



July 22, 2020

Hon. John Horgan, Premier
Hon. Lisa Beare, Minister of Tourism, Arts & Culture
Hon. Carole James, Minister of Finance
Government of British Columbia
Victoria, BC

RE: BC Hotel Industry's Response to BC's Recovery Plan

Dear Premier Horgan, Minister Beare, Minister James,

On behalf of the British Columbia Hotel Association and its members, I would like to thank you for affording us the opportunity to weigh in on BC's recovery plan. We have truly appreciated the tireless work your administration has done to protect the health and safety of residents across British Columbia. Because of the immediate and strategic actions that were taken, our province has reported some of the lowest infection rates in the world. For this we are grateful.

While we recognize the steps taken to protect the immediate physical health of residents, we have reached a critical tipping point as COVID-19 has had a detrimental impact to industries across British Columbia, likely causing severe and irreparable damage to the wellbeing of many citizens for decades to come. Along with the tourism industry at large, our accommodation sector has suffered dramatically as a result of this pandemic and we implore the government to heed the below information and recommendations in order to protect our fragile yet mighty industry.

The Role of the BC Hotel Association before during and after COVID-19:

The BC Hotel Association has been advocating for the accommodation industry for the past 103 years. With over 800 member hotels and associate members representing over 60,000 employees and 80,000 rooms, the sector's value to the hospitality and tourism industry, and provincial economy is significant, contributing more than \$3.2 Billion in annual revenue. At the heart of the accommodation industry, each property in the province contributes to the community, the BCDMO ecosystem and to the province at large. In addition, the BC Hotel Association represents the industry at the national level with a board seat on the Hotel Association of Canada and is a key driver for the Executive Leadership Council, advising nationally alongside other provinces.

It is important to note, the BC Hotel Association represents all accommodations types and subsectors such as lodges, cabins, motels, Inns to name a few; ours is a diverse and contributory industry located in every community in the province, remotely, rurally and in urban centres. 80% of all accommodators in the province of BC are small independently owned businesses that are currently experiencing extreme solvency issues due to the COVID-19 pandemic. Simply put, there is no capacity to endure continued lack of revenue with the fixed costs remaining. It is critical to ensure businesses stay in business, that they survive these unprecedented times, and they continue to provide a livelihood and jobs for our citizens, ensuring the BC economy thrives once again.

The BCHA works with the government and regulatory authorities to ensure a positive operating environment for the hotel industry to thrive in, particularly during challenging economic times. As the voice of the BC hotel industry at the federal, provincial and community level, the BCHA is acknowledged as the champion of hotel



related issues, including matters of taxation, tourism, marketing, corporate relations, labour, and consumer services.

Throughout COVID-19 BCHA has proudly worked hand-in-hand with government to support the needs of the citizens of BC, providing safe shelter for a magnitude of reasons as we faced COVID-19. Being designated an essential service allowed our organization and sector to develop and deliver a comprehensive Best Practices and Protocols resource guide that continue to serve the industry and the public well during this dreadful time. The partnership approach, and the ongoing keen attention to detail in implementing these protocols shows the industry as highly responsible and well-poised to be a leader in innovation for recovery.

The Value and Impact of Tourism:

In 2018, the tourism industry involved over 19,300 businesses, generated more than \$8.3 billion in provincial GDP from \$20.5 billion in direct visitor spending, and created direct employment in tourism-related businesses for more than 300,000 people in every community of the province. The accommodation sector is the anchor tenant in almost every community. When a traveller has somewhere to stay overnight, it allows the time to explore, and enjoy the ancillary tourism experiences which are developed around the accommodator. The accommodation sector is also responsible for investing time and money in amplifying the DMO network marketing strategies, often doubling or tripling the spend, providing pivotal impact information to ensure positive outcomes for the investments. This investment is over and above what the sector collects for the MRDT for the DMO ecosystem and is often undervalued. It is important to note, the accommodation sector invests private money to build assets, investing in employment and in the success of the destination. Without the private investment, there would be no accommodation sector, and a significantly diminished tourism economy.

Hospitality Employment:

The history and framework of the hospitality labour force is important to understand. Pre-COVID-19, our accommodation industry was experiencing the most severe labour shortage on record. Currently, the sector is working hard to foster and protect the employee-employer relationship, which will be critical for recovery. The expertise that is required in the accommodation sector is often misunderstood; the skill set, the will to serve, and the specific professional disciplines within the make up of the industry are complex. The BCHA's expansive education and training pillar offers a key opportunity to continue developing the leaders of the future, as well as the future success of the industry when it is time to recover. Devastating layoffs, and the lack of demand in the foreseeable future is extremely concerning. It is important to note, the overall demographic of workers in our sector is different in comparison to the rest of the BC economy. The following information has been pulled from a 2016 Statistics Canada survey. Although these number are dated, the information indicates important and still relevant industry realities.

The Accommodation sector labour force has:

- a) more females and than males
- b) employs more youth than the provincial average
- c) employs more immigrants than the provincial average
- d) employs more seasonal foreign workers than the provincial average
- e) employs more people of aboriginal identity than the provincial average
- f) employs more people of visible minority than the provincial average



	British Columbia Labour Force	Accommodations
Total Employees	2,305,690	33,265
GENDER		
Male	51.8%	41.0%
Female	48.2%	59.0%
AGE		
Youth (15 to 24)	12.4%	15.0%
IMMIGRANTS STATUS		
Immigrants	30.2%	36.9%
Non-permanent residents	2.0%	3.8%
EQUITY GROUPS		
Aboriginal identity	7.3%	8.0%
Total visible minority population	45.3%	47.2%

Source: Statistics Canada, Customized Tabulations, Census 2016

As we share this employment information with you, we look to highlight that the opportunity we have to work together with the government on training and employment for recovery. Our partners at go2HR are key for our industry in both fields of training, mentorship along with implementing health and safety protocols.

COVID-19 and the Impact on Revenue and Occupancy Loss:

The BC Hotel Association has secured a leadership role for the province to communicate accurate and timely information, ensuring the voice and realities of our industry are heard. Our organization has been conducting regular surveys amongst accommodators maintaining a finger on the pulse of our industry to determine where support is needed and what issues matter most. It is integral to highlight that, as of July 22, 2020, there have been no direct relief measures implemented for our sector either federally or provincially.

Our most recent survey was conducted on July 8th and the results are as follows: the employee wage subsidy is the key relief measure our industry has been able to access which has enabled a number of hotels to reopen; however, a substantial amount of accommodations across the province – approximately 20% – remain closed. Closures have been experienced in remote, rural, and urban destinations and are largely due to the lack of international, cruise, corporate, group and domestic travel restrictions. Simply put, there is no demand, and it costs significant investment to reopen.

In terms of occupancy, the results of our recent survey were dire, with properties anticipating a significant lack in occupancy until the end of the year. By region, urban centres such as Vancouver and Victoria are experiencing considerably less summer demand in comparison to the few summer vacation destinations that have seen a flurry of guests like Tofino, Osoyoos, Whistler and Kelowna. The entire province, perhaps



with the exception of the select destinations above, are in a critical fiscal state. In the survey, responses indicated extreme concern for solvency, and for the employees. Historic statistics confirm without a minimum of 65-75% occupancy, a hotel is losing money due to the high taxes and fixed costs. Further insights from our survey which polled approximately 220 hotel operators are included below:

- Historically, hotels across BC would be sitting at 85-90% occupied in the summer months.
- As of July 2020, approximately 20% of the hotels in British Columbia remain closed
- Over 43,000 employees remain laid off
- Accommodators that are open are operating at minimal staffing levels
- Downtown Vancouver is sitting at the lowest occupancy in the province – very select regions in BC have better levels due to destination demand (i.e. Osoyoos, Kelowna, Tofino)

- Overall Provincial Average Expected Occupancy:

July	August	September	October
35.7%	38.6%	32.7%	25%

- Downtown Vancouver – Average Expected Occupancy

July	August	September	October
17%	22%	25%	23%

- Surrounding Lower Mainland – Average Expected Occupancy

July	August	September	October
30%	33%	32%	32%

- Vancouver Island – Average Expected Occupancy

July	August	September	October
41%	47%	37%	26%

- Vancouver Coast and Mountains (Whistler) – Average Expected Occupancy

July	August	September	October
41%	43%	25%	13%

- Thompson Nicola / Okanagan – Average Expected Occupancy

July	August	September	October
43%	47%	39%	28%

- Northern BC – Average Expected Occupancy

July	August	September	October
42.5%	41.9%	39.8%	39%



- Kootenay Rockies – Average Expected Occupancy

July	August	September	October
34%	36%	27%	18%

- Cariboo Chilcotin Coast – Average Expected Occupancy

July	August	September	October
33%	29%	26%	14%

In order to combat these dismal occupancy levels and build strategies toward research and recovery, the BC Hotel Association is working in partnership with the Regional Secretariat. As a provincial voice for the accommodation sector, we have a significant opportunity to develop sustainable environmental plans to ensure technology, energy and innovation are included in the foundation for recovery. This is important work.

Estimating impacts on BC's economy:

Without a recovery on the horizon, we will lose 30% of the accommodation sector in the province by spring of 2021 if operators don't receive fixed cost relief and liquidity support. With compounding fixed costs and no support and/revenue, there will be no opportunity for properties to survive the next 9 months. The long-term impact this will have on the BC economy and communities around the province cannot be understated.

Diversity in the Hospitality Sector:

The workforce in the hospitality sector has always celebrated diversity. As our country welcomes new Canadians, our industry is one of the most common entry points for new Canadians, offering connections with a new community, direct experience learning the languages and cultures of Canada, and often providing long successful careers to new employees. Many immigrant workers come with expertise from other countries or take advantage of supportive industry tools and training provided directly through businesses or education institutions. Welcoming diverse populations in the hospitality industry has long been the standard. Our industry also maintains a deep commitment toward diversity, and trainings against discrimination and harassment. BCHA and go2HR have partnered to make this level of training easily accessible to our industry, which will be foundational moving forward during the recovery time.

Property Tax Relief:

Property Tax is a vital factor in the survival of the accommodation industry and will determine if many businesses across BC can remain solvent. Hotel leaders indicated this to be one of their most pressing concerns and have identified that deferment of payments will not be sufficient enough to keep their businesses operational. While the BCHA will be submitting a formal property tax relief brief to address this weighty concern, it is our recommendation that 2020 property taxes be 50% forgiven with 50% to be paid over 2 years at no interest. While we look forward to respectfully submitting a formal policy brief on this, we must flag this as an immediate concern.

Support requested and Recommendations for Recovery:

The BC Hotel Association fully supports TIABC's recommendation with regard to the organization's recent request for a working capital. The following is echoed from the organization's recent communications and recovery plan:

"Our recommendation for support is centred on the principles of fairness and sustainability. We submit that the financial support from the government should be scaled to the scope of impacts suffered by the hospitality sector, its business and its workforce. With the focus on helping the sector that has not yet received sufficient support through other government funding initiatives, support can be allocated strategically through the province to maximum uplift across the greatest number of viable businesses. The focus for working capital is recommended the benchmark of up to 75% of 2019 revenue year over year by month. This will allow the businesses with the greatest impact, without an opportunity to recover in 2020 and 2021 to stay solvent.

We urge the Government of B.C. to immediately initiate the scope of the funding requested in this submission. An investment of \$680 million is supported by analysis and requested: given that the tourism sector produces \$1.7 billion in annual provincial tax revenue, \$2.1 billion at the federal level, and \$0.7 billion at the municipal level each year, and more than \$21 billion in annual direct expenditures, along with \$14 billion in additional indirect and induced economic benefits. This comprises a sound investment for the long term with high return, particularly for B.C.'s small businesses, workforce and communities.

- **Working Capital Recovery Grant.** These are funds urgently required to help with solvency for BC tourism businesses with good prospects of returning to profitability over the next 18 months. The total amount requested for a Working Capital Recovery Grant is **\$475 million**.
- **Support for Adaptation Costs.** These are additional funds needed for two key purposes. Firstly, to enable B.C. tourism and hospitality businesses to adapt their operations to the health and safety requirements of COVID-19. These measures involve a wide range of significant incremental costs for tourism businesses, placing further demands on already minimal revenues. Secondly, support is required to help the tourism industry adapt to the new prevailing business environment and unique challenges brought about by COVID-19. These funds will enable businesses to develop innovative ways of delivering tourism experiences to augment and accelerate recovery. The amount requested for adaptation support is **\$190 million**.
- **Support for Developing Resilient, B.C.-focused Supply Chains.** The pandemic highlights the value of resilient supply chains. The purpose of these funds is to allow B.C. tourism businesses to quickly reorient their supply chains to source a higher proportion of goods, services, and visitors from B.C. suppliers. The amount requested for this component is **\$15 million**.

In addition to the above TIABC submission, BC Hotel Association has added recommendations for investment in strategic recovery:

Background Regarding Online Travel Agencies:

Less than 25 years ago—in 1996—Microsoft introduced Expedia to the world of travel. While online hotel reservations (and other travel products) were already available directly from suppliers in 1996, the emergence of Online Travel Agencies (OTAs) greatly contributed to the travel industry's increasing reliance on online sales. Many travel industry leaders believe OTAs are a double-edged sword, simultaneously providing a pipeline of demand while charging unreasonably high fees. Although major hotel operators/brands such as Marriott, given their size and scale, have been able to reduce commissions, smaller chains, and independents struggle under the OTA cost burden.

Lost revenue from OTA operations is not unique to Canada. The American Hotel and Lodging Association estimates that State and local governments are being deprived of approximately US\$275 million to US\$400 million in sales tax revenue each year by the OTAs. Both Expedia's and Booking Holdings 2019 10-K filings with the U.S. Securities and Exchange Commission, disclosed potential tax payments to local and federal/provincial governments as risk factors. Further, pending legal proceedings for one or both two largest OTAs, as disclosed in their 10-K filings, included France, Italy and Turkey as well as Mississippi, New Hampshire and Louisiana and cities/counties in Arizona, Florida and New York. In some jurisdictions the OTAs have agreed to collect and remit taxes.

Conservatively, in British Columbia, lost tax revenue based on 2018 estimates from the OTAs is as follows:

- Sales Taxes: \$12,393,441
- Hotel-Specific Taxes: \$2,860,025
- **Subtotal: \$15,253,466**
- Corporate Income Tax: \$6,052,701
- **Total Tax Leakage: \$21,306,168**

Check in Canada:

A large part of the answer to hotel survival, tourism survival and the opportunity to innovate and mitigate high commission costs is Check in Canada – a booking engine for hotels that operates in phases: with accommodations addressed in phase 1, attractions and events in phase 2 and restaurants in phase 3. A full brief is available for the Check in Canada platform, the full report commissioned by the provincial hotel associations to support the information provided above.

The BC Hotel Association is currently working with the Regional Secretariat and Check in Canada to blanket the province on the platform to mitigate commissions for the industry, take back our guests, and support the provincial tax structure. The tax leakage and impact on both the OTA's and the short-term rental issue is provided as an attachment to this submission. The platform allows for accessibility, eco-rating through Green Key, and also includes traveller sentiments. In addition, should the BCHA/go2HR training for health and safety certification be successful, this also could sit on this platform. The booking engine or widget would sit on all DMO websites and on the industry websites, with the ability to package and book experiences without the high commission fees currently paid for reservations systems and OTA's.

This has been made by industry for industry and is poised to provide access to technology and bookability to many small businesses who currently do not have online booking capabilities. It is



currently being used around the province by over 600 operators and many DMO's as well as across Canada. It has a proven track record to provide direct bookings with low fees and is a registered NFP entity. For detailed description of Check in Canada visit [this link](#).

Currently, the BC Hotel Association and Hotel Association of Canada as well as the other provincial associations have submitted a proposal to blanket Canada with Check in Canada to support recovery, mitigate costs, ensure all businesses are technology connected and deliver a legacy project. Our submission [can be accessed here](#).

The key opportunity for British Columbia is to encourage the federal government to support this initiative, allowing the provincial government to support getting all tourism businesses, restaurants etc. on the platform so the entire industry can be connected. This will allow for our tourism and hospitality sector to mitigate costs and the tax revenue generated through the platform will pay for itself over time, with the tax leakage and exorbitant commission fees mitigated.

Finally, the highly reputable professional economist Lyall Hall analysis of the tax revenue and short-term rental situation for the province is also included in this submission [here](#).

In conclusion, the BC Hotel Association is committed to working hand-in-hand with our partner sectors and provincial government to determine how we can best allocate funds based on priorities to ensure resilience and recovery. We are poised to provide significant intel, expertise and would be highly motivated to participate in a working group or task force in partnership with government on this initiative.

On behalf of the British Columbia Hotel Association, I respectfully submit this request and response for recovery as requested.

I look forward to hearing from you and will make myself available at your request.
Thank you again for this opportunity.

Best Regards;

Ingrid Jarrett
President & CEO
British Columbia Hotel Association