

Northern Ontario's Resource-based Tourism Sector Recovery Strategy

Provincial 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 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 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. We share with you today a number of recommendations that we believe will help lay a solid foundation for this critical pathway.

Laurie Marcil
Executive Director

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

NOTO is immensely grateful to the province for their actions to protect the health and safety of Ontarians 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 the Provincial economy recover from the many negative impacts of this pandemic. We want to ensure that the new money that this industry brings into the province for many decades 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 these health

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

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 \$400M 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 our 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.

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 natural resources that are world renown.

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-faced 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 11 recommendations to the pre-budget consultation process. We are available to elaborate and discuss any other recommendations if needed.

Recommendations:

Waiving Crown Resource Fees for 2022 (Approximate investment \$1.3M)

We are very grateful for the support from the province in waiving fees for both 2020 and 2021. This relief provided operators the opportunity to redeploy those funds to retain staff, and pay other fixed cost during a time when they had no other revenues coming in.

With the continued border restrictions and the continued inability for many to generate revenues over the last two seasons, remote outpost operators and bear outfitters need this relief once again. As mentioned, the border closures and restrictions and the inability to attract domestic market clients to fill gaps left by traditional US clientele have left these businesses without revenues needed to cover these costs as well as other fixed costs.

Recommendation #1: An extension on waiving crown resource fees for 2022. (e.g., land use permits and bear management areas, etc.)

Provincial COVID-19 Tourism Financial Support Programs

While we are grateful that the province has created this new COVID-19 Small Business Relief Grant payment and have included tourism businesses impacted by the recent restrictions, there are many more operators that are not eligible for this grant because they were not directly required to close but that have indirectly lost business and inevitably have remained closed as a result.

Although no travel ban was in place for this most recent round of restrictions, they have ultimately reduced leisure travel in many regions of Northern Ontario. Winter operators reported that once the restrictions came into place, they received numerous cancellations for their accommodations even though they were permitted to be open. These accommodators were not eligible to apply for the recent grant since the restrictions did not directly cause the loss of revenue.

For ice hut operators, the restriction to only allow daytime rentals to those from the same household. Ice hut bungalows that provide guests the opportunity to stay in an ice bungalow overnight are a mainstay in many northern regions. Restricting them from allowing guests to stay overnight, severely reduces their revenues and in many cases results in a complete cancellation of the booking.

There are gaps within other financial support programs like the Ontario Tourism Recovery Program for legitimate, registered tourism businesses that are leaving disproportionately more RBT sector businesses without financial support. This program was only eligible to incorporated businesses. A recent survey NOTO conducted, revealed that 60% of the RBT sector (over 1400 businesses) are sole proprietors and partnerships. This is also a group of businesses that were unable to access federal programs like the CEWS, CERS as well as Canada's Tourism Relief Fund.

Businesses that are registered in Ontario as a sole proprietorship or a partnership support the Government through paying taxes, collecting and remitting HST and complying with regulations just as an incorporated business does. We would suggest that in order to provide assurances to Government, these could be eligible

for the financial support if they provide, proof of business registration with the province, as well as proof of HST filing in the past three years.

There is a dire need to modify eligibility requirements to include these businesses in financial relief programs like the small business support grants as well as the Ontario Tourism Recovery Program.

For future consideration, prior to 2010, the province of Ontario had a resource-based tourism licence for businesses that met specific eligibility requirements. Perhaps reviewing the reinstatement of this licensing program for this sector would be helpful and provide some more assurances for programs like those that have recently been offered. NOTO has a list of ways in which this licence could be a benefit to the overall sector as well as Government. We would welcome the opportunity to engage with the province on this topic.

Recommendation #2: Provide a second round of the Ontario Tourism and Travel Small Business Grant for tourism businesses that were ineligible for the COVID-19 Small Business Relief Grant and ensure that the businesses listed above are eligible. Modify eligibility requirements to include proof of HST filing in the past three years.

Gas Tax Rebate Program

NOTO has worked with staff of Ministry of Finance (Audit - Inspections, Land Transfer Tax, Motor Fuel Tobacco Tax) to develop more reasonable policies that would reduce the burden on tourism businesses for the gas tax rebate applications but with COVID-19 these discussions have been stalled. Currently logs must be kept showing where every litre of fuel is disbursed (what motor, piece of equipment etc.) to have a successful application to obtain the rebate. There are two distinct types of facilities that we are trying to improve policies:

1. Remote locations – At these facilities there is no road access and therefore the gas acquired and used is strictly used for their business and therefore eligible for the tax rebate. We have had some success in getting the audit branch to understand this but to our knowledge there is no clear policy that eliminates the need of detailed logs for these businesses in their application.
2. Semi-remote and drive-to locations – At these facilities there may be some form of road access. Currently policies require that they maintain logs that record which equipment (Boat motors, maintenance equipment and motorized unlicensed vehicles like ATVs and tractors) the fuel is used in. These are locations where they do not sell gas to the public or use in licensed vehicles. We are in need of a policy that outlines a less burdensome way to support Gas Tax Rebate Program applications for these operators. We would like to get back to discussions to find a solution that meets the needs of the audit branch and is reasonable for industry.

It should be noted that the Gasoline Tax Act outlines that a refund of the tax paid may be claimed by the purchaser when the gasoline is used:

- in any equipment or vehicle that is not licensed or required to be licensed under the Highway Traffic Act and operated in Ontario by any business, industry, or institution; and
- where such equipment or vehicles are not operated principally for the recreation or pleasure of its owner or operator.

There is a clear discrepancy in the rebate application form and audit processes compared to the Gasoline Tax Act. The forms also do not allow rebates on uses and equipment that are not on the list but that may still qualify for the rebate base on the Act. The tourism industry is being discouraged from applying for road tax rebates to which they are entitled.

These rebates are used by tourism business owners to reinvest in their infrastructure and outdoor product offerings. With the financial challenges faced by the tourism sector, these rebates would help to support their recovery from the pandemic as well as cover increases in costs like supplies and insurance rates. Rebates are also used to offset the high costs of running businesses in Northern Ontario.

Recommendation #3: A review of the Gas Tax Rebate Program be conducted with a goal to ensure that it supports the objectives of the Gasoline Tax Act and does not place any unnecessary burdens on small businesses that apply.

Ontario Business Rebate Program

Recent surveys of the tourism sector have reported that tax relief initiatives are working to help them with their immediate financial hardships by freeing up the dollars to cover fixed costs like insurance, lease, loan and mortgage payments. We are appreciative that the Ontario Government has made property tax and energy tax rebates available to small businesses at this time and we would encourage this program continue beyond these restriction periods.

Recommendation #4: Extension of the Ontario Business Rebate program beyond the restriction period.

Provincial Land Tax Deferral

We thank the Ontario Government for providing for small businesses in Northern Ontario the ability to defer their provincial land tax payments in 2020. This deferral program deferred each of the four property tax installments due in the spring to be deferred 90 days for those taxpayers that needed more time. Specifically, interim property tax installment due dates were deferred to July and August 2020. In addition, final property tax installment due dates were deferred to November and December 2020.

As outlined previously our remote outpost operators have been struggling to fill in gaps left from traditional US clientele with domestic visitors. They have experienced two very sparse years for revenues. This deferral would provide them with some relief for the upcoming year if could be made available again.

Recommendation #5: The reintroduction of the provincial land tax deferral for the 2022 tax season, like that offered in 2020, to support the RBT sector in Northern Ontario.

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 all together 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 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 as we see visitation rise and they continue to struggle to recover from this pandemic.

Recommendation #6: 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.

Workforce Development

Tourism is not the only industry that is facing a workforce crisis; however we would suggest that ensuring that the tourism sector is able to find quick solutions as we prepare to reopen will need specific supports from the province.

Over the past year the RBT sector was supported through a collaborative and provincial funded program called the Tourism SkillsNet North program. This program incorporated wage subsidy support for businesses as well as training for new hires or rehires. These types of programs are essential moving forward as the industry will need to get back up and running quickly in order to meet customer demand and they will also need the financial support to employ staff for the next while.

We also need to ensure that we are changing the narrative regarding jobs within the tourism sector as we emerge from this pandemic. We need to create awareness that there are long lasting and rewarding careers in the tourism sector.

Recommendation #7: Ensure that there is funding set aside to support programs that support the tourism sector and help to fill vacant positions or rehire staff as well as support awareness campaigns for careers in tourism.

Support Debt Relief for Hard-Hit Tourism and Hospitality Sector

Ontario's Resource-based tourism sector with its reliance on the US market has suffered two very financially challenging years and is still a long way from recovery. The initial loan programs like the CEBA and the RRRF

offered by the federal government provided some immediate relief and offered the opportunity for business owners to support their cashflow and maintain their fixed costs through the first year of the pandemic. Now with the sector having just faced a second year of significantly reduced revenues and yet another wave of the COVID-19 virus, businesses will need more time and more forgivable portions of these loans to be able to survive and recover from the extended negative financial impacts of this pandemic.

A recent study commissioned by Destination Northern Ontario revealed that the amount of debt that tourism sector businesses have taken on will push the recovery time of these businesses up to 4 years to pay back any new debt and to return to pre-COVID levels of financial stability. TIAO has reported that 9 in 10 businesses believe that debt relief, including CEBA and RRRF loans, would help them overcome fiscal challenges and aid in long-term recovery.

We know from our consultations with the RBT sector that business owners are very concerned about the levels of debt they have had to take on. Many of them only applied for these loans AFTER they exhausted their personal and retirement savings to stay afloat.

In order for Ontario and Canada to recover economically from this pandemic, we need for these businesses to regain their financial stability as quickly as possible. The new money that the RBT sector contributes to the GDP will be critical to getting our local, regional, provincial, and national economies back on track.

Recommendation #8: NOTO strongly urges the Ontario Government to work with federal counterparts to extend the interest-free repayment period for the CEBA and RRRF loans to December 31, 2024; and to double the maximum forgivable portion of the CEBA and RRRF loans if the balance of the loan is repaid by the end of the 0% interest-free grace period.

Longer-term investments to Support Recovery of the RBT Sector

Ontario Staycation Tax Credit

We have been working with the RBT sector to encourage them to increase their domestic market beyond the pandemic. While the province benefits greatly from new money vs recycled money from domestic travel, for the industry to protect itself from potential future threats that may cause a lengthy border closure, tourism businesses should consider diversifying their client base to include more domestic market.

A permanent extension of the Ontario Staycation Tax Credit would help to support these initiatives and help to secure the future of all Ontario's tourism sectors. Encouraging the federal government to support a similar tax credit to encourage travel between provinces would also be helpful.

Recommendation # 9: Make the Ontario Staycation Tax Credit an annual travel incentive program and encourage federal counterparts to develop a similar tax credit for domestic travel between provinces.

Grant Programs that Support Solar Renewable Energy Infrastructure

With the rising costs for insurance, fuel, food, boats, motors and other operational costs, more RBT businesses are looking at ways to run more efficiently and cost effectively with a keen eye on their impacts on the environment. Over the last year, we have had countless discussions with operators who are interested in switching over to renewable energy such as solar for their remote locations to reduce their dependence on fuel and to support a cleaner environment.

Considering the financial challenges that the tourism sector in Northern Ontario has been faced with over the last two years, they will be more likely to make the move if their investment can be supported with a grant to help cover a portion of the capital costs to install these systems.

Recommendation #10: Provide a grant/loan program that would provide a grant for a minimum of 50% of the capital costs of a solar system installation with the option of a loan to cover an additional 25%.

Wildfire Management

Climate change is not something that is on its way, it is happening right now! We have all seen the extreme changes in weather and their disastrous impacts on our people, environment, communities, and businesses. Current forest fire/wildfire policies within our wilderness parks have us sitting and watching our forests and natural landscapes burn to the ground with minimal interactions until areas that are inhabited by people are in danger.

Within those parks are valuable remote and semi-remote anchor tourism locations that have been on the land base for decades. The tourism facilities have seen enormous investment over the years and are a significant part of our Northern Ontario brand that is sought after by travellers all over the globe. Not only is there tourism infrastructure but the land and forests and lakes themselves are on their own extremely important to the brand of the province.

Now that we are seeing more and more of these extreme temperature changes and more intense forest fires, we would like to see a change in policy that requires actions by Government to contain and make more effort to extinguish these wildfires to better protect our land, forests and wildlife that are incredibly important to our people, region, province, and country. We know that this will require more staff and equipment spending and is why we have included this in our list of budget recommendations.

As Indigenous people are the stewards of the lands, we encourage incorporating Indigenous philosophies and insights into the development of changes in these policies.

Recommendation #11: A consultation process with Indigenous representatives and the tourism sector to develop wildfire management strategies that take a more proactive approach to contain wildfires and protect tourism assets and valuable natural resources within our Northern wilderness parks.

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 in fact done before this latest Omicron variant entered Ontario, tourism businesses in Northern Ontario will take until 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 Province to recovery 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 valuable programs like the Northern Ontario Recovery Program from the Northern Ontario Heritage Fund Corporation and the Ontario Tourism Recovery Program 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 the province.

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