

Northern Ontario's Resource-based Tourism Sector Recovery Strategy

Federal Budget Consultation Submission 2022

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About NOTO

Nature and Outdoor Tourism Ontario (NOTO) is a membership-based organization that has been the resource-based tourism (RBT) industry's advocacy organization since 1929! We bring the wants and needs of the industry forward to both the provincial and federal government to ensure their regulations and policies allow the tourism industry to thrive and prosper.

NOTO has been called into action by over 1300 resource-based tourism businesses in Ontario like never before and we have been working diligently to answer their calls. Since March of 2020, NOTO has opened its doors to all businesses in this sector regardless of membership in hopes that we can assist this industry survive and move towards recovery from this pandemic. Over the last two years NOTO has played a critical role in bringing forward current data regarding pandemic impacts on these businesses as well as recommendations for ways our governments can support this important tourism sector.

We have provided support to RBT businesses through webinars, virtual townhall meetings across the North, regular surveys, the annual Northern Ontario Tourism Summit (held virtually in 2020 and 2021) in partnership with Destination Northern Ontario, as well as through regular (currently weekly) e-newsletters to provide support and to ensure that our efforts are providing the help this sector needs.

We look forward to continuing our work with our tourism partners within Ontario and across Canada as well as Governments at all levels to build a pathway out of this pandemic and into recovery. On behalf of our Board of Directors, members and the entire resource-based tourism sector, we share with you today a number of recommendations that we believe will help lay a solid foundation for this critical pathway.

Snapshot of the Impacts of COVID-19 on the Resource-Based Tourism Sector

NOTO is immensely grateful to the Government of Canada for their actions to protect the health and safety of Canadians and reduce the spread of COVID-19 over the last two years. We appreciate that it has been a difficult and challenging job on all fronts, so please accept our thanks. Our goal in sharing this document is to ensure that the resource-based tourism (RBT) sector and the good people that are the backbone of our Northern Ontario communities will be here to help our local, provincial and federal economies recover from the many negative impacts of this pandemic. We want to ensure that the new money that this industry has traditionally brought into Canada can continue for years to come.

Since the onset of the pandemic in March 2020, the resource-based tourism sector in Northern Ontario has been disproportionately impacted by numerous outcomes of the measures taken by the Federal and Provincial governments to reduce the spread of COVID-19. While we understand why restrictions and

mandates have been put in place, we must find a means in which to help these struggling businesses survive and recover from these circumstances.

Tourism Industry Association Ontario (TIAO) recently conducted a survey of tourism businesses in Ontario revealing 8 in 10 businesses state that revenue decrease is a significant risk to their businesses. As a result of decreases in revenues, 6 in 10 tourism businesses have taken on debt of up to \$500,000 to stay afloat and they believe it will take at least 2 years to resolve debt incurred during the pandemic and return to pre-2020 revenue levels. Through this survey we also learned that almost 4 in 10 (38%) tourism businesses feel they could be facing permanent closure.

The RBT sector is heavily reliant on the US market, ranging from 60% US clients to 100% US clients as you move from Northeastern to Northwestern Ontario. This dedicated market base has been developed over nearly 100 years and has been instrumental in the annual generation of GDP contributions from this sector of \$450M to support our local, regional, provincial, and federal economies.

With the complete closure of the US-Canada border and recent reopening with restrictions to travellers, this sector was completely cut off from generating their annual revenues for two complete seasons. The businesses have been taking measures to attract the domestic market to their facilities but for many, it has been a huge challenge, particularly for more remote locations and the Northwest region. With border measures continuing for the foreseeable future, this could seriously deteriorate our RBT sector product offerings that have been our Northern Ontario brand for the last century. Testing requirements are a serious impediment to US travellers. Even with the latest announcements regarding testing requirements, guests are still deterred from committing to vacations in Northern Ontario.

In addition to challenges with filling the gaps left behind by our US guests, eligibility requirements for financial support programs offered by provincial and federal governments have left many of our businesses without this much needed support. A recent survey of the RBT sector revealed that 60% of this sector are sole proprietors and partnerships and therefore do not qualify for Canada's Tourism Relief Fund or Ontario's Tourism Recovery Program. We must find a way to include these businesses that are legitimately registered and support the government through taxes and complying with the numerous required regulations.

The RBT sector is incredibly important to the economy in our rural communities across the north and offer good paying seasonal and year-round jobs as well as iconic outdoor tourism products. Their investments are significant and the people that operate these facilities are tremendously hardworking entrepreneurs and stewards of our world renown natural resources.

As we hopefully prepare for a full operating season, operators are finding more challenges as almost every other business sector in finding staff. This industry is a very high service sector. Requiring cooks, chefs, wait staff, housekeepers, dockhands, maintenance workers, fishing and hunting guides as well guest service staff. The challenges in finding workers were here pre-COVID but it has been exacerbated by the pandemic immensely. We need a multi-faceted approach to ensure that the tourism industry has a workforce that can support the numerous services that our guests require. Without a plan and some attainable solutions, we will not be able to remain competitive with other tourism destinations in other parts of the world.

In order to survive the last two years of restricted revenues, businesses in the tourism sector have taken on enormous amounts of debt and are now struggling to remain solvent. The Tourism Industry Association of

Ontario (TIAO) recently reported that 7 in 10 tourism businesses have taken on \$500,000 in new debt since the beginning of the pandemic. These alarming amounts of debt for small businesses across Ontario mean that it will take much longer for this industry to recover than most others.

To continue our efforts to support the RBT sector toward a successful recovery, NOTO offers the following recommendations to the pre-budget consultation process. We are available to elaborate and discuss any of these recommendations if needed.

Recommendations:

Business Solvency Support

We would like to thank your government for extending the repayment dates for the CEBA and RRRF programs. As we face yet another uncertain 2022 season, it provided operators with a sense of relief to know that they have until December of 2023 to repay these loans. To further support operators this year, we recommend the following:

1. Making a Greater Portion of the Loans Forgivable:

NOTO is very concerned about the survival of our tourism businesses in the North. Our industry saw an average of 70% revenue decline, and most businesses have taken on a substantial amount of new debt to remain solvent as they continue to face the negative impacts of this pandemic. The extension of the payback periods for the CEBA and RRRF programs will provide seasonal businesses with the opportunity to generate adequate revenues to payback those loans and take advantage of the forgivable portion opportunities. However, to provide further financial support, we would recommend that certain businesses be considered for a larger portion of their RRRF or CEBA loans to be made forgivable. We suggest looking at the HST reporting from these businesses for the last three years may be a way to determine which businesses could be eligible and determine their levels of need.

The dependency of our RBT sector in Ontario is heavily reliant on the US travel market and with the testing measures still in place at the border for fully vaccinated travellers and no plan for unvaccinated leisure travellers to be allowed entry, these small business owners have been essentially cut off from their client base. Many have worked very hard to attract domestic travellers over the last two years, but for remote operators across the north and tourism businesses specifically in Northwestern Ontario, geography and transportation challenges have continued to prevent any meaningful results. These operations will need more financial support to survive another uncertain summer season.

NOTO Recommendations:

- Make a larger portion of the loan programs forgivable for those businesses that have significant losses in revenues in 2020 and 2021 using the HST reporting to verify their levels of need.
- Add forgivable components to programs that do not yet have one.
- Extend repayment periods for other/future programs to ensure operators have 5 to 10 years to repay loans.

2. Extending the Closing Date of Federal Support Programs:

Tourism businesses across Canada were first to be hit and have been financially devastated by the impacts of this pandemic for far longer than many other sectors. They will continue to feel the negative impacts for years to come. While we are hopeful that 2022 will provide more opportunities for businesses to move into recovery, studies of our tourism sector in Northern Ontario shows that businesses that have experienced over 60% or more in revenue losses over the last two years may not see recovery begin for another two years. They need further assistance. We know that this will mean not only extending existing program end dates but ensuring that appropriate budget allocations be made.

NOTO Recommends:

- Extensions on the following pandemic support programs which are accessible by most businesses in the resource-based tourism industry:
 - HASCAP: March 31st, 2022 – Proposed extension: December 31st 2022, with introduction of a forgivable portion
 - Canada Recovery Hiring Program: May 7th, 2022 - Proposed extension: December 31st, 2022
 - Hardest Hit Business Recovery Program: May 7th 2022- Proposed extension: December 31st, 2022
 - Tourism and Hospitality Recovery Program: May 7th, 2022 - Proposed extension: December 31st, 2022

3. Existing Programs – Recommendations for Improvement

We have noted through our consultation with the RBT Sector that some eligibility criteria are leaving our seasonal tourism sector unable to get support through Federal programs.

Tourism Relief Fund: The Tourism Relief Fund is currently only accessible to businesses who are incorporated. Based on our latest survey, over 60% of the resource-based tourism industry in Ontario are sole-proprietorships or partnerships. This trend was also reported by other organizations across Canada. Our understanding is that the Regional Development Agencies may not have the provisions to work with sole proprietors and partnership business structures. We would encourage modifications to the directions that would permit the involvement of Community Futures Development Corporations so that these business structures can be given the same opportunities to access funding to help them be ready with new products and enhanced facilities as incorporated businesses.

Hardest Hit Business Recovery Program: Under this program, a business must have a 12-month average revenue decline from March 2020 to February of 2021 of at least 50% and have a claim period revenue drop of at least 50%. We do appreciate that operators can exclude their seasonal closure from the 12-month revenue loss calculation, however, we recommend that the claim period revenue drop be changed from 50% to 30% in order to best support seasonal businesses who have been hit with numerous lockdowns during their operating seasons over the last 2 years and faced substantial fixed cost increases and revenue losses as a result of the border closure and current border restrictions.

Tourism and Hospitality Recovery Program: Under this program, a business must have a 12-month average revenue decline from March 2020 to February 2021 of at least 40% and have a claim period revenue drop of at least 40%, and that more than 50% of your total eligible revenue for the prior reference periods for claim periods 1 to 13 (CEWS) comes from the tourism, hospitality, arts, entertainment, or recreation activities this program supports. Several seasonal operators did not qualify for the CEWS in a number of

these claim periods due to the eligibility calculation process. This means that numerous seasonal tourism businesses were unable to access the Tourism and Hospitality Recovery Program as a result.

Canada Emergency Wage Subsidy now Canada Recovery Hiring Program: Originally under this program, operators had to compare the last 3 months' worth of revenue to the same three-month period of 2019. The issue operators faced during the beginning of the 2020 operating season (May) was that they did not receive any revenue during the months of February, March and April of 2019 or 2020 as the vast majority of resource-based tourism businesses do not operate during the winter months. This made them unable to access the CEWS until July. From October 2020 to May 2021, operators were once again unable to access CEWS because they did not receive revenue from November to March and are unable to show a significant decline in revenue to compare using either the month-month comparison or comparing revenue loss to revenues from January and February of 2020. Although these operators have lost on average 79% of their annual revenue during their 2020 operating season (May-October), many were unable to claim CEWS for several periods as a result of the calculations.

Highly Affected Sectors Credit Availability Program: Many operators did not fit the eligibility criteria for the CEWS or the CERS, which are used as benchmarks to determine the eligibility for HASCAP. Although there is an opportunity for operators to qualify for this program without being a successful applicant to the CEWS or CERS program, we have heard that many banking institutions do not have a set list of criteria to refer to which would help them determine eligibility. This likely lead to the inconsistencies in evaluation of businesses that our members are reporting and may have caused many RBT businesses to be deemed ineligible. There are also penalties for any business that repay their HASCAP loans early. NOTO would like to see this policy changed. Seasonal operators will typically set up a payment plan where they will submit larger payments during their operating season (when they have revenue) and make the minimum required payments during the off-season, to manage their debts most effectively.

NOTO Recommends:

- Extend the wage and rent subsidies until the end of 2022 to ensure that seasonal operators have access to financial supports after two years of significantly reduced revenues.
- Ensure that businesses who are sole-proprietorships or partnerships can access the Tourism Relief Fund and all other future Government Support programs by incorporating program supports from Community Futures Development Corporations.
- Ensure that seasonal businesses qualify for wage supports for the periods where they show no revenues but have a workforce that continue year-round.
- Ensure financial institutions apply consistent criteria for the HASCAP.
- Provide more flexibility to seasonal businesses to make a payment schedule that works for their revenue generating cycles by eliminating penalties for lump sum payments for the HASCAP.

Ensuring Travellers Continue to Support Canada's Resource-based Tourism Sector

The tourism industry is appreciative of the safety measures that have been put in place to reduce the spread of COVID-19 and keep Canadians safe. We thank you for encouraging vaccination and are reassured that Canada has one of the highest vaccination rates in the world. As our health officials have indicated; it is time we begin to learn to live with this virus. We implore you to consider removing pre-entry testing requirements at our borders and to reduce the amount of random testing that is done for those entering Canada for fully

vaccinated travellers. We also request that Remote Area Border Crossings and Airports of Entry for seaplanes be reopened. Our Northern Ontario RBT sector is heavily reliant on these types of border crossings and access points.

We must remain globally competitive if we hope to see a recovery for tourism in Canada. The RBT sector in Northern Ontario will not survive another season without more US travellers visiting our facilities. The additional costs and barriers created by COVID-19 testing whether it is for a molecular test or a rapid antigen test is an absolute deterrent.

Our RBT sector offers safe and socially distant outdoor wilderness experiences that domestic and international travelers may be looking for once they are permitted to resume unrestricted travel. Although our guests have been telling us they cannot wait to come back to enjoy our Canadian wilderness experiences, the testing requirements have clearly been a deterrent. Even after these testing requirements for travellers are removed, international travellers may need some added incentives. Here are a few recommendations that may help to ensure repeat guests come back and new guests make Canada their first choice. The elimination of these testing requirements as we all learn to live with COVID-19 in our midst, will put dollars back into the Federal 2022 budget and allow for more important tax dollars to be generated for all levels of government.

Tourism businesses need help to ensure they have the resources to incorporate quality COVID-19 safety protocols. An investment from Government will help businesses be ready for a broad scale re-opening of the tourism sector and show travelers that Canada remains the safe vacation destination it always has been.

As global travel resumes, every country will be competing for travelers. Reinstating the HST/GST rebate program for visitors will help Canada increase its appeal. Currently, Canada is the only member country of the Organization for Economic Co-operation and Development that does not have sales tax incentives for international guests.

NOTO Recommends:

- Remove pre-entry testing for fully vaccinated travellers **by May 1st, 2022** and reduce the number of random testing done post entry. These changes will reduce costs for the federal government as well as for guests.
- Reopen Remote Area Border Crossings and processes, and Airports of Entry for seaplanes.
- Develop a tax credit for tourism businesses to cover costs associated with providing COVID-19 safe environments for staff and guests and promoting those safety measures to build consumer confidence.
- Reinstating the HST/GST rebate program for international visitors.
- Provide a tax credit to all Canadians to encourage them to explore Canada. To assist the resource-based tourism industry and encourage long distance travel, provide a larger tax credit to Canadians that travel farther from home within Canada.

Climate Change Resiliency

Over the last several years, Canada has seen deadly impacts of climate change in our pristine Canadian wilderness. We have experienced extreme weather conditions which has led to incredible wildfires in our forests impacting First Nation and non-Indigenous communities, businesses, and our wildlife. In Northern

Ontario we have experienced devastating wildfires that have put numerous remote tourism operations in peril and unfortunately some were burnt to the ground.

In discussions with Aviation, Forest Fires Emergency Services in Ontario as well as tourism businesses across Northern Ontario, there are steps that businesses can take to help mitigate their losses and better protect their businesses by fireproofing their environment surrounding their facilities as well as installing roof top sprinkler systems and water pumps.

Another impact of climate change that we have seen across Canada is flooding. There are measures that can be taken to protect tourism businesses from potential flooding.

It is important to note that insurance coverage and premiums have changed a great deal since the onset of the pandemic. Insurance premiums have increased in the RBT sector anywhere from 30% to 90%, coverage has been reduced, and the number of underwriters has also been reduced. These are indeed challenging times. Investing in enhancements that will better position owners to protect their businesses from climate change impacts like forest fires and flooding may help them get better insurance coverage and reduce costs.

For many decades the resource-based tourism industry has been seen as a “green” tourism product. However, the meaning of “green” has changed significantly over the same period. Operators are looking for ways to further reduce their carbon footprint and moving from diesel generators to solar or wind renewable energy is of interest to many. Their desire to do their part in decreasing climate change is apparent now more than ever.

Considering the ramifications of the pandemic, tourism businesses that may wish to take on projects as listed above, do not have the capital they need to cover costs. To encourage these types of projects that align with goals of the Federal government and Canadians, grant programs that cover 50-75% of capital costs would ensure these projects move forward.

NOTO Recommends:

- Provide a grant/loan program that would provide a grant for a minimum of 50% of the capital costs of a solar system installation and/or sprinkler systems with the option of a loan to cover an additional 25%.

Immediate Action on Commercial Insurance Rates and Coverage

RBT sector businesses and those in all other tourism sectors are currently facing significant insurance premium hikes as high as 300%. In addition to these higher premiums, they are being provided less coverage and protection for their businesses. Many businesses are having to reduce their coverage even more just to manage their premiums and some have been dropped by their insurance companies altogether as they go through their selection process in order to compete with other companies. Businesses with no claims are finding it a challenge to find appropriate commercial coverage or any coverage at all.

With the volatile state of the insurance industry and tourism businesses being caught in the crosshairs, we are calling on both levels of Government for help with this incredulous challenge. NOTO supports Tourism Industry Association of Ontario (TIAO) in their call to explore regulatory changes to cap rising insurance

premiums. These significant increases in premiums and severe reductions in coverage present great concern for our rural tourism sectors to protect their businesses now and into the future.

NOTO Recommends:

- NOTO supports TIAO in urging for immediate action from the Ontario Government to work with federal partners to address high commercial insurance rates through the development of a time-limited insurance program in which federal and provincial governments, policyholders, and underwriters share risk to enable hard-hit businesses to access coverage and lower insurance premiums.

Conclusion

While we are beginning to see light at the end of the long tunnel of restrictions and that means travel may be able to resume this year, **reopening does not mean recovery**. We cannot forget the great deal of newly acquired debt that tourism businesses have had to take on to remain afloat. We know from recent studies, that were done before this latest Omicron variant entered Ontario, tourism businesses in Northern Ontario will take 4 years to return to pre-COVID revenue levels and financial stability.

The provincial and federal governments will need to maintain some level of financial relief for these businesses if we hope for our sector to recover from the negative economic impacts of this terrible pandemic.

If we have learned anything about our tourism sectors in Northern Ontario, it is this, the people in this sector are resilient. They have seen their livelihoods disappear before their eyes in a flash and yet they have shifted their focus and used their reserves and available programs to adapt their businesses so they can continue to safely provide high quality vacations for people from all over the world again when the time is right. Some businesses generously opened their accommodations for free to provide temporary refuge to residents of Red Lake during the wildfires in 2020. Some tourism operators created peer support groups that would meet from time to time to check in on one another and ensure others had someone to talk to during these extraordinary times. Others provided support to their peers by participating in round table discussions and sharing their solutions to some of the challenges that the industry has been facing.

This industry is eager to get back to business and continue offering quality outdoor tourism products, but they need more help to get there.

I know that we have given you a great deal to consider but NOTO is very hopeful that you too will see the value in these investments so the tourism industry can do its part in supporting a successful recovery of this valuable sector and Canada's economy.

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