

TIAO Provincial COVID-19 Survey #3 Report, April 9, 2020

Overview

In the wake of the World Health Organization declaring COVID-19 a global pandemic, and the subsequent rolling out of border restrictions, calls for physical distancing, and all necessary state restrictions to protect public health, we set out to design a survey to measure the impact on tourism businesses and workers across Ontario.

Why Data Collection Matters in a Crisis:

When a crisis begins to unfold, the key is to begin to track the impact immediately in order to be able to develop strategies and recovery methods. Having learned from the impact of SARS we knew that it would be critical to quickly begin tracking the impact on the tourism operators across the province, to inform what the Economic Recovery Packages will need to include.

Data is everywhere, but it is often collected in uneven ways. For that reason, the Tourism Industry Association of Ontario (TIAO) took on the role of collecting on behalf of the province, with the support and collaboration of the Regional Tourism Organizations (RTOs). This role allows for our data analysis to represent the state of tourism and hospitality in Ontario, in order to have a direct impact on the provincial and federal decision making around industry relief.

Survey Design:

We designed the surveys with key considerations given to data validity, measures that can compare data across businesses of different sizes and sectors. We focused on measuring the impact of revenue changes and layoffs through percentages, in order to be able to compare across various sizes of businesses and staff. We tailored the surveys to have limited barriers to completion, as we are asking tourism operators across the province to take time to report on the impact of COVID-19 while simultaneously dealing with the unfolding crisis. The survey design allows us to track and analyze changes across spatial and political geographies. We designed the survey to allow for an analysis of the geographically specific impacts of COVID-19. By understanding the unique impacts across Ontario tourism sectors, and spatial and political geographies¹, we can develop industry informed policy recommendations that reflect the unevenness of the impacts of COVID-19.

Evidence Generation Strategy (EGS):

At TIAO we immediately began working to ensure that as the voice of the Ontario tourism industry, we had an Evidence Generation Strategy (EGS) in place in order to develop a full picture of the rapidly changing political, economic, and social impact on the Ontario tourism industry.

The EGS is multipronged and includes stakeholder calls, direct industry consultations, and the data collected through

¹ The analysis across spatial and political geographies focuses on how the impacts of a crisis vary based on the physical location, and the ways in which different locations are regulated by specific state apparatus. For instance, COVID-19 economic recovery must reflect the unique spatial and political geographies of tourism operators whose businesses are on Crown Land in Northern Ontario.

our province wide surveys. The multipronged EGS directly informs our recommendations to all levels of government. TIAO's Industry Response for Economic Recovery report details the key policy recommendations driven by evidence provided by the Ontario tourism industry.

Survey 1² prioritized measuring the scale of the immediate impact on tourism businesses and their workforce across the province, the first 7 days after COVID-19 was declared a global pandemic.

Survey 2³ focused on measuring the impact on tourism businesses revenue, sales, and year over year differences for a comparative analysis. We looked at the impact to tourism workers by tracking layoffs, closures, reduced services, and the need for wage subsidies. This survey collected data on the specific policy instruments and economic tools required by tourism operators in every sector and region of the province.

Survey 3⁴ continued to measure the impact on tourism businesses revenue, sales, and year over year differences, with a targeted focus on March 2020 vs March 2019. We continued to look at the impact to tourism workers by tracking layoffs, closures, reduced services, and the need for wage subsidies. Survey 3 was expanded to track which forms of government aid tourism operators intended to apply for, in addition to what other forms of aid are required in order to ensure that tourism SMEs remain viable.

Pan-provincial Adoption:

By focusing our survey design to prioritize means of comparison, data validity, and limited barriers to completion, we have been able to measure the impact of COVID-19 across all of Ontario. Our survey design has been picked up by our provincial counter parts across Canada, which allows us to compare and analyze our data across provincial jurisdictions.

Acknowledgements and Thanks:

The analyses in this report focuses on the provincial impact to the Ontario tourism industry, what economic and policy tools are required to address this, and what the overarching narrative the data is. TIAO has relied on the work of our partners to analyze the regional data from the survey, and thanks Tom Guerquin from RTO 6 and Kim Clarke from RTO 7 for their continued work to present impact on the RTOs across Ontario. We also thank the team at the Ministry of Heritage, Sport, Tourism and Culture Industries (MHSTCI) for their work in analyzing and coding key sections of the data. Lastly, thank you to all of the tourism businesses and operators that have taken the time in the midst of a crisis to contribute to critical data on the impact of COVID-19.

Survey 3: Key Findings

We have tracked the progression of the exponential decline of the Ontario tourism industry and our most recent survey data reflects that state of the industry from April 1st to April 6th, 2020:

- 59% of tourism businesses are closed temporarily.

² Survey 1 collected data from March 12th to 16th, 2020

³ Survey 2 collected data from March 18th to 23rd, 2020

⁴ Survey 3 collected data from April 1st to April 6th, 2020. Survey 3 collected responses from 1,943 respondents from every sector of tourism, and across every region of Ontario.

- More than 21% are at risk of closing permanently in 3 months' time.
- Nearly 60% are at risk of closing temporarily in 3 months' time.
- 38% of tourism businesses have laid off staff, and of those 42% have laid off up to 100% of their staff
- 66% of tourism businesses have seen a drop in sales/revenue in March 2020 compared to March 2019. Of those nearly 41% have seen a decrease in sales/revenue of more than 50% for March 2020.
- More than 52% of seasonal tourism businesses will be unable to open for the summer season.

The risk to tourism operations in 3 months⁵ are:

- Exponential growth of employee layoffs
 - In addition to the massive layoffs that have been rolled out to date, nearly 47% of respondents indicated that layoffs would continue to grow in 3 months' time
- Businesses closing temporarily
 - Nearly 60% of tourism businesses report the risk of temporary closures within the next 3 months
- Businesses closing permanently
 - Nearly 22% of tourism businesses report the risk of permanent closures within the next 3 months
- Businesses unable to pay staff wages
 - 38% of businesses report the risk of not being able to pay staff wages within the next 3 months
- Businesses unable to open for the summer season
 - More than 52% of seasonal businesses report not being able to open their doors for the summer season.

The survey data shows that while the current impact to tourism businesses and operators across the province is extreme, the risk to businesses is growing exponentially. By looking at what businesses indicate are projected risks in 3 months' time, we can better understand what forms of government aid will need to be delivered in order to ensure tourism businesses are able to withstand the economic impact of COVID-19.

Resounding Impacts on Tourism Businesses:

- Insurmountable debt acquired during COVID-19 closures
- Ineligibility of smaller tourism businesses for government aid
- Ineligibility for seasonal tourism operations to access key government aid
- Permanent dislocation of tourism workers

With tourism operations projecting the continued decline in sales, increases in permanent and temporary closures, there are rapidly growing risks for Ontario tourism businesses and operators. The survey data in conjunction with the other methods of our EGS indicates that businesses require greater financial aid, as opposed to debt deferral mechanisms.

⁵ Refer to Appendix A Q. 7 for the percentages for each option, and the codes for all responses in the 'Other' category.

Tourism businesses are faced with indefinite periods of closure, and require direct financial aid in order to ensure the ability to re-open, once the state sanctions on businesses operations is lifted. A quote from an Ontario tourism operator highlights why debt deferral is not a viable option:

“A repayable loan is just going to add a bill we can not afford. We will cut our losses before causing any further debt.”

The data indicates that many tourism SMEs are not eligible for the \$40,000 interest free loan. A quote from an Ontario tourism operator indicates the barrier they face in accessing this form of aid:

“Our business does not qualify for any aid that is being offered at this time. We are an owner operator business and do not produce T4’s for ourselves and do not have \$50,000 in payroll expenses in order to get a loan. We only pay E.I. on behalf of our employees. The gov’t has not addressed owner, operator businesses for any financial aid.”

Seasonal tourism businesses and operators are reporting on ineligibility:

“My summer business is not eligible according to the criteria since my payroll is under \$50,000. I need that interest free \$40K desperately.”

Additionally, there is uncertainty around how to calculate the 30% decline required for businesses to access the 75% wage subsidy. The following quote indicates the uncertainty and barriers faces by seasonal businesses:

“How can we prove 30% revenue loss when sales “start” mid May?”

The data indicates that many tourism SMEs are required greater levels of eligibility for government aid. Smaller operations and seasonal businesses need to be factored into all streams of government aid, to ensure that these businesses are able to survive the impacts of COVID-19.

Exponential Decline Requires Unprecedented Aid:

The government aid that has been made available is unprecedented, however, with the decline in tourism operations growing exponentially, there is greater support required. Survey 3 data⁶, in conjunction with data collected through other methods of the EGS, including industry calls and consultations, indicates that tourism operators require the following forms of financial aid, in addition to what has been announced:

- Commercial Rent Moratorium
- Mortgage Moratorium
- Increased Access to Interest Free Loans
- Increased access to Direct Financial Aid
- Debt Forgiveness

⁶ Refer to Appendix A Q. 10 for the percentages for each option, and the codes for all responses in the ‘Other’ category.



From the survey data, and additional data collected through our direct consultations with more than 2000 tourism businesses, Sector Associations, and the RTOs since March 12th 2020, we know that businesses are very focused on the immediate need of a direct financial stimulus to cover lost revenue.

At TIAO we are using the survey data as well as data from consultations to inform our recommendations to all levels of government in Canada. Our recommendations focus on the above survey findings, and the need for government to provide immediate financial stimulus for lost revenues and wages as part of an economic recovery package that provides financial relief, and not simply a deferral of debt.

Appendix A

3.0 COVID-19 Impact on Ontario Tourism Operations Coded Summary

Q4: How do your sales/revenue in March 2020 compare to your sales/revenue in March 2019?

All Responses

| Q4: How do your sales/revenue in March 2020 compare to your sales/revenue in March 2019? | | |
|--|-------|-----|
| Change in sales | Count | % |
| Decreased by more than 50% | 778 | 40% |
| Decreased by 26-50% | 300 | 15% |
| No change | 215 | 11% |
| Decreased by 11-25% | 145 | 7% |
| Decreased by 10% | 51 | 3% |
| More than 50% | 50 | 3% |
| Increased by 10% | 25 | 1% |
| Increased by 11-25% | 22 | 1% |
| Increased by 26-50% | 22 | 1% |
| Other (please specify) | 323 | 17% |

Other please specify

| Q4: How do your sales/revenue in March 2020 compare to your sales/revenue in March 2019? Other please specify | | |
|---|-------|-----|
| Coded change | Count | % |
| Seasonal business not yet open | 157 | 49% |
| Revenue decrease 90-100% | 51 | 16% |
| New business- no data to compare | 27 | 8% |
| Temporary closure or postponement | 16 | 5% |
| Organization not revenue-oriented | 15 | 5% |
| Revenue decrease 80-89% | 7 | 2% |
| Revenue decrease 70-79% | 6 | 2% |
| Permanent closure or cancellation | 3 | 1% |
| Revenue decrease 50—59% | 1 | 0% |
| Revenue decrease 60-69% | 1 | 0% |
| Other | 39 | 12% |

Q5: What actions have you currently taken as a result of COVID-19? Select all that apply

All Responses

| Q5: What actions have you currently taken as a result of COVID-19? Select all that apply | | |
|---|--------------|----------|
| Action | Count | % |
| Closed temporarily | 1133 | 58% |
| Laid off staff | 729 | 38% |
| Reduced Services | 576 | 30% |
| Reduced staff hours | 438 | 23% |
| Closed permanently | 27 | 1% |
| Other (please specify) | 503 | 26% |

Other please specify

| Q5: What actions have you currently taken as a result of COVID-19? Other please specify | | |
|--|--------------|----------|
| Coded Action | Count | % |
| Seasonal / too early | 178 | 35% |
| Reduced services | 65 | 13% |
| Not hiring | 43 | 9% |
| Cancellations | 41 | 8% |
| Closed business | 38 | 8% |
| Staff working remotely | 34 | 7% |
| Adapting business | 30 | 6% |
| Delayed services | 28 | 6% |
| No changes | 22 | 4% |
| No salary | 16 | 3% |
| Other | 8 | 2% |

Q7: Looking ahead at the next 3 months, please indicate the risks your business is facing. Select all that apply

All Responses

| Q7: Looking ahead at the next 3 months, please indicate the risks your business is facing. Select all that apply | | |
|---|--------------|----------|
| Risk | Count | % |
| Closing your business temporarily | 1,117 | 57% |
| Unable to open for the summer season | 1,005 | 52% |
| Unable to pay staff wages | 730 | 38% |
| Closing your business permanently | 420 | 22% |
| Unable to pay staff sick leave | 264 | 14% |
| Other (please specify) | 360 | 19% |

Other please specify

| Q7. Looking ahead at the next 3 months, please indicate the risks your business is facing. Other please specify | | |
|--|--------------|----------|
| Code Risk | Count | % |
| Financial concerns (i.e. Cash flow/sales loss/unable to pay expenses/debt issues/may need to close/sell/go bankrupt) | 163 | 45% |
| Continued closure/limited operations/seasonal/uncertain opening date | 40 | 11% |
| Staffing concerns/loss of staff/not hiring | 35 | 10% |
| Cancelled/postponed/uncertainty re: events | 30 | 8% |
| No change/none/N/A | 11 | 3% |
| Other | 81 | 23% |

Q10: What other forms of financial aid do you require during COVID-19?

All Responses

| Q10: What other forms of financial aid do you require during COVID-19? Select all that apply | | |
|---|--------------|----------|
| Financial Aid | Count | % |
| Increased access to direct financial aid | 825 | 42% |
| Increased access to interest free loans | 722 | 37% |
| Debt forgiveness | 644 | 33% |
| Mortgage moratorium | 447 | 23% |
| Commercial rent moratorium | 386 | 20% |
| Personal rent moratorium | 119 | 6% |
| Other (please specify) | 351 | 18% |

Other please specify

| Q10: What other forms of financial aid do you require during COVID-19? Other please specify | | |
|--|--------------|----------|
| Coded Financial Aid | Count | % |
| Cash or Grants | 43 | 12% |
| Deferral or Cancellation of Municipal Taxes (e.g., Property Tax) | 35 | 10% |
| Deferral of Loan Payments or Interest | 30 | 9% |
| Wage Subsidy | 18 | 5% |
| Deferral of Fixed Business Costs | 17 | 5% |
| Deferral or Cancellation of Provincial/ Federal Taxes (e.g., HST) | 12 | 3% |
| Marketing Support | 11 | 3% |
| None/ N/A | 81 | 23% |
| Don't Know | 69 | 20% |
| Other | 35 | 10% |