

TIAO Provincial Survey #4 Report, April 30, 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 with 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 our province wide surveys. The EGS enables TIAO to build capacity through other networked institutions, and

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.

collaborate applied research institutes. 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.

Survey 4⁵ continued to measure the impact on tourism workers by tracking layoffs, closures, reduced services, and the need for wage subsidies. Survey 4 also tracked the recent developments in the newly available government aid, focusing on which tourism operations were applying, and which businesses did or did not meet the eligibility criteria. Survey 4 was expanded to track whether tourism businesses that are temporarily closed have access to business interruption insurance, and what other forms of government aid are required 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, and 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 took the time to contribute key data in the midst of a crisis.

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.

⁵ Survey 4 collected data from April 22nd to April 27th, 2020. Survey 4 collected responses from 1,180 respondents from every sector of tourism, and across every region of Ontario.

Survey 4: Key Findings

The data collected from survey 4 indicates that the greatest risks to tourism operations are:

- Uncertainty around when they will be able to re-open
- Temporary closures becoming permanent
- Ineligibility for existing government aid
- Insurmountable debt levels
- Government aid not sufficient to ensure the viability of tourism businesses

Top line data:

- More than 60% of tourism businesses are temporarily closed
- 50% of seasonal tourism businesses will be unable to open for the summer season
- 23% of tourism businesses do not qualify for any of the current COVID-19 related government aid for businesses

The data generated by survey 4 indicates that tourism businesses and operators continue to be severely impacted by the COVID-19 response. The majority of tourism businesses across the province are closed, and many seasonal businesses report that they will not be able to open at all for the summer season.

Government aid across federal and provincial jurisdictions has been rolled out in response to the impact that COVID-19 has had on businesses. However, the data shows that tourism businesses require greater levels of support to remain viable, with **23%** of tourism businesses reporting that they do not qualify for any of the current COVID-19 related government aid, and **53%** of tourism businesses reporting that the current government aid is not sufficient to maintain the viability of their business during the COVID-19 pandemic.

Insurance Gaps:

- Less than 4% of tourism businesses that are closed have insurance that covers this business interruption

Financial Aid, not Debt Deferral:

- More than 53% of tourism businesses report that the current COVID-19 government aid is not sufficient to maintain the viability of their business during the COVID-19 response.

Lay-offs:

- 37% of tourism businesses indicate that they have laid off staff; of those, 38% have laid off between 76 to 100% of their staff.

The risks to tourism businesses in 3 months' time:

- 38% will be unable to pay their commercial rent or mortgage
- 36% will be unable to pay staff wages
- 32% will be unable to pay commercial utilities
- 27% will face insurmountable debt levels
- Of the businesses that remain open, 51% report that they risk temporary closure
- Nearly 16% of tourism businesses report that they risk permanent closure
- 12% of tourism businesses are at risk of bankruptcy
- 82% of tourism businesses face significant loss of cash flow within 3 months

Access to Available Aid:

In response to the question of which types of COVID-19 related aid tourism businesses have applied for, and which you intend to apply for when available, the data reveals that businesses have tried to access the following:

- 9% have applied for the 10% wage subsidy
- 33% have applied for the 75% wage subsidy
- 43% have applied for the \$40,000 interest free loan
- 38% have applied for the Canadian Emergency Response Benefit

However, as indicated earlier in this report 23% of tourism businesses do not meet the eligibility criteria for any of the currently available government aid.

Additional Aid Required:

In response to which additional forms of financial aid businesses require, respondents reported the following:

- 34% require a commercial rent/mortgage moratorium⁶
- 46% require increased access to interest free loans
- 50% require increased access to direct financial aid
- 42% require debt forgiveness

The Ontario tourism industry is experiencing unprecedented decline and loss as a result of the necessary state response to COVID-19. At TIAO we are working to understand the multifaceted needs of tourism

⁶ We recognize that the Canadian Emergency Commercial Rent Assistance has been launched, however, the requirement for commercial landlords to apply for this and the provide the relief to their eligible tenants, means that the are significant barriers to tourism SMEs accessing this.

businesses during the COVID-19 response, so that we can communicate to government what forms of aid are necessary to ensure that businesses remain viable.

Quotes from Industry on the most significant impact COVID-19 has had on tourism operations:

The Ontario tourism industry includes operations in every region of the province, ranging in size and scope. At TIAO we represent the geographically specific needs of tourism operations to all levels of government. In order to best represent the requirements of tourism businesses to government, we need to understand the impact of COVID-19 across spatial and political geographies. The following quotes are a selection of direct responses from tourism operators across regions of Ontario, and across sectors. These responses highlight the impact of the COVID-19 response across the industry, ranging from the impact on Northern tourism businesses that rely on U.S guests, to the challenges of seasonal businesses not knowing how to anticipate the restrictions in the coming months.

“We need to work on how business will be once we reopen? What will our guests comfort level be dining out? How long will it take to get our sales back to be able to pay our bills?”

“My wife and I have operated a seasonal tourist lodge for 30 years and we are about to lose all of our revenues for this year, and we will not be able to hire and pay our usual staff of 8 -9 people. This will affect all of our suppliers in the food, gas, Marina, and various other industries like guides, products in the gift industry, office supplies, cleaning supplies, various hardware products to do improvements, maintenance, etc.

“98% of my guests are from the US. A closed border means that my projected revenues for 2020 have dropped from \$2.3 million to effectively \$0. My biggest worry is for my staff. I have been able to support many of them for years and I am extremely concerned for them and their families.”

“I run a small event catering company, operate a retail food store (still open), food truck and arena concession stands. All but one of my catering contracts has cancelled and my retail food store remains open. To date I have lost nearly \$200,000 in bookings since this began in March and that stands to grow significantly. I will not be able to hire the summer staff I anticipated. I have already laid off some staff.”

“We may go bankrupt and cease to operate.”

“Most likely we will have to close the Motel operations as can't pay the monthly fixed expenses if this lasts much longer.”

“The uncertainties as a tourism operation, I have reservations in advance and don't know what to tell my guest that are expected to come in May, June, July, August, September. Most of my business income comes in June, if I knew the US Border would open in July I could move my June guest into July and August. So, it is the uncertainties. If I knew when the border would open I would be able to hire my employees in May so that they didn't have to find employment somewhere else.”

“100% loss of all revenue with impacts to continue”

“We see the majority of our revenue in four months, July through October, and the majority of our guests are from Europe. That will not occur this year. How will we make it through the following year without that income?”

“Festivals need to be planned and organized a year in advance. The layout of financial commitment is significant and if the event is cancelled all the monies spent is lost. This type of tourist venture is already at the mercy of weather, economy etc. If it doesn't run at all, there is no revenue to start next years venture”

“Not eligible for operating funding through provincial or federal programs; earned revenue is extremely critical in our ability to survive and our closure has taken our primary revenue source away.”

“We are seasonal, if we cannot open this summer it greatly affects our business”

“Most of our guests are from the U.S. and because of border closure and U.S. lockdown regulations at this time the majority of our June customers have cancelled which is the largest part of our revenue for the season. We have no way to recover this loss.”

“We are US citizens and own a camp in Ontario. Not being able to get across the border has stopped us from getting the camp ready to open when they open the border. Depending on how long they keep the

border closed will determine the long term effects on our camp. We need the border open soon at least for camp owners to get to their camps.”

Exponential Decline Requires Unprecedented Aid:

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. We recognize that the tourism industry is facing exponential decline, and therefore requires unprecedented levels of financial aid. 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.

TIAO has been the official voice of the tourism industry through previous years of exponential growth. We have worked to highlight tourism as one of the key economic players in the province, and have contributed laser focused, evidence informed policy recommendations to government, to ensure the political, economic, and regulatory environment of Ontario reflects the needs of the tourism industry. Now in the midst of the global pandemic and global economic crisis, we continue to represent the rapidly evolving needs of our industry. We continue to examine and evaluate the economic needs of our industry, and work with all levels of government to deliver economic recovery packages that will allow tourism to continue to foster innovation and culture, and drive the economy in the coming years.

Appendix A

4.0 COVID-19 Impact on Ontario Tourism Operations Coded Summary

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

All Responses

Risk	Count	%
Significant loss of cash flow	963	82%
Closing your business temporarily	599	51%
Unable to open for the summer season	586	50%
Employee lay offs	509	43%
Unable to pay commercial rent or mortgage	436	37%
Unable to pay staff wages	418	35%
Unable to pay commercial utilities	377	32%
Insurmountable debt levels	312	26%
Closing your business permanently	180	15%
Bankruptcy	141	12%
Unable to pay staff sick leave	114	10%
Other please specify	135	11%

Other please specify

Risk	Count	%
Loss of Income	42	31%
Unable to cover expenses	28	21%
Hiring concerns/uncertainty	12	9%
Cancellations	10	7%
Too early	7	5%
Insurance issues	7	5%
Health costs or concerns	6	4%
Consumer confidence	5	4%
None	3	2%
Other	15	11%

7. Please indicate which types of COVID-19 related aid you have applied for, and which you intend to apply for when available. Select all that apply.

All Responses

Aid applied for	Count	%
\$40,000 Interest free loan	498	42%
Canada Emergency Response Benefit (CERB)	434	37%
75% wage subsidy	377	32%
Deferring GST/HST payments and customs duty remittances until June 30, 2020	297	25%
10% wage subsidy	106	9%
Canada Emergency Commercial Rent Assistance (CECRA)	105	9%
Employment Insurance (EI)	75	6%
I do not qualify for any of the COVID-19 aid	270	23%
Other please specify	148	13%

Other please specify

Aid applied for	Count	%
Do not qualify for aid- no permanent employees	34	23%
None	24	16%
Undecided	22	15%
Do not qualify for aid- seasonal	14	9%
Other loan/grant/refinancing	14	9%
CERB or EI benefits	9	6%
Seeking sector-specific support	9	6%
Deferred tax payments	5	3%
Deferred rent/mortgage	4	3%
Other	13	9%

8. What other forms of financial aid do you require during COVID-19? Select all that apply.

All Responses

other forms of financial aid	Count	%
Increased access to direct financial aid	524	44%
Increased access to interest free loans	477	40%
Debt forgiveness	435	37%
Commercial rent/mortgage moratorium	356	30%
Personal rent moratorium	48	4%
Other please specify	241	20%

Other please specify

other forms of financial aid	Count	%
None	48	20%
Tax Cancellation/Utility/Mortgage/Lease Deferral +/-or Moratorium	29	12%
Debt Forgiveness, Subsidies/Grants Not More Debt (i.e. loans)	24	10%
Ease/Change Loan/Other Assistance Program Qualifications	15	6%
Enhanced Arts/Culture/Festival Supports	11	5%
Marketing/Product Development/Capital Supports	7	3%
Re-open Economy/Depends Upon When Can Re-open	7	3%
Wage Support/Subsidies/Program Extension	7	3%
Cover/Reduce Insurance Costs	3	1%
Forgiveness of Crown land/natural resource fees	3	1%
N/A	35	15%
Other	51	21%

11. Is the current COVID-19 government aid sufficient to ensure that your tourism operation will remain viable and ready to open when the restrictions are lifted?

All Responses

government aid sufficient	Count	%
No	614	54%
Yes	251	22%
Other please specify	281	25%

Other please specify

government aid sufficient	Count	%
Depends on the length of time the restrictions are in place	84	30%
Don't Know	81	29%
Ineligible for government aid	20	7%
Yes, if government aid applied for is received	11	4%
N/A	47	17%
Other	38	14%