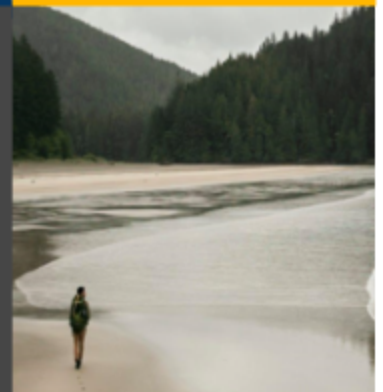


BC Tourism Recovery Investment Program (BC TRIP) - Federal Government Proposal

Submitted by:



March 2021





Honourable Melanie Joly
 Minister of Economic Development and Official Languages

Honourable Chrystia Freeland
 Deputy Prime Minister & Minister of Finance

House of Commons
 Ottawa, ON
 K1A 0A6

March 26, 2021

Dear Ministers Joly and Freeland,

On behalf of the Tourism Industry Association of British Columbia (TIABC), the British Columbia Hotel Association (BCHA), and Indigenous Tourism BC (ITBC), we respectfully submit this proposal for the Federal Government to assist some 200 large and iconic B.C. tourism and hospitality businesses that have largely fallen through the cracks vis-a-vis substantive relief measures and cannot survive another season without provincial and federal government support.

Our proposal outlines the need, rationale and key components of a B.C. Tourism Recovery Investment Program (BC TRIP) to adapt the HASCAP program. These needs and components have been identified by large employers that own and operate iconic attractions, transportation companies, hotels/resorts and other key assets that drive the visitor economy in our province and in Canada more broadly given BC's role as a gateway for international visitors.

Ministers Joly and Freeland, we look forward to discussing BC TRIP with you in further detail very soon.

Sincerely,

Walt Judas
 CEO, TIABC
 778-953-0620

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 Chair, ITBC
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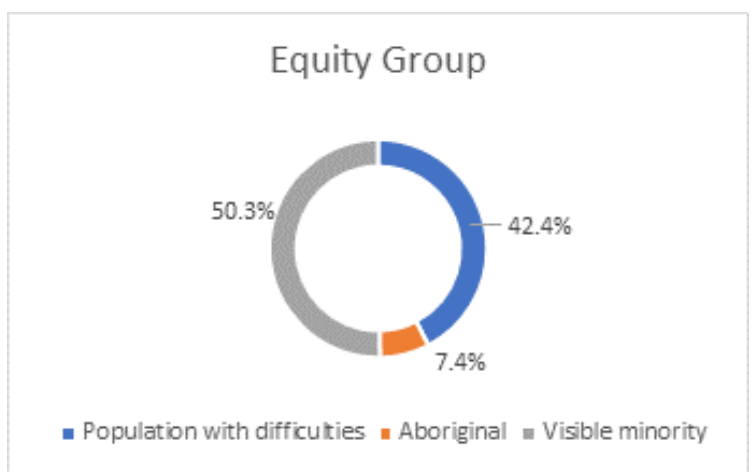
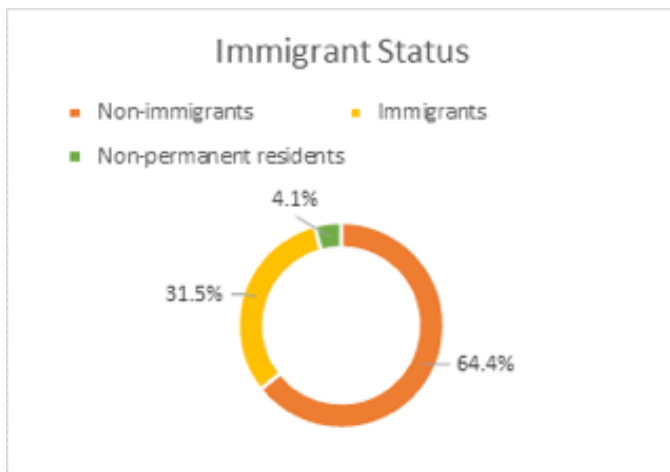
I. BC Tourism Recovery Investment Program: A Sustainable, Inclusive Economic Gateway for Canada

As a gateway province for international tourists, BC was the province of entry for over 6 million of the 22 million international visitors to Canada in 2019.¹ As a result, BC is more dependent on tourism and international tourists than any other province in Canada with international visitors to BC representing \$6.9 billion of the \$22 billion Canada received from international visitors in 2019². Tourism is vital to British Columbia, and British Columbia is vital to Canada’s tourism ecosystem which benefits so many regions, communities and populations.

In BC, tourism represents a greater proportion of provincial GDP than any other province in Canada. In addition, BC has a greater dependence on international tourism than any other province in Canada at 36.7% of tourism revenues³.

The BC Tourism & Hospitality Industry (“BCTHI”) historically contributed more to BC’s GDP than any other primary resource industry such as forestry, mining, oil and gas and agriculture. For every \$100M in Tourism spending, it is estimated that \$69M in GDP and 1,373 new jobs are generated. For comparison, \$50M in GDP and 439 new jobs are generated per \$100M in mining spending.⁴ BC is also more dependent on tourism and on international tourism than any other province in Canada.

The BCTHI is one of BC’s key industries. Prior to COVID⁵, the BCTHI generated \$20.5 billion in revenue, delivered over \$8 billion in GDP, and contributed over \$1.7 billion in direct taxes in 2018. The 19,000+ tourism and hospitality businesses in BC employed over 320,000 people prior to COVID, half of which directly serviced visitors. Furthermore, as a large employer of women, youth, Indigenous peoples, new Canadians and immigrants, the tourism and hospitality sector is one of the most inclusive workforces in the province. As shown below and outlined in *Appendix C: BC Tourism & Hospitality Workforce*, just under half of the BCTHI workforce is women, 31.5% are immigrants, and 50.3% are designated as population with difficulties. These are all populations who have been hit harder by the pandemic than other working groups and Canadians.



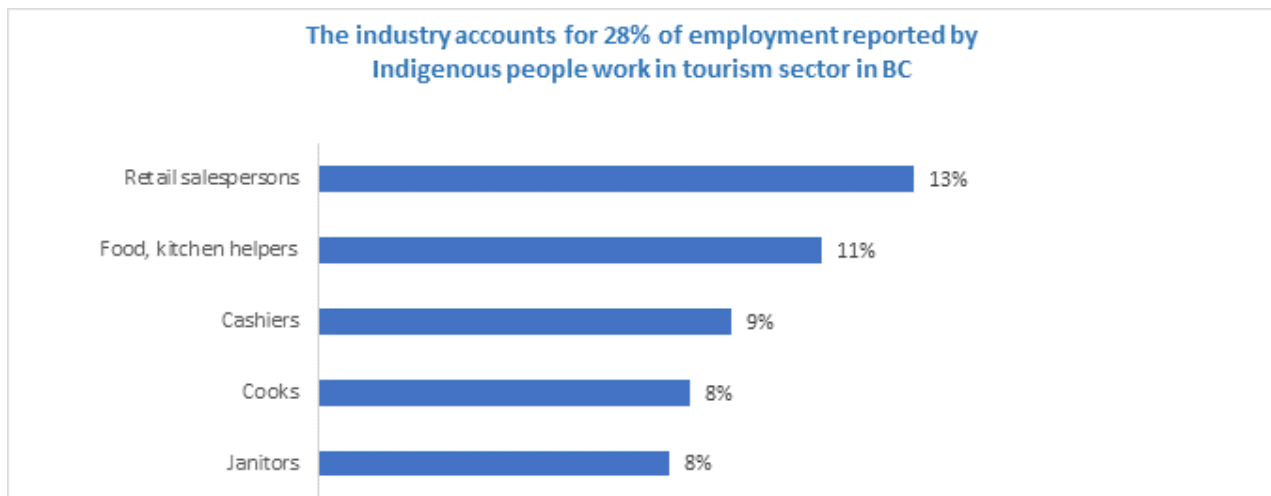
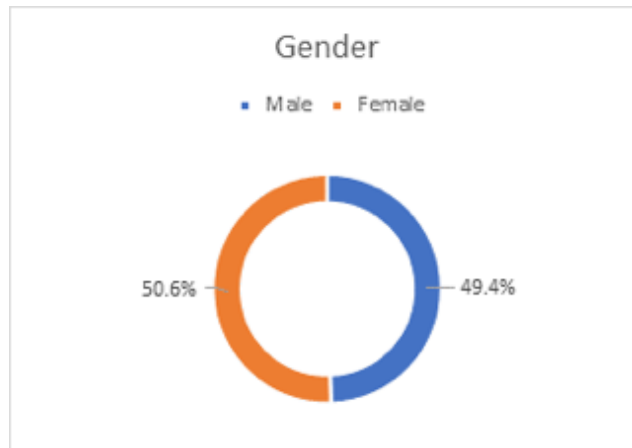
¹ <https://www.tiabc.ca/bctourismmatters/tourism-by-the-numbers/?sa=X&ved=2ahUKEwjEmsX61ZDvAhXCrJ4KHSNfAsgQ9QF6BAgIEAI>

² Source: <https://www150.statcan.gc.ca/n1/daily-quotidien/191108/dq191108c-eng.htm>

³ Source: <https://www150.statcan.gc.ca/n1/daily-quotidien/181010/dq181010b-eng.htm>

⁴ https://www.destinationbc.ca/content/uploads/2020/06/006_TIC2020_PowerOfTourism_Brochure-v7.pdf

⁵ Source: <https://www2.gov.bc.ca/gov/content/tourism-immigration/tourism-resources>



In view of the current pandemic, urgent action and investment are needed now to preserve the viability of the BC tourism and hospitality industry, in particular the iconic and Large BC tourism and hospitality operators (“Large BCTHOs”). These large BCTHOs directly employ over 25% of the 161,000 direct tourism industry employees in BC and they attract the international tourists that benefit tourism and hospitality industry businesses throughout the province and the country, creating environmentally sustainable economic benefits for Canadians. For example, those 161,000 jobs directly serving visitors represented \$6 billion in wages and salaries.

Many Large BCTOs (especially seasonal businesses) have gone 16 months without significant cash flow but with substantially more labour and other fixed costs than their smaller counterparts. With export tourism expected to remain depressed for a period of time, Tourism Vancouver suggests that revenues will only return to 75% of 2019 levels by 2026. Lack of revenue combined with large capital needs, as well as asset and infrastructure costs are devastating to these iconic and essential Large BCTOs.

The recent announcement that the cruise season has been suspended until at least 2022 has further exacerbated the strain that COVID has placed on the industry. This has now accelerated into a full-blown crisis for the larger BCTOs who depend on international visitors more heavily than their smaller counterparts and cannot survive on the existing support and liquidity programs.

Unfortunately, as the industry is almost entirely based on the discretionary movement of people, the tourism and hospitality sector has been disproportionately negatively impacted by COVID. The number of US and

international visitors to BC decreased 97% from April 2020 through October 2020 compared to the prior year.⁶ Consequently, BCTHI's revenues have been significantly negatively affected and the tourism contribution to BC GDP is expected to have declined more than 50% in 2020.

This severe loss in revenue will have reverberating impacts on jobs, disproportionately affecting the young, along with women, newcomers to Canada and indigenous employees. In addition, there will be negative impacts to government revenues through reduced taxes, and the ability to re-invest in the sector for a more resilient, innovative, and sustainable future.

Preserving the BC Tourism and Hospitality Industry and its critical role in Canada's international visitor economy requires decisive action and collaboration with all levels of government and funders to make the right investments in Canada and BC's future in tourism. The BC Tourism Recovery Investment Program ("BC TRIP") is the call to action to the Provincial and Federal Governments to address the investment required to ensure that tourism remains a vibrant, inclusive, sustainable and central part of British Columbia and Canada's economy for generations to come.

Multiplier Effect: Meet BC's Large Iconic Tourism & Hospitality Operators

Many of the small and medium tourism and hospitality enterprises throughout the province depend on a core group of iconic, anchor or essential larger Large BCTHO. These Large BCTHOs draw international and domestic tourists to BC and Canada and provide critical tourism affiliated services which ultimately benefits smaller tourism operators.

This small group of Large BCTHOs not only draw visitors that benefit the entire industry, but they also rely much more heavily than the rest of the BC visitor economy on revenues from international visitors. It is critical that these iconic businesses remain viable while our borders are closed given their importance to the entire tourism ecosystem in BC.

The Large BCTHOs not only create demand for smaller tourism and hospitality operators, they also employ hundreds of staff per site, support BC's valuable tourism brand, underpin a myriad of suppliers and sustain many other companies through an ecosystem of tour operator supply chains. It is imperative these unique Large BCTHO companies survive to help BC's economy recover and ultimately thrive.

Tourism Vancouver has suggested that tourism revenue would only return to 75% of 2019 levels by 2026.⁷ Large BCTHOs who depend on the tourism export component not only have capital and infrastructure costs now, but will experience significant ramp up costs and will likely not return to profitability until 12-24 months after the border reopens to international visitors.

As a result, Large BCTHOs need financial assistance that is tailored to these circumstances to preserve these BC assets and attractions that benefit so many regions, communities and populations of British Columbia and its economy. As a gateway province for international tourists, BC is more dependent on tourism and international tourists than any other province in Canada. This is the reason we are proposing BC TRIP.

⁶ Briefing note from the TIABC to the Pacific Caucus, Feb. 5th, 2021

⁷ Fall 2020 GVOT meeting.
BC TRIP| TIABC, BCHA

BC Tourism Recovery Investment Program (BC TRIP) - Federal Government Proposal

The BC TRIP program has both provincial and federal government elements. The BC TRIP submission to the Government of Canada proposes that the Federal government work with the large BCTHOs to enhance and expand the HASCAP program to create the critical liquidity that will sustain these key BC assets and attractions and to extend tax loss carryback rules.

The large BCTHOs have approached the Government of British Columbia through a separate BC TRIP submission requesting grants, operating cost relief, loss carryback extensions, and loan guarantees for the required liquidity.

Working together at all levels of government with the BCTHOs is an investment in the future GDP, tax, employment, and economic benefits that the tourism industry will contribute. Enhancing these liquidity mechanisms through BC TRIP will allow BCTHOs to continue to play their role in attracting international visitors and to continue to be strong net contributors in the future to BC and Canada's social and economic fabric through inclusive and diverse employment.

II. Current Programs: Identifying the Gap

Many companies in the BCTHI have been able to take advantage of the existing federal and provincial grants, loans, subsidies and deferral programs. While the existing programs are appreciated, across tourism and hospitality, accessing government support has been challenging for both small and large operators.

However, the Large BCTHOs have needs that exceed or are unmet by the current programs offered federally and provincially. Current programs of wage subsidies (CEWS), grants of less than \$45,000 and financing programs with a limit of \$1 million (\$6.26 million for chains) that must be paid back in less than five years (HASCAP, BCAP, Co-Lend, RRRF) are not sufficient to meet the needs of Large BCTHOs. The larger loan programs available such as Mid-Market or LEEFF, come with covenants or securitization requirements that are difficult for the Large BCTHOs to meet, nor do the repayment schedules match the reality of the export tourism situation. Furthermore, the cost of capital is not affordable.

The BCTHOs also face potential issues with the debt service ratios, which is why we have approached the Province of BC to explore a guarantor role, and why we are seeking flexibility on key terms such as when interest payments begin, capitalizing first year interest, and delaying repayment on principal amounts until recovery is well under way. *See Appendix A for Summary of Programs*

The existing federal and provincial packages, while helpful, are not sufficient nor are they tailored to sustain the Large BCTHO group and the key role they play in the health of the entire Canadian and BC visitor economy.

III. Proposed Changes to the HASCAP program for Large Operators

Overview

The larger operators' scale, size of workforce, and capital, plant and maintenance needs mean unique considerations in terms of an effectively tailored economic preservation program that takes into account a potentially lengthier timeline for them to return to profitability. These operators need realistic programs that reflect the on-the-ground reality of keeping the industry infrastructure intact while the timeline for the return of international tourism is still unknown. We do not propose that these types of measures would be exclusive to

the Large BCTHOs. However, we have focused on the BCTHO group in identifying key considerations for these programs to be effective and in sizing the liquidity requirements.

We are defining Large BCTHO as an organization with all of the following characteristics:

1. Large BC employers
2. BC assets greater than \$20 million
3. Historical annual BC operational revenues greater than \$15 million
4. Iconic attraction or iconic experience provider or essential tourism infrastructure service provider (e.g. accommodations or transportation)
5. Export tourism dependent and cannot be sustained by increased focus on domestic tourism

Proposed Adjustments to HASCAP:

Large BCTHOs are funding losses in addition to needing new capital and cash flow. While other forms of relief may help, the primary need is for liquidity and capital programs with terms that match the Large BCTHO reality. The following are the kinds of adjustments to the existing HASCAP program that would make it more accessible to large BCTHOs:

1. Raising the HASCAP financing limit to \$25 million for large BCTHOs
2. Reasonable interest rates
3. Capitalization of the interest costs for initial years (or until cross border travel has been re-opened for a reasonable period of time) to address cash flow issues and debt service ratios
4. Large BCTHOs need more flexibility and realistic criteria for programs and/or new debt that doesn't depend on "last year's revenues" when looking at debt service ratios or viability
5. Repayment timeline needs to recognize the time Large BCTHO will need to recover and repayment must not cripple recovering companies (e.g. 10-year payback period, repayment to commence 12-24 months after reaching a "recovery" threshold to be defined with government)
6. Opportunities to extend financing or capitalization of interest may be required depending on the actual re-opening of the borders and export tourism revenue returning to B.C.
7. Creative ways of addressing risk to lenders that could take the place of traditional securitization or covenant requirements such as the proposal to the BC Government to act as a guarantor
8. Broad permissions on the use of the funds with certain restrictions that support the program objectives and mitigate the Province's risks (e.g. dividend and other restrictions as appropriate)

There are smaller non-cash relief measures that will help, but will not eliminate the need for larger infusions of liquidity to address cash flow and capital requirements for the Large BCTHO, such as:

9. Support from all levels of government for loss carryback rules to be amended for the tourism industry whereby tax losses can go back 10 years instead of three years

IV. Summary of Investment Benefits

Acting to help preserve the strategic value of iconic tourism assets like those represented by the BCTHO's has a multiplier effect. Locals benefit immensely from major attractions and other amenities supported by BC's visitor economy. From plumbers to accountants, everybody benefits from the economic diversity that Tourism creates.

This Strategic Tourism Economic Preservation Program will benefit far more Canadians and British Columbians than just those employed by the BCTHOs or the communities and locations in which the BCTHOs operate.

The Tourism and Hospitality Industry's diverse employment helps small and large economic communities throughout the Province. BC as a destination has been built on years of marketing and other efforts of large BCTHOs as the "anchor" or "gateway" attractions. Tourism strengthens international perceptions of Canada and BC, which has positive impacts on trade and investment, international education, and immigration.⁸ These in turn help fuel innovation and make Canada and BC even stronger.

Tourism has a direct impact on the development of museums, restaurants, resorts, galleries, mountain bike facilities, parks, golf courses and more. It fuels revenues in the retail and transportation sectors and contributes to inclusive employment for women, youth, Indigenous peoples, and immigrants. It is also a driver of the green economy and a key part of sustainability initiatives in every region of BC.

Failure to preserve and sustain these iconic operations and attractions will have far reaching implications for British Columbians and the BC and Canadian economy negatively impacting sustainability, diversity and inclusion, regional economic health, and innovation.

V. Proposed Next Steps

- Convene a meeting as soon as possible with the Minister of Economic Development and Official Languages, the Deputy Prime Minister & Minister of Finance and the Pacific Caucus to review the BC TRIP proposal, followed by a meeting with the appropriate representatives of the Federal Government and HASCAP programs to review the requested adjustments
- Convene a working group, including industry leadership and other qualified individuals and organizations, to address a sustainable investment strategy for large BCTHOs with the BC Government, Federal Government, and as appropriate, financial stakeholders
- The Deputy Prime Minister and Minister of Finance to consider, review and respond to the specific request to expand the time period for tax loss carryback

⁸ https://www.destinationbc.ca/content/uploads/2020/06/Fact-Sheet_Power-of-Tourism_FNL.pdf
BC TRIP| TIABC, BCHA

Appendices

Appendix A: Summary of Current Programs

| | Type | Duration | Max. Amount | Interest | Other | Comments |
|----------------------------------|-------|----------|-------------------------------|----------|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| BC Tourism Recovery Grant | Grant | | \$45,000 | | | Insufficient in size and impact for BCTHOs |
| CEBA | Loan | | \$60,000 | 0% | \$20,000 forgivable | Duration is too short and too small for BCTHOs |
| HASCAP | Loan | | \$1,000,000 up to \$6,260,000 | | | The debt-servicing ratio for many large BCTHO businesses won't meet the criteria of HASCAP. In addition, the duration is too short and does not consider the uncertainty of future cash flows for BCTHOs. The \$1 million cap size for independent businesses is insufficient. As noted herein we propose raising the cap size to \$25 million and amending the repayment terms |
| BDC Co-Lend | Loan | | \$12,500,000 | | | Subject to senior lender conditions and duration is too short |
| BDC Mid-Market | Loan | 4 years | \$60,000,000 | | 1st year of interest is capitalized and due at maturity | Duration is too short and subject to senior lender conditions |

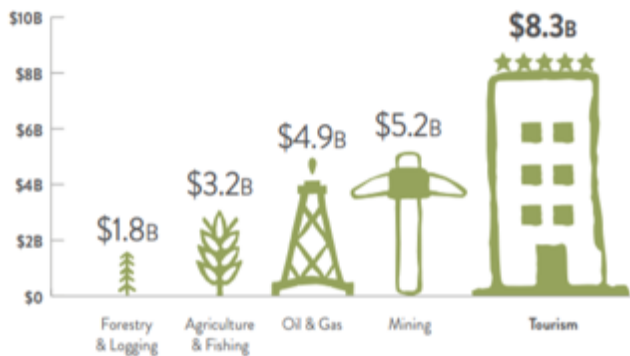
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|--------------|------|--|----------------------|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LEEFF | Loan | | Minimum \$60,000,000 | 5% Yr 1, 8% Yr 2 and 2% increments each year after | 20% of debt must be secured, minimum \$300 million in annual revenues | Subject to senior lender conditions Cost of capital well above market Some BCTHOs do not meet annual revenue criteria and most don't need \$60M (average loan size is \$5-\$25M) |
| RRRF | Loan | | \$60,000 | Interest Free | For those who do not qualify for CEBA; Forgiveness up to 25% or \$10,000 for the 1st \$40,000; 50% on the amount between \$40,000 and \$60,000 | Too small for BCTHO needs |

2018 Value of Tourism A Snapshot of Tourism in BC

TOURISM GROSS DOMESTIC PRODUCT

GDP for the provincial economy as a whole grew 2.7% over 2017. The tourism industry contributed \$8.3 billion of value added to the BC economy, as measured through GDP (in 2012 constant dollars). This represents 3.0% growth over 2017, and 42.1% growth since 2008. In 2018, tourism contributed more to GDP than any other primary resource industry.

2018 BC GDP



TOURISM BUSINESSES



19,329

tourism-related businesses in operation in BC in 2018, a 0.4% increase over 2017.

TOURISM EMPLOYMENT



161,500

people employed in tourism-related businesses, a 4.3% increase over 2017.

TOURISM WAGES AND SALARIES

The tourism industry paid

\$6.0 Billion

+5.3%
Over 2017

+56.5%
Since 2008

in wages and salaries in 2018.

2018 Value of Tourism A Snapshot of Tourism in BC



OVERVIEW

This information provides insight into the economic value of tourism in British Columbia for 2018. It is also a complementary piece to the full *Value of Tourism in British Columbia: Trends from 2008 to 2018* report, available in spring of 2020.

Information provided is produced by BC Stats for Destination BC, and derived by Destination BC based on the Visitor Travel Survey from Statistics Canada.

TOTAL TOURISM REVENUE

Tourism revenue measures the money received by businesses, individuals, and governments due to tourism.

\$20.5 Billion
2018 Annual Revenue

+4.9%
Over 2017

+53.3%
Since 2008



\$ = \$1 billion

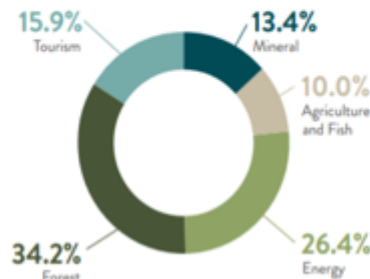
2018 TOURISM EXPORT REVENUE



\$6.9 Billion
(+8.2% Over 2017)

In 2018, tourism exports generated revenue of \$6.9 billion, an increase of 8.2% over 2017. Tourism export revenue was higher than that of the mineral (\$5.9 billion) and agriculture and fish (\$4.4 billion) primary resource industries, but lower than that of energy (\$11.5 billion) and forest products (\$14.9 billion).

SHARE OF TOURISM EXPORT REVENUE BY PRIMARY RESOURCE INDUSTRY



PROVINCIAL TOURISM CONSUMER TAX REVENUE

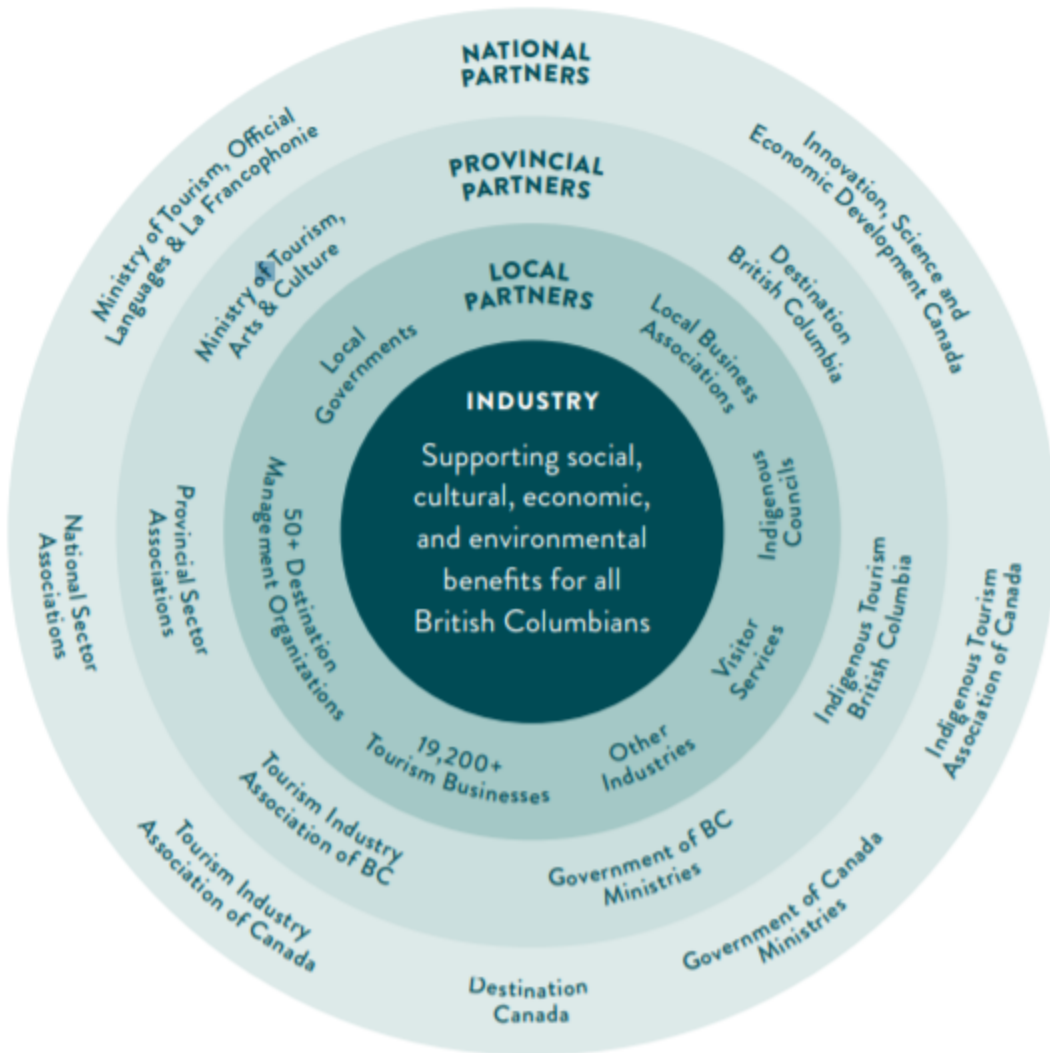


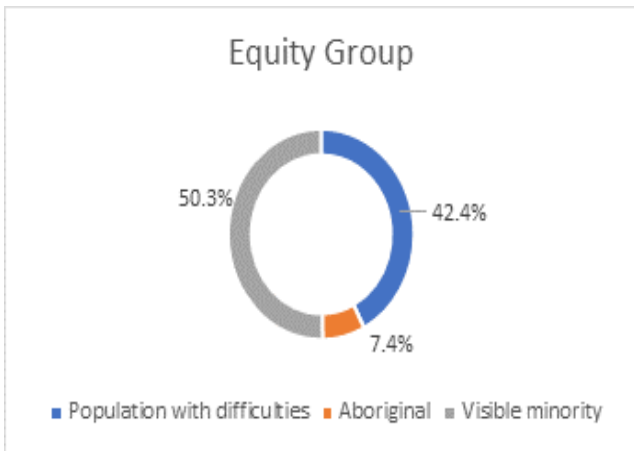
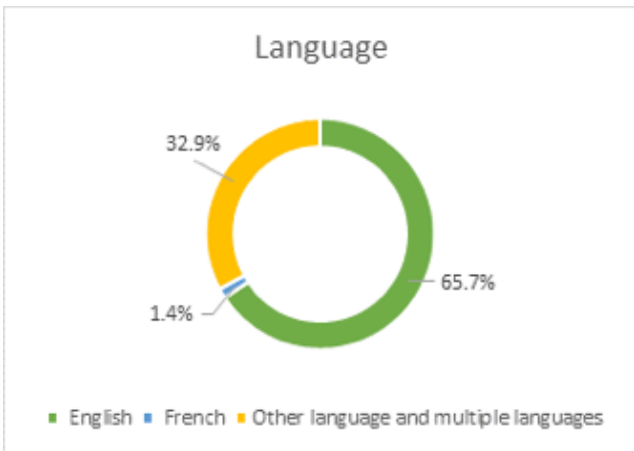
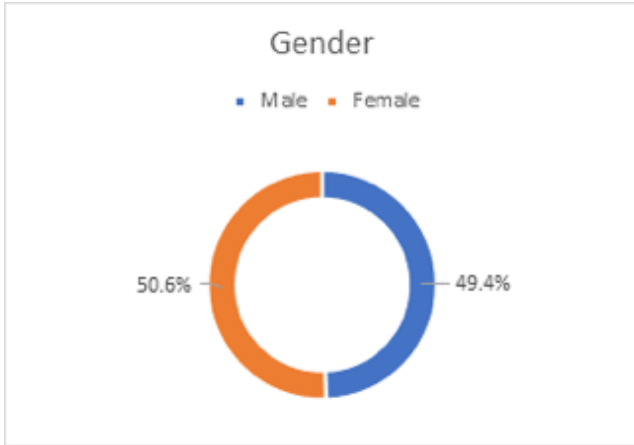
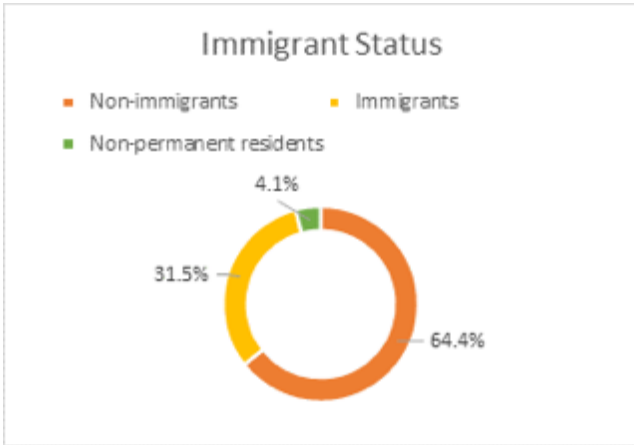
\$1.7 Billion

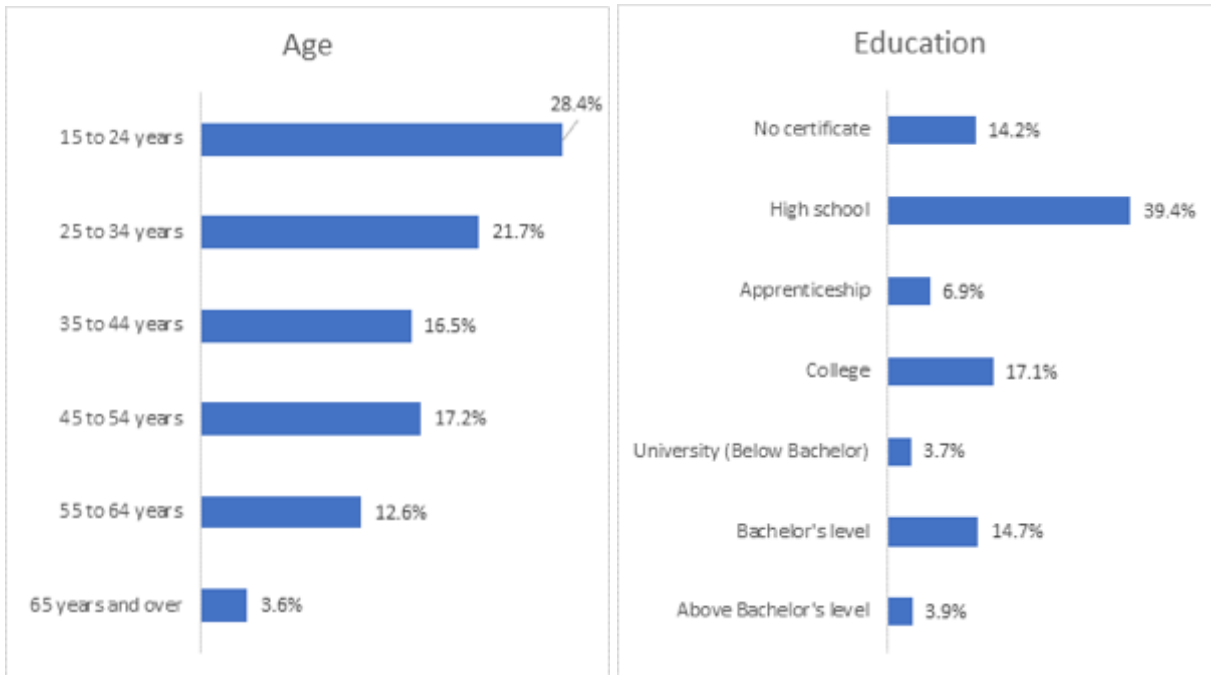
+5.1%
Over 2017

BC'S TOURISM INDUSTRY

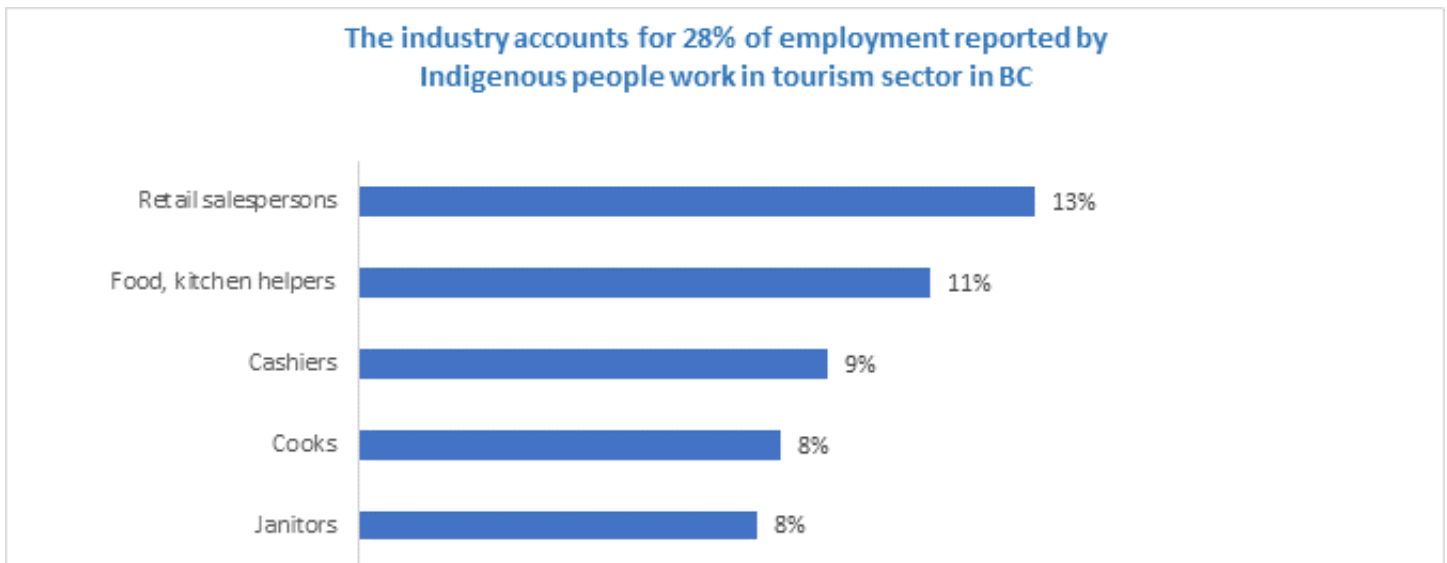
BC's tourism industry is comprised of numerous organizations and partners whose tightly interconnected ecosystem markets the best of our province while supporting individual communities.



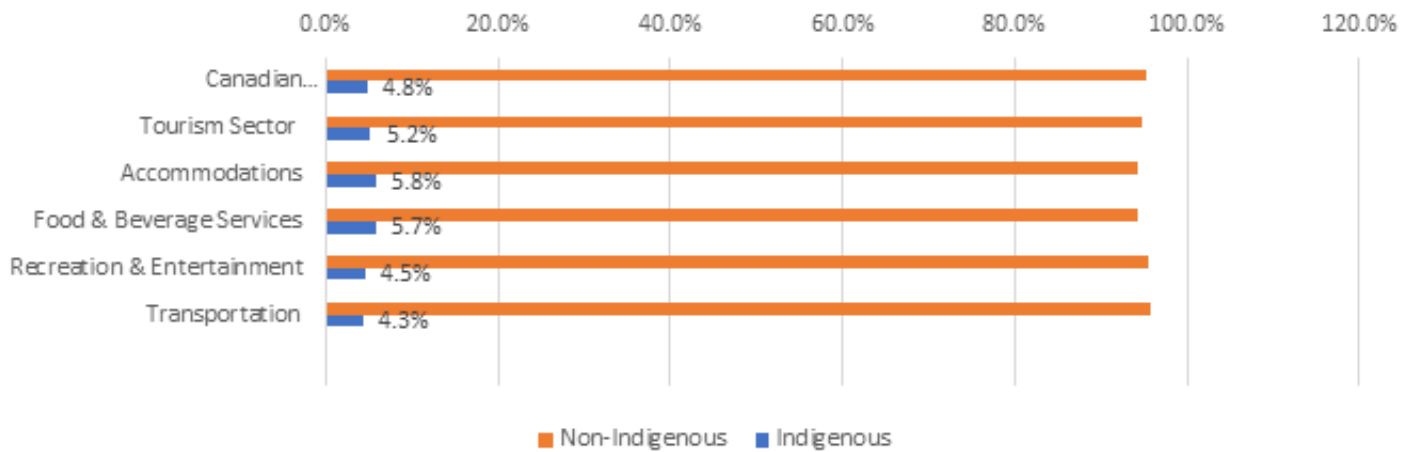




The Industry is a major employment source for Indigenous People



Indigenous People within Tourism's Employed Labour Force



Indigenous vs. non-Indigenous Workers Employed in Tourism by Age Cohort

