities.**
- » **Eliminate airport ground lease rent.**



Championing Safety

Tourism is a professional industry committed to the health and safety of Canadians and travellers. The recovery path for tourism will depend on the epidemiological control of the virus and the national and international economic recovery. According to a recent Destination Canada report, consumer confidence reached an all-time low in April, but has been actively improving since October. Canadians are among the most concerned travellers regarding health and safety, with 75% indicating that clear communication of protection measures is the top factor for selecting travel. With vaccines starting to roll out, we hope that this will accelerate recovery.

Data shows that testing and reduced quarantine is more effective at protecting the Canadian public than a blanket 14-day quarantine. Testing allows public health officials to effectively identify and isolate incoming cases. It reduces community transmission and combats low compliance with quarantine. According to the Public Health Agency of Canada (PHAC), more than 25% of incoming passengers are not adhering to the 14-day quarantine rule; therefore, a rigorous testing regime for incoming passengers better protects the public.

Tourism stakeholders have been calling on the government to work with industry to implement a national testing strategy and use global data to inform a reduction or elimination of quarantine measures. A negative COVID-19 PCR test done within three days of departure into Canada does not change the fact that travellers still have to quarantine for 14 days after their arrival.





Countries around the world have amended their approach to quarantine. They have done so using evidence-based data that supports a reduced quarantine and testing regime as a more effective way to protect their local populations. Greece, Denmark, Iceland, Germany, Cyprus, Singapore and the United Kingdom have all intensified border testing to reduce quarantine and have proved that airport testing of arriving passengers reduces COVID-19 infection rates.

International agencies, including the Center for Disease Control (CDC) in the United States and the European Centre for Disease Prevention and Control (ECDC) are recommending reduced quarantines for travellers. The CDC is recommending a seven-day quarantine for travellers with a negative test result.

Canada's air sector has invested millions of dollars to protect the health and safety of passengers and employees, and to protect public health. The sector has initiated various testing programs, sharing all data and testing protocols. The implementation of the testing requirement must be used as a springboard to a more coordinated approach to mitigate risk and implement science-based policy with respect to quarantine measures.



The tourism economy recovery will be dependent on safe re-opening of Canada's borders, investments in rapid testing and measures to control importation of the virus. Tourism businesses and the Canadians they employ need to understand what conditions are required before provincial/territorial and international borders can reopen in order to properly plan for their future.

It is time to rethink quarantine rules. To embrace innovation and new solutions for testing travellers before or after their journeys. As soon as it is safe and feasible, restrictions on travel must be eased or lifted in a responsible and coordinated manner.

Recommendations:

- » **Provide government financial support for rapid testing** and contact tracing programs to keep Canadians safe and to reinstate travel.
- » Use current international and industry data and available science to inform the **reduction or elimination of quarantine measures**.
- » Provide tourism businesses with **tax credits to help defray costs associated** with safety protocols.
- » Provide federal guidance on a policy roadmap to **safely re-open provincial/territorial and international borders** by managing the risk of contagion with testing as a replacement for quarantine measures.

Keeping Canada Globally Competitive

People will travel again. Let's make sure our tourism economy is ready for it by planning for our global competitiveness to recover when the time comes.

According to a recent Destination Canada report, with a border opening projected for October 2021, return to 2019 levels for the industry would be estimated for 2026. However, if the second wave of the virus is contained, **the domestic market may be expected to recover by 2022.**

Canadians normally spend more on travel abroad (\$40B) than international travellers spend in Canada (\$23B). With the lack of travel in 2020, there is an opportunity to inject some of this spending into Canada. Converting just 10-12% of these Canadian expenditures could net an additional \$4-5B over and above inter- and intra-provincial spend. Canada needs to support stakeholders to market domestic and local tourism options, keeping in mind that domestic travel is a key first step, but will not bring the industry back to full scale without international revenue.

The government has been clear that the strategy will be to first promote people travelling within their regions, and then across the country, before international efforts are reinstated. Targeted supports are needed for tourism businesses to ensure they are around when the time comes to safely open our borders.

Urban centres across the country have been disproportionately impacted by the pandemic after years of investment in building and upgrading convention centres, with no expected revenues in the near future. Canada must help support urban Destination Marketing Organizations (DMO) to replace business and secure new future opportunities.



Recommendations:

- » **When the time is right, provide a tax incentive to Canadians for the 2021/2022 tax years to travel locally or within Canada.**
The tax incentive should include the following features:
 - 25% tax credit on qualifying expenditures up to a maximum of \$5,000, minimum claim of \$500
 - Qualifying expenditures to be associated with a minimum of one-night's accommodation for non-business travel
 - Expenditures to include accommodation (hotel, motel, campsite), travel (air, train, bus), meals (restaurant) and activities (destination related)
 - Limited to Canadian travel
- » **Re-introduce the federally funded Marquee Tourism Events Program (MTEP) to support key festivals and events across Canada**
 - The program should be managed by Regional Economic Development Agencies and could act as an extension to the already established Canadian Experiences Fund
 - An investment of \$225 million over three years
- » **Develop a Business Events and Urban Recovery funding program to help support urban DMOs replace businesses meetings and event losses**
 - Business events and conferences are booked up to five years in advance
 - Cancellations and losses for the business events sector is in the billions
 - An investment of \$205 million over five years
- » **Reinstate the visitor GST rebate program for international visitors**
 - Canada is the only OECD country with a sales tax on goods purchased by foreign visitors

- » **Provide at least \$225 million top up funding to Destination Canada over three years** to keep Canadian destinations top of mind for Canadians, to support Destination Marketing Organizations and to entice the return of high value travellers
- » **Provide targeted funding for labour market research and skill and capacity building programs** that prioritize jobs in the Tourism economy
 - Tourism HR Canada's labour market research shows that chronic shortages in the sector will hamper full recovery
- » **Extend work visas** for a full year and waive fees until 2022 and ensure immigration programs meet future tourism labour demands



Summary of Recommendations

RESPONSE – Government support for business solvency is vital and ongoing
RECOVERY – Government investments are required to encourage Canadians to explore Canada and to keep Canada competitive on the global stage
RESILIENCE – Government investments and commitments support tourism growth, sustainability and resilience

Themes	Areas of Focus	Recommendations
Supporting Business Solvency	✓ HASCAP	Financial institutions must be ready to receive HASCAP applications by February 2021
		HASCAP must be available on a per property basis
	RRRF	RRRF funding must prioritize supporting tourism stakeholders
		RRRF program must be available on a per property basis
		RRRF must be made available to not-for-profit tourism associations with contractual relationships but no staff and support Destination Marketing Organization
	CERS	Enable access to the 90% top up for businesses that are impacted by limitations on mass gatherings and travel restrictions, and include businesses that have provided essential services but have not closed due to the eligibility criteria
	CEWS	Increase CEWS subsidy to 85% for hardest hit businesses until the end of summer 2021
		Ensure CEWS works for seasonal businesses, associations and other tourism business-es that show no revenues in specific period due to business cycles
		Base CEWS year-to-date revenue comparison on 2019 or a rolling reduction for 12 months
		Modify CEWS criteria to include 100% of the costs to carry furloughed employees
	Aviation Support	Provide immediate liquidity for the aviation sector by supporting carriers, airports and by providing sufficient funding to government service providers such as NavCan and Canadian Air Transport Security Authority (CATSA).
		Establish incentives for airlines to maintain service to remote communities.
		Eliminate airport ground lease rent.
Championing Safety	Safety and Testing	Provide tourism businesses with tax credits to help defray costs associated with safety protocols
		Provide government financial support for rapid testing
	Borders	Provide federal guidance on a policy roadmap to safely re-open provincial/territorial and international borders
		Use current international and industry data and available science to inform the re-duction or elimination of quarantine measures.
Keeping Canada Globally Competitive	Unlocking Potential	Provide a tax incentive to Canadians for the 2021/2022 tax years to travel locally or within Canada.
		Re-introduce the federally funded Marquee Tourism Events Program (MTEP)
		Develop a Business Events and Urban Recovery funding program
		Provide top up funding to Destination Canada
		Reinstate a visitor GST rebate program for international visitors
	Labour	Provide funding for labour market research and skill and capacity building programs
		Extend work visas for a full year and waive fees until 2022 and ensure immigration programs meet future tourism labour demands

Appendix – Members of the TIAC Recovery Committee

The recommendations included in this document have been informed by a dedicated committee of tourism leaders representing all sectors of the tourism economy.

Chaired by TIAC's Board Chair, Dave McKenna and the President of the Banff Jasper Collection by Pursuit.

Industry Members include:

- » Vince Accardi, Acting CEO and Vice-President, Stakeholder Relations and Business Development, Tourism Industry Association of Canada
- » Steve Sammut, President and CEO, Rocky Mountaineer
- » Cathy Duke, CEO, Destination St. John's
- » Andrew Lind, Chief Operating Officer, Muskoka Language International
- » Don Cleary, President of Marriott Hotels of Canada
- » Nancy Stibbard, Owner and CEO, Capilano Group
- » Paul Nursey, President and CEO, Destination Greater Victoria
- » Cathy Pugh, General Manager, Fredericton Convention Centre
- » Ian Clarke, Chief Financial Officer, Greater Toronto Airports Authority
- » Teresa Ryder, Director of Business Development, Indigenous Tourism Association of Canada
- » David Mounter, President and CEO, Jonview Canada
- » Mike McNaney, President and CEO, National Airlines Council of Canada
- » Jean-Michel Ryan, President, Mount Sutton, Quebec
- » Barry Smith, Executive Director, Convention Centres of Canada
- » Christina Franc, Executive Director of Canadian Association of Fairs and Exhibitions
- » Martin Roy, Executive Director, Festivals and Major Events Canada (FAME)
- » Kurt Huck, President, Passenger & Commercial Vessel Association

