

June 19, 2020

Re: Study of the recommendations relating to the Economic and Fiscal Update Act, 2020 and the impacts of the COVID-19 crisis on certain sectors of the economy

On behalf of the Ontario Chamber of Commerce (OCC), we would like to thank the Standing Committee on Finance and Economic Affairs for providing the Chamber with the opportunity to provide input on the impact COVID-19 has had on Ontario's tourism sector.

Tourist activity is found in every riding in the province. As a provincial association, the tourism sector has been a longstanding policy area for the OCC, and the Ontario Chamber has published several policy documents on the topic in recent years.

In 2018, Ontario welcomed over 144 million visitors, contributing approximately \$33 billion to the provincial GDP. Ontario is also home to 200,000 tourism-related businesses, which employ 400,000 people in a range of areas, including food and beverage, recreation and entertainment, transportation, accommodation, and travel services. When the number of indirect jobs is added, this number rises to 820,000. Not only does the tourism industry create jobs, it contributes over \$5 billion in tax revenues for the Ontario government, benefits numerous adjacent industries, and promotes Ontario's diverse communities and regions.

As an example, when a tourist visits a region like Prince Edward County they typically stay for several days, enjoying multiple experiences and excursions. This creates a ripple effect that supports a range of sectors (including accommodations, transportation, dining, and local attractions) and spurs economic activity across the region.

However, the containment measures that were implemented by the province to help stop the spread of COVID-19, namely physical distancing, border restrictions, the suspension of international flights, as well as the shutdown of convention centres, attractions, restaurants, and entertainment venues, have disproportionately impacted the tourism and travel industry. As the Tourism Industry Association of Canada (TIAC) notes, these measures essentially brought a halt to tourism, resulted in significant job losses, hotel closures, and event cancellations. Not surprisingly then, the tourism sector is not expected to rebound as quickly as other sectors in Ontario.

The Tourism Industry Association of Ontario (TIAO) estimates that, compared to 2019, the province will lose \$18.3 billion in tourism revenue and 129,000 tourism-related jobs this year. TIAO has been tracking the impact COVID-19 has had on tourism businesses and workers across Ontario since mid-March. Conducted between May 13 and 19, 2020, TIAO's fifth survey of tourism businesses found that:

- Over 65 percent of respondents are temporarily closed;
- 39 percent have laid off staff;
- 37 percent of seasonal tourism businesses will not be able to open for the summer season;
- 53 percent report that current government aid is insufficient to ensure their business remains viable during the pandemic;
- 19 percent do not meet the eligibility criteria for any of the current government aid programs;
- 28 percent are unable to pay their commercial rent or mortgage;
- 27 percent are unable to pay staff wages;
- 22 percent face insurmountable debt levels;
- 8 percent are at risk of bankruptcy; and
- Almost 15 percent report that they risk permanent closure.

As TIAC explains, the situation at-hand is particularly acute as the pandemic coincided with the start of Canada's peak-tourism season. Consequently, many tourism businesses are losing out on an entire year's worth of revenue – revenue that is usually generated during peak travel season, between May and September in Canada.

The current situation, coupled with the historic 'tourism gap' and labour shortage identified prior to the pandemic, puts the tourism sector in jeopardy as the province moves towards economic recovery.

The tourism gap refers to the difference between potential and actual tourism visits in Ontario. Between 1996 and 2015, the number of non-resident tourists who visited Ontario declined from 9.8 million arrivals in 2002 to 8.4 million in 2015. More recently, tourist arrivals between 2018 and 2019 grew by less than two percent. Despite Ontario's globally renowned cities, thriving arts and culture sector, and unique tourism offerings, the province's tourism industry has, historically speaking, been unable to attract visitors at the same rate as tourist visitations globally. In the OCC's 2016 report, *Closing the Tourism Gap*, we estimated that the province was leaving important visitor spending on the table, estimating that the gap amounted to \$16 billion in forgone tourism spending between 2006 and 2012 alone.

With respect to the labour shortage, Tourism HR Canada predicts that approximately 91,000 tourism jobs will go unfilled between now and 2035. However, the labour shortage may widen given the unprecedented decline and loss that the sector is experiencing as a result of the pandemic.

Against this complex backdrop, the OCC recommends that the Government of Ontario address seven key areas to help Ontario's visitor economy and tourism industry recover:

1. Need for Information and Clarity

Beyond the need for government aid, TIAO's May 2020 survey found that tourism businesses cite a need for direct and clear information to help them navigate a period of great uncertainty. More specifically, the survey found that 65 percent of respondents cite a need for information on when and how they will be able to re-open. Furthermore, 28 percent of respondents required information on when and how the US-Canada border will re-open.

As an example, private campgrounds that have opened as part of the Ontario's second stage require staff to oversee and/or clean pools, marinas, beaches, and washrooms. These staff also require personal protective equipment (PPE) to fulfill their duties. Ontario's 1,144 campgrounds draw 1.82 million campers from around the world and the sector contributes \$1.2 billion to the GDP. As *Camping in Ontario* recommends, the province should provide private campgrounds (and other businesses) with information on and clarity about procuring PPE and timelines for receiving these critical supplies.

As noted in the joint letter sent to the Premier of Ontario by chambers of commerce and boards of trade across Canada, Ontarians and businesses also require clarity. Ontarians contemplating travel this summer may be uncertain about the end-to-end travel experience, as well as confused about border restrictions, travel advisories, quarantine rules, and rules at airports, hotels and on trains and airplanes. Further, without clear direction on re-opening borders and removing quarantine restrictions, the meeting and events industry will be impacted possibly into 2021, as businesses may be hesitant to book future events without clear government direction. Each day that passes without a timetable for easing restrictions results in the loss of jobs, businesses, and tax revenue. The province should therefore provide clarity to build traveller confidence and support decision-making among Ontario tourists and businesses alike.

2. Financial Supports

TIAO's survey data revealed that over 40 percent of tourism businesses may not make it through the pandemic. Those that are able to remain economically viable may be forced to reduce their operating capacity, face reductions in revenue, and even bankruptcy. With the prospect of insurmountable debt, the OCC recommends that the province consider providing tourism businesses with direct financial aid and grants, rather than debt deferral.

3. Commercial Rent Relief

Rent is one of the most significant fixed costs for small businesses, and it has been especially challenging during the pandemic as many businesses have been forced to close their brick and mortar locations to prevent the spread of COVID-19. Most tourism businesses will be operating at reduced capacity and will require continued support for commercial rent payments. Chambers of commerce, boards of trade, and businesses across Ontario and Canada were encouraged by the federal-provincial/territorial program that aims to provide commercial rent relief.

However, the OCC and provincial chambers across the country have expressed concerns to the provincial premiers about the Ontario-Canada Emergency Commercial Rent Assistance (OCECRA). More specifically, there are concerns that this program does not provide adequate support as commercial landlords are, generally speaking, not participating in the program or have advised tenants that they will not participate in the program. TIAO's May survey found that only four percent of tourism businesses reported that their landlords accessed **the OCERCA program**.

Accordingly, the OCC urges the province to continue working with the federal government to ensure that businesses receive protection from evictions when accessing the program. Furthermore, steps should be taken to address landlord reluctance to participate in OCECRA and expand eligibility criteria.

4. Talent and Labour

While municipalities across Ontario have embraced tourism to grow jobs, businesses, and community infrastructure, the industry is fighting off permanent closures and faces historic layoffs. Many tourism and hospitality workers, including newcomers, women, and youth, have been laid off.

The tourism industry is also the largest employer of young people, with 23 percent of the tourism workforce between the ages of 15 and 24. A tourism job is often a young person's first job. For many students, the money they earn during their summer employment is used to support their studies. Furthermore, many Ontario students are required to complete academic placements to meet the requirements for graduation as part of a culinary, tourism, or hospitality program. Neglecting to support these students could lead to the permanent dislocation of workers for this diverse industry and hinder the industry's ability to bounce back when emergency shutdown orders are lifted.

Thus, the OCC recommends that the Government of Ontario continue to invest in re-skilling for tourism workers who were laid off during the pandemic through the Ontario Tourism Education Corporation's (OTEC) Tourism SkillsNet Ontario and the Future Skills Centre. Further, the province should support partnerships between post-secondary institutions and the private sector to connect students with internships, whether virtual or in-person, and provide funding to help employers cover the cost of supervising and paying for placements.

5. Promoting Tourism Post-COVID-19

International tourism is expected to be slow to resume as many await the development of a vaccine. Tourism is therefore expected to be hyper-local when travel restrictions are eventually lifted in Ontario. In other words, while Torontonians might be hesitant to travel abroad in 2020, they may be more willing to embark on short-haul travel (or visits) within the province like to Niagara-on-the-Lake, for example.

As mentioned above, the tourism industry is unique in that it impacts many adjacent sectors. Actions that support the tourism industry therefore have the potential to generate economic rewards for other industries and the province as a whole.

Thus, the OCC recommends concurs with TIAO's recommendation that emergency funding be directed to Destination Ontario – the provincial agency responsible for positioning Ontario as a preferred global destination for Ontario, Canadian, and international tourists. This will ensure the agency has a strong marketing arm that can develop and execute a comprehensive marketing campaign that encourages Ontarians to visit Ontario campgrounds, vineyards, live music concerts/festivals, and other attractions throughout the recovery process.

6. Reducing Red Tape

In 2008, the Ontario government created a daily water usage limit per campsite of 800 litres of water usage per day per campsite. Camping in Ontario notes that this quantity was selected arbitrarily. In turn, Camping in Ontario spent several years conducting studies to clarify this figure and discovered that the average water usage on Ontario campgrounds is 275 litres per day per campsite as toilets and water usage has reduced drastically with improvements in water conservation technology.

The existing regulation therefore forces septic systems to be built at double the size of what is necessary. Septic systems that are too big do not have enough material in them to effectively operate. Moreover, land is used to accommodate larger septic systems, which yields a loss in revenue from campsites for campgrounds. Campgrounds looking to install a septic system must hire engineering consultants to design and build it. In addition to the engineering and application costs, campgrounds must go through four or five levels of government for approval. The OCC concurs with Camping in Ontario, that the regulation be lowered to reflect actual consumption levels – 275 litres per day per campsite – for septic systems in campgrounds.

7. Infrastructure Investments

As outlined in the OCC's 2019 report, *Refreshing the Sale of Beverage Alcohol in Ontario*, rural, remote, and Northern communities emerging as tourist destinations must contend with poor road conditions and a lack of transportation options for tourists, tourism workers, and residents alike. As tourism grows in these communities, it places additional pressure or demand on infrastructure, transportation, and housing.

Access to reliable broadband connectivity across the province will also be key to ensuring tourism businesses are not left behind in an increasingly digital, virtual, and mobile economy post-COVID-19. As RBC's *Small Business, Big Pivot* report explains, firms that were able to employ technological solutions like e-commerce platforms during the pandemic were in a better position to recover than digital novices.

The OCC therefore recommends that the province continue to invest in critical infrastructure that will help attract visitors and skilled workers, support the growth of local businesses, and bolster the broader tourism industry. As TIAO also suggests, the province should continue to consult tourism businesses and operators on the investments that are needed to combat extreme weather like flooding, given the impact these extreme weather events have on local tourism and attractions.

To conclude, we thank the Standing Committee on Finance and Economic Affairs for considering the recommendations in the OCC's submission. The tourism industry has been devastated by the pandemic, many businesses are struggling to stay open as costs have risen, and action is needed to help prevent permanent closures and job losses. We understand that the Ministry of Heritage, Sport, Tourism and Culture Industries is currently revising its Tourism Strategy in light of the pandemic and current challenges facing the industry. We encourage the province to continue to consult with stakeholders, associations like the OCC and TIAO, and tourism businesses to support the recovery of an industry that not only adds vibrancy in every community, but also employs thousands of Ontarians.