

March 21, 2020

Honourable Lisa Beare
Minister of Tourism, Arts and Culture
Room 151, Parliament Buildings
Victoria, B.C. V8V 1X4
Via email: TAC.Minister@gov.bc.ca



RE: Proposed Government Measures to Assist BC's Tourism and Hospitality Industry

Dear Minister Beare:

As you are well aware, British Columbia's tourism and hospitality industry is one of BC's top three business sectors. It generates over \$19 billion revenue annually, with over 300,000 employees working within 19,000 tourism businesses. There is no doubt that it makes a vital contribution to the social and economic health of communities in all regions of the province.

The COVID-19 pandemic, and the unprecedented measures being taken to contain it, have been a direct and severe blow to the industry. Second only to healthcare, tourism and hospitality businesses in BC have been the first and hardest hit sectors. With all leisure and business travel now at a standstill, BC's visitor economy will lose several billion dollars in revenue during the March to June period alone. An immediate and effective response from the Province of British Columbia is imperative to ensuring the survival and subsequent recovery of this vital sector.

The Tourism Industry Association of BC (TIABC) is working closely with our members, various business sectors, provincial counterparts, as well as all levels of government, to continually monitor and respond to the ever-evolving impacts of the crisis. We are asking the Province of British Columbia to take bold, decisive and meaningful action to support BC's visitor economy and, together with our partners, are recommending the following measures be included in the provincial recovery plan due to be presented on Monday, March 23rd, 2020.

First and foremost – survival. Depending on their primary season of operation, many operators, especially small and medium sized businesses, will not be able to survive this crisis without support and require financial assistance and other measures to remain viable. The threat of permanent business closures will worsen as containment measures extend over the next several months. We are advocating for the provision of immediate relief measures to help mitigate business closures and job losses, and for recovery funding once the crisis subsides. The ramifications to date are measurable:

- Multiple hotels have closed and those that remain open have seen occupancy drop to below 10% versus the normal March average of 60-70%.
- Most ski resorts have closed; 15,000 ski industry employees have been laid off, representing an estimated \$500 million loss to the provincial economy.
- Meetings, conventions, special events and other public visitor activities have all been cancelled or postponed indefinitely.
- The multi-million-dollar cruise ship sector and its benefits to sectors such as retail and attractions, has been shut down until July 2020.

Importantly, the dramatic decline in present and future business has already resulted in widespread layoffs across BC. Furthermore, when the mandated leave period (vacation time, sick leave) for many employees expires in two or three weeks, further layoffs will occur. While our industry is doing what it can to support thousands of employees who rely on a thriving tourism industry to pay their bills and support their families, we cannot do it without government assistance.

On behalf of our sector partners, TIABC submits the following recommendations:

1. The establishment of a Tourism & Hospitality Emergency Fund to help operators survive this extended period of uncertainty and loss, and to mitigate the impacts on the industry;
2. Temporary measures to allow tourism and hospitality businesses to better manage cash flow, reduce fixed costs, and retain staff during the crisis period, such as: property tax or employer health tax reductions; tenure fee suspensions or deferrals; loan payment relief; etc.;
3. Assistance to the Province's community destination marketing organizations, whose revenues have plummeted due to low accommodation occupancy;
4. Assistance to tourism and hospitality sector associations who are likely to experience revenue reductions due to declining memberships;
5. Special one-time, multi-year incremental funding for Destination British Columbia to boost marketing in key source markets, as well to promote a domestic travel campaign to encourage BC residents to travel within their home province (when the time is right to do so);
6. Stimulus and recovery funding for tourism product investments to ensure the industry can quickly rebound once the outbreak is over; and,
7. Assistance to advocate to the Federal Government on further measures to mitigate business insolvency and job loss in British Columbia.

Minister, we can only get through this crisis by working together. The entire province is looking to your leadership for swift and effective action in the face of this crisis. The provincial plan needs to align with the federal plan for the well being of British Columbians, with strong focus on the tourism and hospitality industry as a key contributor to our economy. We trust the recommendations above, and detailed more fully in the following attachment, will aid in the recovery and resilience of our province. We would be pleased to meet with you to discuss this brief in further detail.

Sincerely,



Walt Judas
CEO, TIABC
778-953-062-

Enclosure: (1)

CC: Premier John Horgan
Hon. Carole James, Minister of Finance
Shauna Brouwer, Deputy Minister, Tourism, Arts & Culture
Lori Wannamaker, Deputy Minister, Finance

Recommendations to Assist British Columbia's Tourism and Hospitality Industry Respond and Recover From the COVID-19 Pandemic Crisis

1. Establish a Tourism & Hospitality Emergency Fund to help operators retain and pay core staff, and manage fixed costs such as rent, hydro and other expenses

Rationale: Emergency funding is required to assist tourism and hospitality businesses, especially small and medium sized operators, through the crisis period. A fund would be established immediately to offset staff layoffs and business closures.

a. Top-up of the temporary Federal Government Wage Subsidy

The Federal Government's COVID-19 Economic Response Plan announced on March 18, 2020 included a temporary wage subsidy to help businesses keep their workers. The wage subsidy is for a period of three months, equal to 10% of remuneration paid, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer to help businesses keep their workers.

While this measure is welcome, it falls well short of what is needed and should instead follow best-practice examples like New Zealand's COVID-19 wage subsidy program and other countries that are offering packages equivalent to 10% of GDP rather than Canada's package equivalent to 3% of GDP.

*For more information on the New Zealand temporary wage subsidy program:

<https://www.employment.govt.nz/leave-and-holidays/other-types-of-leave/coronavirus-workplace/wage-subsidy/>

Recommendation: Introduce an incremental supplement to the federal wage subsidy, at a level higher than the Government of Canada has proposed.

b. Offset other fixed business costs

Rationale: Tourism and hospitality businesses must pay rent, hydro and other fixed costs even while generating little or no revenue for the next several months.

Recommendation: Design a cost-offset program with a percentage offset for eligible fixed costs to assist businesses in meeting their obligations.

2. Temporary measures to support business and mitigate job loss

a. Increase the Employer Health Tax threshold and reduce and/or eliminate the tax for 2020

Rationale: The BC Employer Health Tax (EHT) has become an incremental and significant expense for medium to large tourism and hospitality employers since its introduction in January 2019.

Recommendation: Temporarily raise the exemption threshold (e.g. to \$1,500,000) and reduce and/or eliminate the tax for the year 2020 for all eligible tourism and hospitality businesses.

b. Defer property tax liabilities and payments to 2021

Rationale: While businesses face shutdowns or significantly reduced revenues, fixed costs such as property tax liabilities and payments must still be paid. Therefore, deferring 2020 property tax payments until 2021 with no interest penalty would allow businesses an opportunity to apply cash reserves to other immediate expenses.

Recommendation: Work with local governments to defer property tax liabilities until 2021.

c. Regulate travel cancellation insurance or provide a form of guarantee to mitigate impacts on small businesses

Rationale: Many guests to BC purchased travel cancellation insurance. With COVID-19, some insurance providers are not honouring those policies or changing them to avoid payouts. Many operators have had to negotiate and refund (in some cases 100%) prepaid sales, affecting their viability to stay open.

Recommendation: Hold insurance providers accountable, or compel them to provide a form of guarantee, therefore mitigating impacts on small business operators.

d. Temporarily eliminate or defer land tenure and other permit guide fees

Rationale: Tourism and hospitality businesses (including adventure tourism, alpine skiing, campgrounds and resorts) pay annual Land Act and Park Act fees to the Crown. These tenure fees include BC park fees, tenure fees, classified road day fees, royalties and other rents or licences or client day fees. These tenure fees comprise a significant portion of their operating costs.

Recommendation: Eliminate or defer all tenure fees for tourism businesses for 2020 anticipating their severely curtailed business volume for this year.

e. Allow restaurants and pubs to sell liquor products with take-away or delivery orders

Rationale: Most BC pubs and restaurants that can remain open are currently converting to a take-away or delivery model, often with substantial cost changes to their operations. Businesses are making this transition to meet payroll and continue to employ staff, as well as offer food service to our self-isolated population. Allowing these businesses to sell liquor products with food will help struggling businesses generate desperately needed revenue and will also help liquidate thousands of dollars of liquor inventory that, in most cases, was purchased on credit.

Recommendation: Immediately allow the purchase of meals for take-away or delivery to include the purchase of pre-packaged alcoholic beverages (i.e. sealed, unopened, original containers such as bottles or cans of wine, beer, cider, spirits, and pre-mixed ready-to-drink beverages).

f. Implement “hospitality pricing” for restaurants, pubs, and bars to allow all Liquor Primary and Food Primary licensees to purchase liquor products at full wholesale price

Rationale: The pubs and restaurants able to remain open during this crisis desperately need to reduce their costs wherever possible. In the coming months, it will be equally important to support these businesses as they struggle to get back on their feet. Offering liquor products at wholesale prices will provide essential breathing space to allow operators to continue while retaining some staff.

Recommendation: Liquor Distribution Branch immediately create a “hospitality price” that extends full wholesale price to all Liquor Primary and Food Primary customers.

g. Support a program to encourage BC workers who have been laid off to find employment with local agri-tourism businesses

Rationale: Under current travel restrictions, all foreign workers are banned from entering Canada. Farm workers who were scheduled to arrive in the next few weeks will not be arriving.

Consequently, agri-tourism businesses that need workers will be missing a significant part of their workforce heading into a critical part of the season, thus hampering their ability to deliver farm-based experiences.

Recommendation: Commit resources to connect unemployed resident workers with agri-tourism businesses in need of seasonal assistance.

h. Maintain health benefits to employees laid off during the crisis

Rationale: Many of the requested changes to the Federal Government EI programs for self employed, part time, work sharing, and EI waiting periods were addressed in the government's COVID-19 Economic Response plan. However, employees laid off during the crisis will also have employer-provided health benefits suspended.

Recommendation: Provincial government assistance to establish a program for employees laid-off during the COVID-19 crisis to retain health benefits.

3. Emergency Loan Provisions for BC's Community Destination Marketing and Management Organizations (CDMOs)

Rationale: CDMOs play a vital role connecting people to the communities they visit across BC. Most CDMOs receive funding from the Municipal and Regional District Tax (MRDT) applied on accommodation in their respective communities. As hotels close and occupancy drops below 10%, CDMOs are struggling to keep operations open. The BC DMO Association has requested support for interest-free loans against future MRDT revenues to be paid back over the next three years.

Recommendation: Support the request of BC CDMOs for emergency loan provisions against future MRDT revenues, as well as extensions to expiring MRDT renewals.

4. Financial support for Provincial and Sector associations

Rationale: Provincial sectoral tourism associations, who depend on membership revenues, will face financial pressures as a result of COVID-19 business closures. As their membership experiences a negative financial loss, there will be a subsequent impact to the sector associations. Individual businesses will look to sector associations for advice as they move from recovery phase to the resilience phase as travel resumes. These associations advocate on behalf of members and provide government with critical industry research, insights, and policy recommendations to advance the overall visitor economy.

Recommendation: Extend a one-time grant to sector associations based on demonstrated financial impact to ensure their future viability.

5. Marketing Recovery Funding

Rationale: Although recovery actions appear months away, experience shows that tourism is resilient and poised to rebuild after the crisis ends. The length of time for the visitor economy to recover to a 'normal' state could take several years, but the planning for recovery should start now.

During the SARS crisis, the Government of Canada provided the Canadian Tourism Commission an incremental \$20.1 million to help the tourism industry rebuild and rebound.

Recommendation: Provide one-time incremental, multi-year funding for Destination British Columbia to boost marketing in key source markets, support air service marketing initiatives in Canada and internationally, as well as promote a domestic campaign to encourage residents to travel within their own home province.

6. Stimulus Funding for destination and product development as part of recovery

Rationale: Many tourism-related capital investments planned for this year have been cancelled or postponed. These include upgrades to facilities, expansion plans, new amenities and services. Governments will need to provide stimulus funding and business incentives to invest in projects as part of a recovery strategy and to ensure the viability of the visitor economy. A range of measures (e.g. low interest loans, tax credits, seed money for projects) will need to be coordinated with the Federal Government.

Recommendation: Prepare a program of stimulus funding and incentives to encourage tourism product and destination development in communities by regional destination management organizations and sectors around the Province.

7. Assistance with advocating for Federal Government Measures

- a. **Loan payment relief** – defer mortgage/loan payments or cover loan payments for the remainder of 2020 and offer a three-year repayment period starting in 2021.

Rationale: The recent Bank of Canada emergency cut to interest rates and the Federal Government's announcement of \$10B to increase lending facilities will help tourism and hospitality businesses. However, given the seasonal nature of tourism, many businesses will require temporary relief on mortgage or loan payments in 2020 due to reduced income streams.

Recommendation: The Federal Government put in measures and consider further programs with financial institutions to enable tourism businesses to:

- **Defer mortgage/loan payments at no interest**
- **Cover loan payments for the remainder of 2020**
- **Offer a three-year repayment period starting in 2021.**

- b. **Defer corporate income tax liability and offer employers a three-year repayment period starting in 2021**

Rationale: Despite extended closures and significantly reduced revenue streams, tourism business owners are still required to pay corporate income tax.

Recommendation: The Federal and Provincial governments defer the 2020 corporate tax liability and offer business owners a three-year repayment period starting in 2021.





