

TIAO'S Industry Response for Economic Recovery

At the Tourism Industry Association of Ontario (TIAO) we are the official voice to government on behalf of the Ontario tourism industry. We are proud to represent an industry that is a powerful economic driver, one of the largest employers of youth across the province, and a key part of Ontario's heritage and cultural fabric. The Ontario tourism industry represents more than 400,000 workers and over 200,000 businesses, with a GDP contribution of \$36 billion, and an annual tax revenue of \$5 billion; tourism in Ontario has a greater economic impact than forestry, mining, and agriculture combined. When the World Health Organization (WHO) declared COVID-19 a global pandemic, we knew that this would mean serious and necessary state sanctions and would have a drastic impact on the Ontario tourism businesses and workers.

We are in unprecedented times. Other than the significant and severe impact on the health care industry, the tourism industry is the first and hardest hit by the necessary sanctions that nation states have rolled out to attempt to slow the spread of COVID-19. At TIAO that means that our role as the advocacy arm of the Ontario tourism industry has never been more significant. We are here to ensure that we are providing all levels of government with evidence informed policy recommendations on what the tourism industry requires for economic recovery packages.

Evidence Generation Strategy:

At TIAO we immediately began working to ensure that as the voice of the Ontario tourism industry, we had an Evidence Generation Strategy (EGS) in place in order to develop a full picture of the rapidly changing political, economic, and social impacts on the Ontario tourism industry.

We are using our EGS, which includes stakeholder consultations, partnerships with networked institutions, weekly calls with tourism operators, Northern tourism representatives, Sector Associations, Educational Institutions, Destination Marketing Organizations (DMOs), Regional Tourism Organizations (RTOs¹), and survey data collected and analyzed through our province wide surveys. Our EGS is based on our standard methodology and was developed in order to include partnerships with key networked institutions representing the interests of SMEs.

Data collected through the EGS is used to provide evidence informed recommendations to all levels of government. We recognize that the response to COVID-19 requires a whole government approach, and that recommendations must reflect the cross-jurisdictional work that is underway.

Current Economic Policy Responses to COVID-19 for People and Businesses:

- Enabling businesses, including self-employed individuals, to defer all Goods and Services Tax/Harmonized Sales Tax (GST/HST) payments until June, as well as customs duties owed for imports. The intention is that it will help businesses continue to pay their employees and their bills and help ease cash-flow challenges across the country.
- The Canada Emergency Response Benefit of \$2,000 per month for 4 months for anyone who loses their job, is sick, quarantined, taking care of someone with COVID-19 or needs to care for children whose schools/daycare are closed; plus tax, mortgage and student loan deferrals and additional funds for vulnerable groups.

¹ Since the consultations began on March 12th, TIAO has directly consulted with more than 3,400 tourism stakeholders.

- Through the Canada Emergency Small Business Account program, providing government-guaranteed, interest-free and partially forgivable², \$40,000 loan for businesses with payrolls of less than \$1 million.
- The Canada Emergency Wage Subsidy³ would apply at a rate of 75 per cent of the first \$58,700 normally earned by employees – representing a benefit of up to \$847 per week. The program would be in place for a 12-week period, from March 15 to June 6, 2020.

The current economic policy responses are unprecedented in terms of scale and scope. However, we know that the devastation of the Ontario tourism industry is also unprecedented and requires additional policy tools for economic recovery.

A key part of TIAO's EGS is the province wide Ontario tourism industry survey⁴. We have tracked the progression of the exponential decline of the Ontario tourism industry and our most recent survey (Survey 3) data reflects that state of the industry from April 1st to April 6th, 2020⁵:

- **59% of tourism businesses are closed temporarily.**
- **More than 21% are at risk of closing permanently in 3 months' time.**
- **Nearly 59% are at risk of closing temporarily in 3 months' time.**
- **38% of tourism businesses have laid off staff, and of those 42% have laid off up to 100% of their staff**
- **66% of tourism businesses have seen a decline in sales/revenue in March 2020 compared to March 2019. Of those nearly 41% have seen a decrease in sales/revenue of more than 50% for March 2020.**
- **More than 52% of seasonal tourism businesses will be unable to open for the summer season.**

The government aid that has been made available is unprecedented, however, with the decline in tourism operations growing exponentially, greater support is required. Survey 3 data, in conjunction with data collected through other methods of the EGS, including industry calls and consultations, indicates that tourism operators require the following forms of financial aid, in addition to what has been announced:

- **Commercial Rent Moratorium**
- **Mortgage Moratorium**
- **Increased Access to Interest Free Loans**
- **Increased access to Direct Financial Aid**
- **Debt Forgiveness**

² Businesses that have received the loan will have up to \$10,000 forgiven during the repayment process.

³ Eligible employers who suffer a drop in gross revenues of at least 30 per cent in March, April or May, when compared to the same month in 2019, would be able to access the subsidy. The subsidy will apply to the first \$58,700 of an individual worker's salary and is capped at \$847 a week.

⁴ Past survey reports can be found on our website at <https://www.tiaoontario.ca/cpages/covid19>

⁵ Survey 3 collected responses from 1,943 respondents from every sector of tourism, and across every region of Ontario.

By tracking the progression of the impact on the Ontario tourism operators and workers, we can understand how the policy tools for economic recovery must grow, in line with the growth of the devastation on the industry.

Policy Tools for All Tourism SMEs:

The following recommendations on policy tools to support tourism SMEs through the COVID-19 crisis, include a focus on ensuring that all tourism SMEs are captured in the financial support needed. Policy tools, including financial aid, that support seasonal and small tourism SMEs are needed to ensure that they will be able to open when the State of Emergency is lifted.

TIAOs Industry Response for Economic Recovery:

The recommendations put forward in this document are directly informed by TIAOs EGS. TIAO will continue to directly engage the Ontario tourism industry throughout the COVID-19 pandemic, to ensure that we are communicating the needs of the industry, in order to prioritize economic recovery for all tourism businesses that fall outside of other aid packages offered by government.

Our Workforce Hangs in the Balance:

There is a need to prevent the permanent loss of the industry's workforce. With massive business closures and unprecedented layoffs, the industry faces the real risk of permanent dislocation and loss of tourism workers. Suggestions to support workers and their employers include:

- Implement criteria allowing for seasonal tourism businesses to be eligible to claim the 75% wage subsidy through the Canadian Emergency Wage Subsidy (CEWS).
- Create an immediate amendment to the Ontario Employment Standards Act which limits temporary lay-offs to a 13 week period.
 - The Act currently states if the employee is not called back to work after 13 weeks, they will have been considered terminated, and termination pay would be required. During the province's imposed State of Emergency and the following recovery period, we ask that the lay-off period be extended to a minimum of 26 weeks.
- Be ready for the recovery and rebuild effort:
 - Investment in improvements and efficiencies to job sharing programs, rapid response service centres to address immediate workforce needs and plan and deliver targeted training to support re-entry and reskilling of workers. Similar efforts undertaken by OTEC and UNITE HERE / Hospitality Workers Training Centre in Toronto after the SARS crisis proved effective in supporting employee retention.
 - Support national and provincial tourism workforce development organizations' efforts to engage in crisis response and mitigation, rapid re-employment and local capacity building to develop destination-level resilience to future shocks. Invest in critical response capacity of these organizations and provide flexibility to existing skills training funding to ensure efforts can be adapted to meet current needs.
 - Utilize the 9 Indigenous Education Institutes to help re-entry and re-skilling of workers. They can be found here: <https://www.ontario.ca/page/indigenous-institutes#section-3>

- Adjust the Employment Insurance program to accommodate new and changing situations for laid-off workers:
 - Remove EI waiting times for workers dislocated as a result of COVID-19. Extend training wage supplement to EI if dislocated by COVID-19.
 - Support for seasonal workers, who are unable to begin employment, due to restrictions on travel and business operations.
 - Recognizes the inopportune timing of the 'off-season' impacts on industry staffs, and provide the ability for displaced and laid-off staff to be assessed for EI based upon the same 'revenue' period (Mid-March to Mid-June) from 2019, as opposed to mid-December 2019 to Mid-March 2020).

Financial Aid, Not Debt Deferral

With indefinite closures, all levels of government will need to provide direct funds to tourism businesses that have been forced to close and take on debt, and for seasonal businesses where the start of the season has been indefinitely delayed. Debt deferral does not allow tourism SMEs to bounce back as an economic driver. Our EGS data indicates that Tourism SMEs require immediate financial aid packages, including debt and rent forgiveness, that will cover all expenses and cash flow needs from now to when businesses re-open.

- Property Taxes
 - By deferring the deadline for municipalities to pay their education taxes, this has allowed for municipalities to defer residential and business property tax payments. Unfortunately, there is no uniformity across the province, so some businesses have not felt that relief. A uniform approach would be welcomed, and forgiveness of Commercial Property Taxes for Q2 (April/May/June)⁶ would help even more.
- Work with the Insurance Industry to support their clients in this time of need.
 - Encourage insurance providers to coordinate and process business interruption coverage claims for businesses that are unable to remain open during COVID-19. This would include operational costs incurred during this period, and that insurance companies forgive interest on renewal payment plans.
 - Keep insurance premium rates at the 2019 rates for 2020 for SMEs impacted by COVID-19 closures and revenue losses.
 - Implement provisions that will allow float plane operators to reduce the number of planes that will require insurance for 2020, as many operations will be at reduced capacity and less able to insure all vessels.
 - Coordinate an insurance moratorium for businesses that are mandated to remain closed during Q2.
- Access to financial aid including grants to ensure that capital projects and all incurred costs during COVID-19 closures are covered. This will ensure that tourism SMEs do not take on insurmountable debt to cover operational and capital costs, and will position the businesses to be ready for the recovery and rebuilding stage.
 - Expand the Canada Emergency Small Business loan to include all SMEs, regardless of the size of the payroll.

⁶ Reference to the Q2 dates throughout the document are subject to change and extension, if the state sanctions on non-essential business operations continues beyond June 30th 2020.

- Work with Landlords
 - Coordinate a personal rent moratorium, in the form of rent forgiveness on personal rents in Ontario, for those who have been laid off due to COVID-19. The Ontario tourism industry is one of the largest employers of youth, and therefore one of the largest employers of renters. With massive layoffs across our industry, tourism and hospitality workers will need financial support through a rent freeze. We anticipate that this will be put in place with a mortgage payment freeze for landlords.
 - Coordinate a commercial rent moratorium, in the form of commercial rent forgiveness for tourism SMEs that are closed due to COVID-19. Ontario will rely heavily on the economic drive of these businesses to restart the economy, once sanctions have been lifted. For this reason, we must ensure that tourism SMEs will be ready to reopen, and that commercial rents are forgiven, rather than deferred, as the debt would be insurmountable.

- Utilities
 - Greatly reduce (50%+) water, gas and electricity bills for both commercial operations and for private residences, as both businesses and workers are both impacted by the COVID-19 shutdowns and layoffs.
 - Eliminate the delivery charge on utilities for businesses that are closed due to COVID-19.

- Work with Lenders
 - Work with credit card providers to waive interest on all existing balances for three (3) months (Q2 – April / May & June).
 - Waive interest on purchases incurred during Q2, and delay payments on corporate cards up to a maximum of \$25K December 31, 2020.

- Provide funding to cover member-based tourism organizations who rely on membership fees and event revenue to cover operational costs, as many will need to waive membership fees for 2020 considering massive tourism business closures and a freeze on revenue. This funding should target the following organizations:
 - Business Improvement Associations, Chambers of Commerce, Industry/Sector Associations, Destination Marketing Organizations (DMOs).

Additionally, we highlight that tax breaks and deferrals, available to non-Indigenous businesses, are not effective policy tools for First Nation businesses operating under the Indian Act on reserves. As such, we recommend:

- Direct investment into Indigenous organizations who have the expertise to work with Indigenous businesses. Aboriginal Financial Institutes (AFIs) are best situated with the infrastructure in place to deliver any business financial aid to supplement programs covering capital expenditures, operational costs, and closures of SME's. Direct support for the 7 AFI's to specifically support Indigenous tourism businesses would make sense.

The Crisis is Everywhere but the Impacts are Geographically Specific

At TIAO we recognize that the COVID-19 crisis exists on a global scale, however, we know the impact of the crisis plays out in geographically specific ways. Through our EGS we are tracking the uneven impacts of COVID-19 across spatial and political geographies in Ontario. As such, the policy tools required to address this crisis *must* be tailored to the geographically specific impacts including:

- A mandate that requires all municipalities to implement an immediate forgiveness of provincial land tax as well as a land use permit or lease fee for Northern Ontario tourism businesses and provide relief for Q2 (April / May/ June⁷).
- Consideration to put a moratorium on the Bear Management Area (BMA) fees for 2020. Northern Ontario operators face the uncertainty of whether the season will be viable this year with the state restrictions.

We highlight that the impact of COVID-19 has impacts that are specific across Indigenous spatial and political geographies:

Indigenous organizations, operators, and businesses that operate on Reserves that are regulated through the Indian Act, require policy tools that can provide relief that factors in the geographically specific impact of COVID-19. Interest rates of the Aboriginal Financial Institutions (AFIs) are not competitive compared to traditional banks, however there are limitations for applying for loans for business operators on reserves. This is seen to be not understood by existing federal support being offered. We recommend that:

- Indigenous organizations (i.e. Aboriginal Financial Institutes, Indigenous Education Institutes, and Indigenous Tourism Ontario) must be part of every suggested tourism business initiative to identify an appropriate solution for Indigenous tourism businesses.

Jurisdictional Conundrum:

The recommendations found here are focused at all three levels of government as we recognize that all levels of government are working together to find solutions in an unprecedented time. We congratulate both the provincial and federal governments for working collaboratively when implementing immediate economic recovery assistance.

Capacity Building of Networked Institutions:

At TIAO we developed our EGS with two main objectives. One being the ability to rapidly collect data with a large scope, and a high level of validity, and two, the ability to build capacity and align with the policy responses of key networked institutions that represent the interests of SMEs across jurisdictions.

As such, we are collaborating with the Canadian Federation of Independent Businesses (CFIB), the Ontario Chamber of Commerce (OCC), the Ontario Business Improvement Area Association (OBIAA), and the Economic Developers Council of Ontario (EDCO). Our recommendations for policy tools to ensure the economic sustainability and recovery of the Ontario tourism industry and all SMEs across sectors, is informed by the capacity building and information sharing that is structured into our relationship with CFIB, OCC, OBIAA, EDCO⁸.

⁷ We recognize the significant decision by the government of Ontario to defer Provincial Land Tax Payments for 90 Days, and therefore put forward these recommendations above what has already been implemented.

⁸ The recommendations in this document are put forward by TIAO behalf of its members. We are capacity building across other networked institutions, however, these recommendations are a reflection of TIAOs EGS and direct industry consultations.



Closing Thoughts:

TIAO has been the official voice of the tourism industry through previous years of exponential growth. We have worked to highlight tourism as one of the key economic players in the province, and have contributed laser focused, evidence informed policy recommendations to government, to ensure the political, economic, and regulatory environment of Ontario reflects the needs of the tourism industry. Now in the midst of the global pandemic and global economic crisis, we continue to represent the rapidly evolving needs of our industry. We continue to examine and evaluate the economic needs of our industry, and work with all levels of government to deliver economic recovery packages that will allow tourism to continue to foster innovation and culture, and drive the economy in the coming years.