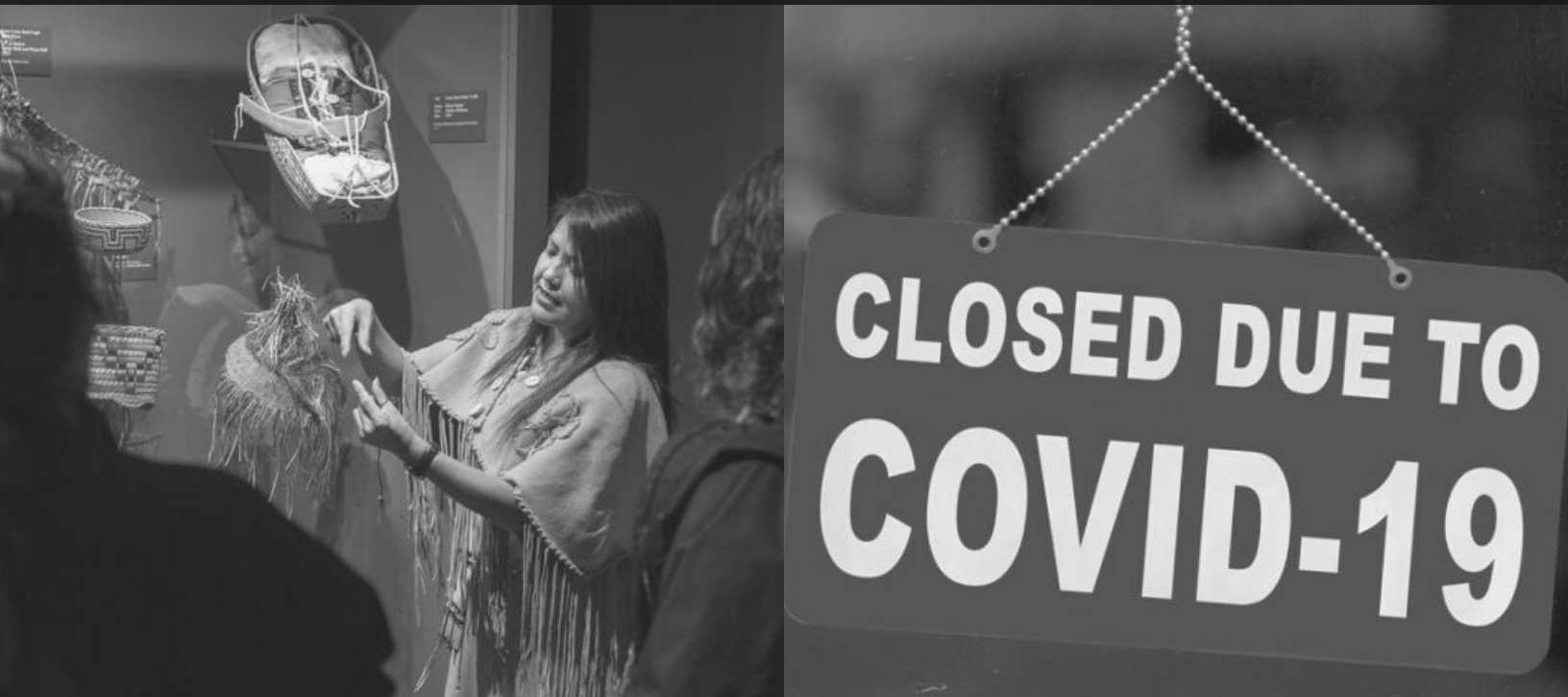




RECOVERY STIMULUS PACKAGE FOR BRITISH COLUMBIA'S TOURISM & HOSPITALITY SECTOR

JULY 2020



TOURISM
INDUSTRY
ASSOCIATION OF

BC



RECOMMENDATION

That the Province of British Columbia provide initial investment support of \$680 million (short/medium term) and additional stimulus funding (medium/long term) to help mitigate the unprecedented impacts of COVID-19 on the B.C. tourism and hospitality industry and its workforce.

INDUSTRY OVERVIEW

BC TOURISM INDUSTRY REVENUE (2018)

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

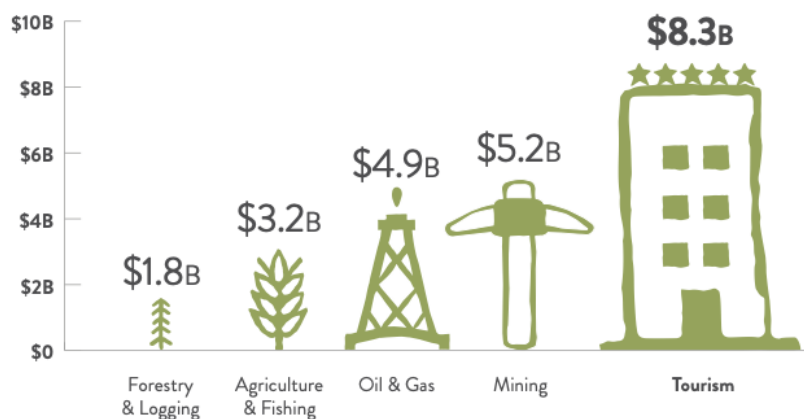
TOURISM EXPORT REVENUE (2018) AND SHARE



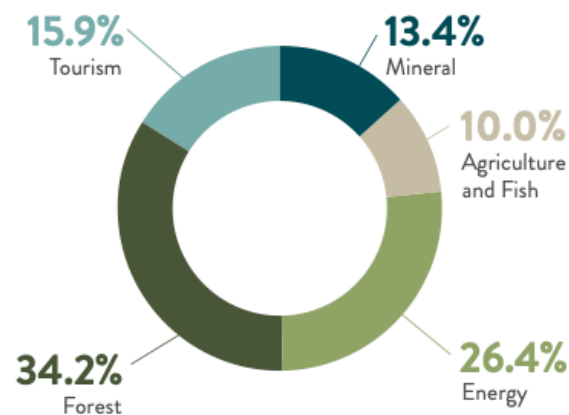
\$6.9 Billion
(+8.2% Over 2017)

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).

2018 BC GDP



SHARE OF TOURISM EXPORT REVENUE BY PRIMARY RESOURCE INDUSTRY



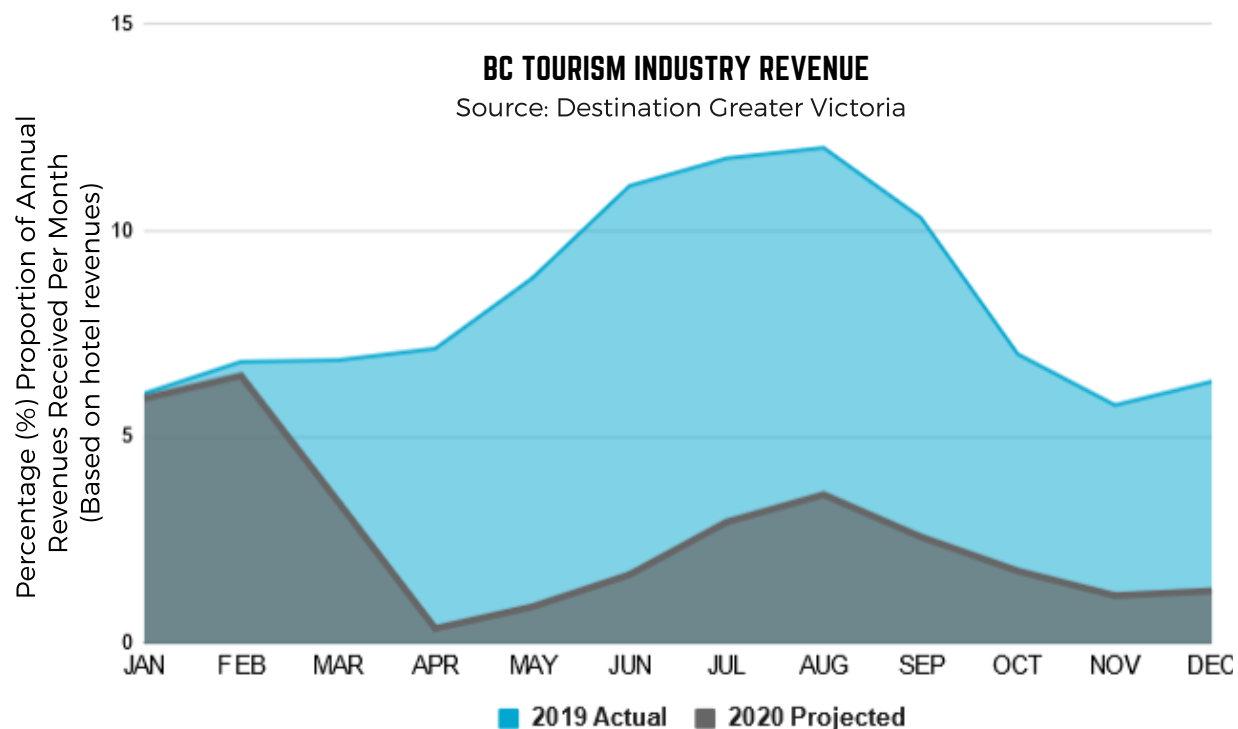
TOURISM GROSS DOMESTIC PRODUCT

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.

COVID 19 IMPACTS ON TOURISM AND HOSPITALITY

COVID outbreak	Tourism revenues	Job losses	Government revenue	Brand equity
Travel and mobility restrictions (March 17, 2020)	\$14.8 billion loss (BC, 2020)	114,524 job losses	Estimated \$3.2 billion loss (all levels)	Generational losses in destination and business brand equity

Industry Group	2019 Employment	2020 Employment	% Change
Accommodation and food services	186,900	95,400	-49.0%
Information, culture and recreation	138,500	89,600	-35.3%
Service sector (minus tourism industries)	1,755,900	1,567,400	-10.7%





BACKGROUND

When the Government of B.C. announced the provincial State of Emergency and Public Health Emergency due to COVID-19 on March 17, 2020, tourism and hospitality was the largest industry impacted by the pandemic, the most severely impacted by restrictions on personal travel and business closure orders, and was expected to suffer the most significant long-term negative impacts of any industry. Since then and looking forward this is precisely the case.

Tourism and hospitality is the only industry almost entirely based on the discretionary movement of people. The necessary COVID-19 restrictions have, appropriately, led to the entire population of B.C. forgoing leisurely pursuits for the greater good of public health. After more than three months of being virtually shuttered, the sector is only gradually resuming operations, with skeleton crews, vastly diminished markets, and amidst a groundswell of foreclosures that have dismantled tourist supply chains.

VALUE OF TOURISM IN BC

As stated in Destination B.C.'s 2020 publication *The Power of Tourism* [1]: "Tourism is already one of the most significant drivers of economic success in B.C., growing faster than the provincial economy as a whole as it generates a continuous stream of revenue, employment, social, cultural and environmental benefits."

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.

[1] Destination B.C. and Government of B.C., "Power of Tourism," 2020.

In 2018 the BC visitor economy generated an estimated \$4.5 billion in total tax revenues across all three levels of government through income taxes, consumer taxes, employment taxes, and other fees, permits, and licenses [2]. An estimated \$1.7 billion in tax revenues were generated at the provincial level, \$2.1 billion at the federal level, and \$0.7 billion at the municipal level.

Indirect and induced economic impacts amplify these benefits substantially. Also, these contributions from the tourism industry accrue and recur annually, and primarily involve bringing new money into the Provincial economy.

Tourism is also an extremely important industry for providing jobs for recent graduates and entry level workers seeking to gain a “foot in the door” of the B.C. job market. These workers have been impacted particularly heavily to date, with the most recent Labour Force Survey confirming that while full-time employment in B.C. declined by 10.9% from May 2019 to May 2020, part-time employment decreased 30.6% over the same period.

TOURISM EMPLOYMENT LOSSES

COVID-19 has hit the tourism sector harder than any other economic sector in B.C., by far. Virtually the entire sector has endured closures and extensive employee lay-offs from the beginning of Phase 1 on March 17, 2020 to commencement of Phase 3 on June 24, 2020. Many businesses have already foreclosed due to lack of cash flow, and most have only partially re-opened, with eviscerated source markets, and are desperately trying to maintain solvency.

The largest tourism industry group, Accommodation and Food Services, suffered a 49.0% decline in employment, almost five-times greater than the 10.7% decline for the overall service sector. Similarly, the Information, Culture and Recreation industry, also a major sub-sector of the visitor economy, has experienced a 35.3% decline in employment, more than three-times the provincial average for the service sector. Without urgent and substantial help to sustain tourism's employees and the families they support, after the remaining critical summer season these impacts will be even more devastating.

Industry Group	2019 Employment	2020 Employment	% Change
Accommodation and food services	186,900	95,400	-49.0%
Information, culture and recreation	138,500	89,600	-35.3%
Service sector (minus tourism industries)	1,755,900	1,567,400	-10.7%

[2] Statistics Canada Income and Expenditure Accounts Division, “Government Revenue Attributable to Tourism, 2011.” ISBN 978-1-100-21601-0.

These employment losses in B.C. also far exceed the national average, indicating B.C.'s tourism and hospitality sector is enduring even more severe impacts than for Canada overall. Accordingly, federal assistance programs structured to deal with "average" impacts across the country are likely to be insufficient to address the higher level of impacts being experienced in our province.

TOURISM REVENUE LOSSES

Although local travel within B.C. is beginning to resume, it will be insufficient to replace lost revenues necessary to sustain B.C.'s tourism businesses. Visitors from within B.C. spend less than half the amount spent by visitors from the USA or international markets, which are likely to remain closed into 2021. Visitors from other provinces, particularly Alberta, also spend significantly more than those from B.C. Expenditures by B.C. travellers traditionally account for only about 30% of B.C.'s total tourism and hospitality revenues and this is essentially the only market available to businesses currently and into the foreseeable future. Given the imperative for an effective vaccine against COVID-19 before critical source markets and business channels (notably business events and conventions) can be accessed, B.C.'s tourism and hospitality businesses will be impacted severely for at least the next 18 months.

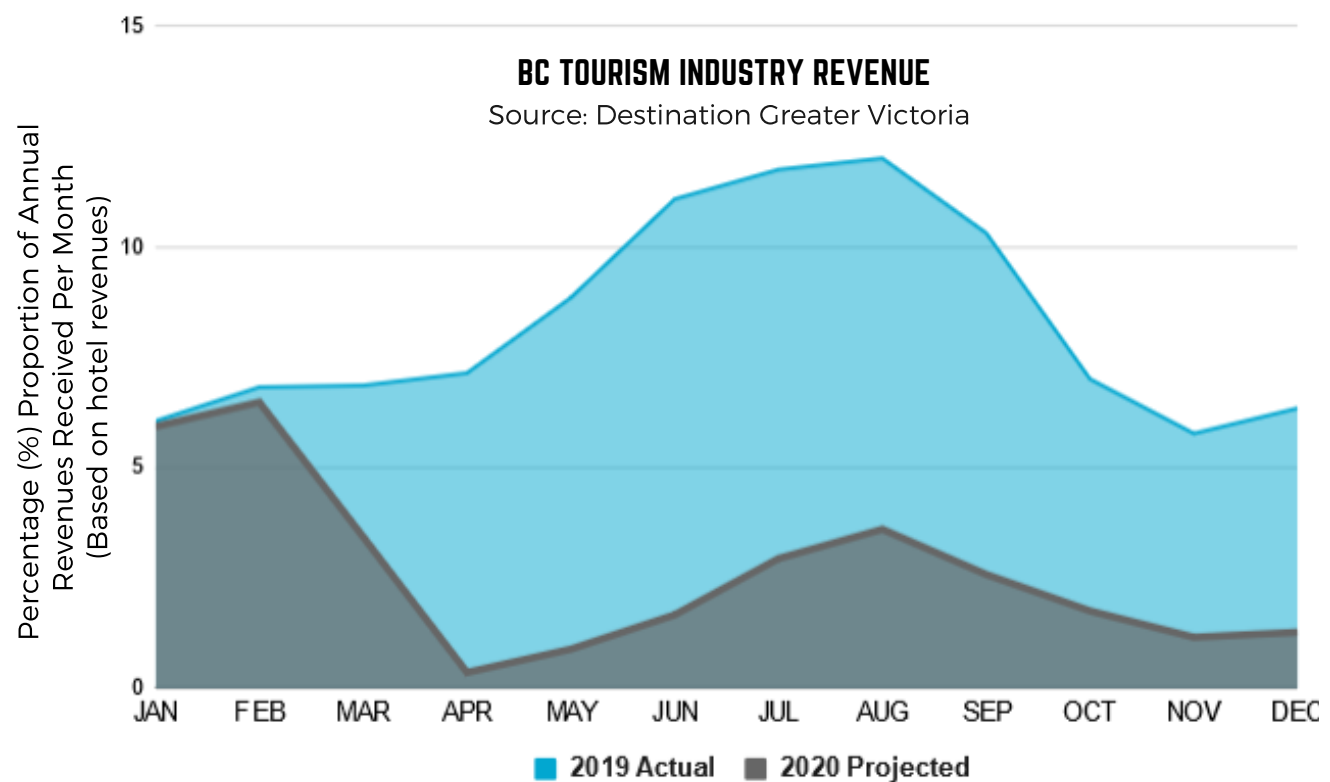
The overwhelming majority of B.C.'s tourism and hospitality businesses are simply unable to absorb these massive losses, especially over a prolonged period and in view of tourism's highly seasonal nature. These businesses require immediate support and investments to remain solvent while critical core markets have been erased. The health and viability of the entire tourism and hospitality sector, including its substantial ongoing contributions to B.C.'s economy are at stake.



ESTIMATING OVERALL IMPACTS OF COVID-19 ON THE B.C. TOURISM ECONOMY

Destination B.C.'s modelling from the time of the start of Phase 3 (June 24, 2020) estimates a 65-70% decline in tourism revenues for B.C., and are not expected to exceed \$6.7 billion in 2020. This is likely to be the best case scenario and the decline could be significantly greater.

These severe losses in revenues will have reverberating impacts on jobs, government revenues through taxes, and the ability to re-invest in the sector for a more resilient, sustainable future.



DIRECT IMPACTS OF COVID-19 ON THE TOURISM INDUSTRY FOR 2020

COVID outbreak	Tourism revenues	Job losses	Government revenue	Brand equity
Travel and mobility restrictions (March 17, 2020)	\$14.8 billion loss (BC, 2020)	114,524 job losses	Estimated \$3.2 billion loss (all levels)	Generational losses in destination and business brand equity

Without urgent industry support these losses are likely to continue well into 2021, 2022 and beyond. B.C.'s Regional Destination Marketing Organizations (RDMOs) have been collaborating to understand the impacts of COVID-19 on business operations, assess how industry is coping, and identify needs to assist operators to remain solvent. The most recent survey in late June 2020 with almost 400 tourism businesses across the province revealed that:



Similarly, research conducted by Restaurants Canada in June 2020 showed:

- 70% of restaurant operators are very or extremely concerned that their business won't have sufficient cash flow to pay vendors, rent and other expenses throughout summer; and
- 10% of independent restaurants have already closed permanently and more than 50% of the remaining businesses do not expect to remain solvent to the end of 2020 unless visitation improves dramatically in the very short term.



IMPACTS ON RURAL AND INDIGENOUS COMMUNITIES

Rural and Indigenous communities are expected to suffer particularly severe impacts of COVID-19. Many of these communities are actively discouraging or even preventing travel to their communities by non-residents, with very understandable concerns about their lack of adequate medical services to address a potential COVID-19 outbreak.

An additional challenge is that the emphasis of current travel guidelines on travelling locally limits the ability of tourism businesses in remote communities to develop substitute markets. Small, isolated tourism destinations such as Northern B.C., the Cariboo Chilcotin Coast, Kootenay-Rockies, Northern Vancouver Island, and many others more than a few hours drive from a major metropolitan centre, or where air travel is often not an option, will be significantly constrained to produce sufficient visitor volumes to ensure business solvency.

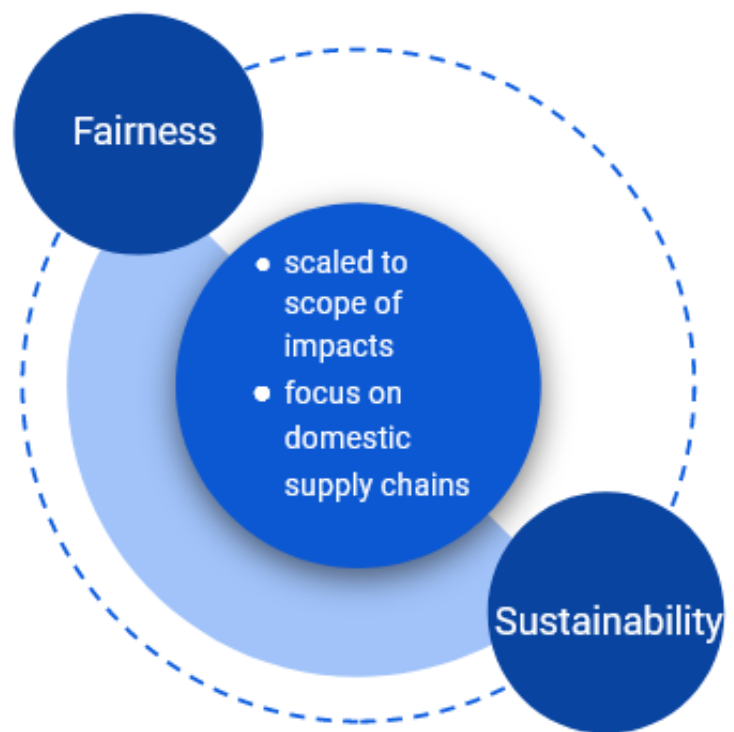
Compounding these challenges, many of these rural areas suffered through the devastating wildfire seasons of 2017 and 2018 and were only recently beginning to recover after a respite in the 2019 wildfire season.

Indigenous tourism in particular is often in isolated rural regions of B.C., making this segment particularly vulnerable to shocks in business demand. Without support, the impacts of COVID-19 are likely to severely undermine the growth and viability of many new businesses within this segment, possibly permanently.



SUPPORT REQUESTED

Our recommendations for support are centered on the principles of fairness and sustainability. We submit that financial support from government should be scaled to the scope of impacts suffered by the tourism and hospitality sector, its businesses and its workforce. With a focus on helping those tourism segments that have not yet received sufficient support through other government funding initiatives, support can be allocated strategically throughout the industry to ensure maximum uplift across the greatest number of viable businesses.



The recommendations are also being structured to deliver maximum benefits from minimum required investments to avoid the irreparable collapse of the highly interdependent tourism and hospitality ecosystem. The returns on these investments, targeted and structured appropriately, will be billions of dollars in annual revenues and GDP, alongside hundreds of millions of dollars in provincial government taxation revenues each year.

We have undertaken an analysis of the financial supports required to maintain business continuity after losing upwards of 60% or more of this year's revenue to date. Jurisdictions such as Saskatchewan have structured financial relief programs to provide emergency short-term liquidity through non-repayable grants of up to 15% of gross operating revenues. The governments of Quebec, Prince Edward Island, and the Northwest Territories have also recognized the massive and unique impacts of COVID-19 on tourism, and have developed specific tourism-focused programs to increase liquidity in businesses.

We urge the Government of B.C. to immediately initiate the scope of 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 returns, particularly for B.C.'s small businesses, workforce and communities.

COMPONENTS OF FINANCIAL SUPPORT REQUESTED



The request for financial support has three components:

1. **Working Capital Recovery Grant.** These are funds urgently required to help with solvency for B.C. 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**.
2. **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**.
3. **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 re-orient 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**.

WORKING CAPITAL RECOVERY GRANT

A Working Capital Recovery Grant is needed to help sustain and maintain solvency for B.C. tourism and hospitality businesses that have prospects to return to profitability in the medium term (i.e. 18 months). We propose this emergency support be based on the following principles:

- Ensure a viable tourism industry in B.C. in the post-pandemic world.
- Focus on supporting B.C. tourism and hospitality businesses that have developed plans for long term sustainability.
- Focus on rural and remote locations whose visitors include BC and out-of-province guests
- Focus on supporting B.C. tourism and hospitality businesses that attract out-of-province visitors. As the timing and magnitude of U.S. and international visitor volumes is uncertain, the immediate priority should be to sustain tourism businesses that normally rely on out of province visitors (including Alberta and other parts of Canada) and generate significant revenues for the visitor economy.
- Focus on businesses that play central roles in attracting visitors to a community or a region.

Emergency support programs in other jurisdictions have set modest levels of support at around \$25,000 per tourism and hospitality business, while envisioning near universal participation by all tourism and hospitality businesses [3]. Saskatchewan's tourism relief program utilizes a threshold of 15% of gross operating revenues, based on analysis of revenue losses due to COVID-19, business profit margins, and cashflow requirements. These considerations and benchmarks are reflected in the levels of support requested for B.C. tourism businesses.

Providing a modest blanket level of support to all tourism businesses might not provide sufficient support to many businesses with a viable path for long term sustainability, or it may provide funds to some businesses that lack a viable path to long term sustainability. Allocation and distribution of support should be nuanced and strategically driven to generate maximum benefit across the industry. We therefore suggest the amount available to an individual business be determined on a case by case basis. These suggestions underpin the request for a minimum of \$475 million in emergency support for BC's 19,000+ tourism businesses.

Our analysis projects that this aid will maintain more than 75% of pre-pandemic direct employment in tourism businesses (i.e., over 120,000 jobs) [4]. Cost is therefore less than \$4,000 per job, which compares very favourably with the levels of support from government for other B.C. industries [5].

[3] For example, programs made available in Quebec and through the Indigenous Tourism Association of Canada have set an amount available at approximately \$25,000 per business.

[4] This estimate is based, in part, on reports from the OECD regarding the percentages of small and medium sized enterprises that do not expect to survive financially.

[5] For example, in 2018, BC Government tax credits to film and television productions totalled \$703 million which helped support an estimated 35,000 to 40,000 direct jobs at a cost of roughly \$17,600 per job.



SUPPORT FOR ADAPTATION COSTS

The COVID-19 pandemic has caused fundamental changes in many industries. In no industry is this truer than in the global tourism industry, where every jurisdiction is faced with having to reassess its tourism infrastructure and visitor offerings. The purpose of these funds is to enable B.C.'s tourism and hospitality businesses to (a) adapt their operations to confront the challenges of functioning successfully in the current and foreseeable future environment and (b) develop innovative service offerings that will allow the B.C. tourism industry to recover as effectively as possible. Tourism businesses are incurring significant costs to adapt to the health and safety measures necessary to reassure and protect their workforce, visitors, residents and local communities. These incremental costs are placing further stress on already minimal revenues but are essential for maintaining safe operations and working towards recovery. Aligned with this, businesses need to develop innovative ways of making the most of the new prevailing business environment brought about by the pandemic. This includes developing new ways to provide good quality, curated, high-yield tourism experiences for visitors. Adapting innovatively to the COVID-19 business environment will not only augment and accelerate recovery efforts but also maximize the return of funds invested by government.

Our analysis suggests setting the amount for adaptation support at an average level of \$10,000 per B.C. tourism and hospitality business, determined on a case by case basis. These suggestions underpin the request for \$190 million in adaptation support for B.C.'s 19,000+ tourism businesses.

These funds will not only help maintain existing jobs but also increase employment over-and-above what would otherwise be experienced by at least 25,000 jobs.





DEVELOPMENT OF RESILIENT, BC-FOCUSED, SUPPLY CHAINS

We must act quickly to identify ways to develop resilient, local markets and supply chains to help underpin recovery for B.C.'s tourism businesses over the immediate term.

The purpose of these funds is to enable B.C. tourism and hospitality businesses to refocus their supply chains and forge new relationships with B.C. suppliers, to create supply chains that will not only promote recovery over the next 18 months but also contribute to the industry's resilience going forward. We propose structuring these funds into two components: one for developing subsector wide initiatives and the other for developing business-specific initiatives. We recommend \$1 million be allocated to major industry subsectors, for developing subsector initiatives, and that individual businesses be able to access up to \$20,000 each on a case by case basis (with a total cap for the industry of \$10 million) for business-specific initiatives. The total request for supply chain support is therefore \$15 million.



These funds are expected to increase employment created at B.C. suppliers by at least 12,000 jobs (a 50 percent increase over pre-pandemic levels) and help local suppliers grow their expertise to become competitive suppliers to tourism businesses both in B.C. and other markets.

SUMMARY

The components of the \$680 million support requested for the tourism industry, together with employment benefits that will flow from such investments, are:

Component	Minimum Funds Requested	Benefits for Employment
Emergency Working Capital Support	\$475 million	Support and maintenance of over 120,000 jobs with front-line tourism businesses
Support for Adaptation Costs	\$190 million	At least 25,000 additional jobs
Support to Develop Resilient, B.C.-based Supply Chains	\$15 million (\$5 million for subsector wide initiatives)	Increased employment at B.C. suppliers by at least 12,000 jobs



NEXT STEPS

This submission has been developed with assistance and collaboration across B.C.'s tourism industry, including industry leaders, current and former CEOs of marketing organizations and businesses, economic analysts, and other thought leaders.

We propose a joint industry-government Task Force to work alongside existing industry organizations and networks, to finalize funding parameters, application processes, and monitoring and evaluation mechanisms. A joint industry-government Task Force would include participation by the B.C. Ministry of Tourism, Arts and Culture, the Ministry of Jobs, Economic Development and Competitiveness, the Ministry of Finance, the Ministry of Transportation and Infrastructure, and Ministry of Indigenous Relations and Reconciliation.

Our initial assessment of the priority for funding, which would be codified in program eligibility criteria, could include, but are not limited to the following parameters:

- Businesses that are current members of community/regional destination management associations or sector associations
- Businesses with a long-term plan for sustainability
- Businesses that actively market, participate in marketing initiatives managed by tourism sector associations, have a web presence, or partner in marketing initiatives
- Sectors of the industry that do not qualify for other government programs
- Rural or remote businesses where travel has been virtually halted
- Export businesses that welcome significant numbers of out-of-province visitors (e.g. minimum 25% of revenues or customers from out of province) because these are impacted most severely and are incurring the greatest revenue and employee losses

TIABC and our partners request an urgent follow-up meeting with the Government of B.C. to move forward. We must act immediately to identify innovative, creative solutions, vigorously and transparently, to circumvent generational losses and nullify a decade of growth that is almost certain under the current COVID-19 trajectory. The existing suite of packages, aimed at the overall economy, are proving to be insufficient to bolster the B.C. tourism sector from this previously unthinkable shock. Acting decisively now may prevent generations of lost economic activity, jobs, and tax revenues.

On behalf of British Columbia's tourism and hospitality industry, thank you for your consideration of our submission, and for the work you're doing to support workers, businesses and communities that rely on the visitor economy. We look forward to working with you to help the tourism and hospitality industry recover and once again become one of British Columbia's leading business sectors.

Walt Judas, CEO.
Tourism Industry Association of BC (TIABC)

Vivek Sharma, Chair
Tourism Industry Association of BC (TIABC)

SUPPORTING ORGANIZATIONS



**METRO VANCOUVER TOURISM AND HOSPITALITY
INDUSTRY RESPONSE AND RECOVERY TASK FORCE**

**GREATER VICTORIA TOURISM
RESCUE & RECOVERY TASK FORCE**



2 in 5 working Greater Victorians are employed in tourism

SUPPORTING ORGANIZATIONS



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