

## TIAO Provincial Survey #7 Report, August 6<sup>th</sup>, 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, 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, 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 geographies<sup>1</sup>, 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 collaborate with applied research institutes. The multipronged EGS directly informs our recommendations to all levels

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<sup>1</sup> 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.

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 1<sup>2</sup>** 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 2<sup>3</sup>** 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 3<sup>4</sup>** 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 4<sup>5</sup>** continued to measure the impact on tourism businesses and 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.

**Survey 5<sup>6</sup>** continued to measure the impact on tourism businesses and workers by tracking layoffs, closures, and reduced services. This survey shifted focus from looking at the need for wage subsidies and began tracking what percentage of businesses received the CEWS and what percentage of their work force was sustained.

**Survey 6<sup>7</sup>** continued to measure the impact on tourism businesses and workers by tracking layoffs, closures, and reduced services. This survey was restructured to capture the shifts in tourism operations, as many businesses were preparing to or re-opening as part of phase 2.

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<sup>2</sup> Survey 1 collected data from March 12<sup>th</sup> to 16<sup>th</sup>, 2020. Survey 1 collected responses from 1,629 respondents from every sector of the tourism industry, across every region of Ontario.

<sup>3</sup> Survey 2 collected data from March 18<sup>th</sup> to 23<sup>rd</sup>, 2020. Survey 2 collected responses from 3,457 respondents from every sector of tourism in every region of Ontario.

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

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

<sup>6</sup> Survey 5 collected data from May 13<sup>th</sup> to May 19<sup>th</sup>, 2020. Survey 5 collected responses from 1,002 respondents from every sector of tourism, and across every region of Ontario.

<sup>7</sup> Survey 6 collected data from June 10<sup>th</sup> to June 19<sup>th</sup>. Survey 6 collected 763 responses from respondents in every sector of tourism, and across every region of Ontario.

**Survey 7<sup>8</sup>** continued to measure the impact on tourism businesses and workers by tracking layoffs, closures, and reduced services. This survey was restructured to capture the shifts in tourism operations, as many businesses were preparing to or re-opening as part of phase 3. Additionally, this survey added a measure to track business sentiment and confidence around the viability of operations going into 2021.

#### **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 analysis 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 the 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.

### **Survey 7: Key Findings**

#### **The crux of the Findings:**

As with Survey 6 the data is showing month over month that **re-opening does not equal recovery**. While we continue to see a positive shift in the number of tourism businesses that are able to re-open, and more that are preparing to re-open in the coming weeks, there is still a significant risk that many more businesses will not survive the summer season, and many more will not remain financially viable into 2021.

With many tourism businesses and operations entering Phase 3 of the gradual re-opening of the economy, the data shows that many risks to businesses still abound. The combination of reduced operating capacity and revenues, increased costs for PPE and new safety infrastructure, and uncertainty about the return of the international visitor economy, means that many tourism businesses require the extension of the existing financial aid, as well as increased access to grants, rather than loans. The key themes that have emerged from the survey 7 data are:

- Re-opening does not mean reduced precarity for tourism businesses or workers
- Many business owners report low levels of confidence that their operations will remain open and viable into 2021
- The continuation of the Canadian Emergency Wage Subsidy (CEWS) into all stages and phases of recovery is critical for operators who are operating at reduced capacity, and still paying the fixed

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<sup>8</sup> Survey 7 collected data from July 15<sup>th</sup> to July 31<sup>st</sup> and had 675 responses from every sector of tourism and every region of Ontario.

operations costs in full

- Provincial and federal economic relief will need to be continued throughout re-opening stages
- Liquidity is one of the most significant barriers, with many tourism businesses reporting the need for grants to cover revenue loss, wages, PPE, and new safety infrastructure
- The impact of COVID-19 continues to vary in intensity across certain regions and sectors, with operators in Northern Ontario battling with uncertainty over the U.S border, and many in the event sector having to postpone major work until 2021

### **The Gradual Re-opening**

The continued focus on health and safety of all Ontarians means that certain regions of the province entered Phase 3 before others. The result is that the gradual re-opening of tourism businesses reflects uneven stages based on geographic location. For Northern Ontario, re-opening is further complicated by ongoing uncertainty about when the U.S border will open, as many Northern tourism businesses rely on the U.S visitor for up to 100% of their bookings.

The data shows the shift in the re-opening process:

- 25% of tourism businesses are reporting that they are temporarily closed. This is a significant change, as we have been seeing a consistent reporting of 60-65% of tourism businesses being temporarily closed for the past 4 months
- 1% are permanently closed due to COVID-19
- Nearly 5% are preparing to re-open
- 37% are partially open with limited operations and reduced capacity
- More than 13% report that they are now re-opened after having been closed due to COVID-19

### **Serious Risks Abound:**

Despite the re-opening and most of Ontario entering phase 2, there are still serious risks facing tourism businesses and operators. The data shows us that the risk of bankruptcy, permanent closures, and continued layoffs is still the reality for many tourism businesses. In particular:

- Nearly 22% are unable to pay their commercial rent or mortgage
- Nearly 17% are unable to pay their commercial utilities
- Nearly 42% are facing more employee layoffs
- 24% are unable to pay staff wages
- Nearly 9% report that they are currently at risk of closing permanently
- 25% are at risk of not being open at all for the summer season
- More than 5% of tourism businesses are currently facing the risk of bankruptcy
- 74% are facing significant losses of cash flow

Despite businesses beginning to carefully re-open in certain sectors and regions across the province, we see that many are still facing serious liquidity issues, bankruptcy, and potential permanent closures.

The data indicates that tourism businesses not only need continued access to the current forms of financial aid, but in many cases expanded eligibility, as well as new forms of direct financial aid. In the following section we look at the trends in the data regarding which programs are working, where the gaps are, business confidence about the future, and what will need to be extended into the next stages of re-opening.

### **Business Confidence:**

When asked to report on their confidence level that their tourism business will remain economically viable into 2021, we found that there was a significant degree of uncertainty, punctuated with some very low levels of confidence:

- 12% reported high levels of confidence
- 30% reported moderate levels of confidence
- 23% reported low levels of confidence
- 14% reported very low levels of confidence
- Nearly 2% reported that their businesses have already closed

### **Is the Ontario Canadian Emergency Commercial Rent Assistance working?**

The Ontario government made the critical step to pass a moratorium on commercial rent evictions for those that qualify for the Canadian Emergency Commercial Rent Assistance. However, the data shows that there is still a less than ideal number of tourism businesses that have landlords enrolling in the federal and provincial relief program.

- 12% of respondents indicated that their commercial landlord enrolled in the Ontario Canadian Emergency Commercial Rent Assistance program

The increase to 12% of tourism businesses reporting that their commercial landlord enrolled in this, shows an increase in engagement compared to when Survey 6 was released in June where the data showed that only 8% of tourism businesses were benefiting from it, and Survey 5 from May indicated that only 4% had access. However, even with this increase the data indicates that there remains a need for greater eligibility and ways to encourage landlords to enroll. At TIAO we are continuing to push for greater eligibility criteria, including the removal of the parent company revenue cap, so that chain locations are not deemed ineligible based on the total revenue of their parent company.

### **What help is coming through the Canadian Emergency Wage Subsidy?**

Survey 7 continued to track which tourism businesses are accessing the Canadian Emergency Wage Subsidy (CEWS) and how effective it is for sustaining portions of the tourism workforce:

- 67% of tourism businesses are using CEWS to sustain 1-10% of their workforce

- 4% of tourism businesses are using CEWS to sustain 41-50% of their workforce
- 4% of tourism businesses are using CEWS to sustain 71-80% of their workforce
- 7% of tourism businesses are using CEWS to sustain 91-100% of their workforce

The numbers show that tourism businesses that are eligible are using this, however there are reports that it is difficult to top up the remaining 25% of the wages when many businesses are in a liquidity crunch.

- 23% of tourism businesses indicated that they did not apply as they are not eligible for CEWS
- 37% of tourism businesses have indicated they will require ongoing access into 2021 to CEWS to remain economically viable

#### **What forms of aid need to be added/continued:**

- 36% of tourism businesses have indicated they require direct grants to cover the costs of PPE and infrastructure upgrades to be compliant with new COVID-19 operating procedures
- 29% report the need for increased access to interest free loans
- More than 31% report the need for increased access to direct financial aid
- 33% need debt forgiveness
- 18% require financial aid for tourism businesses disproportionately impacted by the border closure
- 53% report that the current financial aid that has been made available through the provincial and federal levels is not sufficient for businesses to remain economically viable

#### **Maintaining the industry through historic losses:**

The data we have collected on the impact of COVID-19, beginning from March 12<sup>th</sup>, has shown us that the losses, as measured by layoffs, permanent and temporary closures, and drastically reduced revenue, represent truly historic losses of the tourism and hospitality industry.

The purpose of collecting and analyzing the impact month over month, is so that TIAO can continue to represent the entire complicated picture to the policy makers at both the provincial and federal levels.

Our job is to ensure that as many tourism businesses as possible remain economically viable throughout the COVID-19 pandemic, and all the subsequent stages of re-opening. To communicate what policy and financial tools are required, we must understand, what the need is from industry, how it varies by sector and region, and where the thresholds are for businesses that are fighting off bankruptcy. Data is the key to our advocacy efforts and allows us to push for nuanced policy tools from government, and greater capture of the most vulnerable segments of the Ontario tourism industry.

**Key quotes from the industry on the most significant impact of COVID-19 to tourism businesses across the province:**

*"We still can't open. When we move into stage 3, the tour/guide services regulations may still require too much social distancing for us to be able to run a tour and even cover costs. We're now looking at not even having any revenue this season and with the emergency infectious disease leave coming to an end we face the potential for paying termination/severance for 100+ employees and we don't have the money to do that. How are businesses supposed to survive?"*

*"We usually host 300 people per week at our camp (families of all ages), our Dining Hall will not be Covid friendly in the new season(s). A reduction of attendees will be detrimental to our operating revenue and costs. The safety of our campers, staff and camp is of utmost importance. A grant to redo our Dining Hall would be a massive investment, and yet, may allow for the new Covid "normal" operations. Because many of our campers are within risk age ranges, we are not certain we would ever be back to full operations."*

*"We are incurring additional debt, which is not sustainable for more than a year"*

*"I am seriously concerned that city council will choose to make major cuts to our already insufficient budget to cover the budget shortfalls created by costs associated to new precautions required to prevent the spread of COVID-19."*

*"Our greatest concern is the we will make until 2021 with our economies but if 2021 is not what 2019 was...then we will be in insurmountable financial obligations"*

*"The cost of PPE is so high that it is seriously impacting our bottom line. Because it was an unforeseen cost, we had no way to prepare or adjust our current rates to absorb some of that cost. Our rates are set well over a year in advance. This has been so far our most difficult year in 31 yrs of business with our Campground. Because it's so risky for us and we are in an area of cottage country that is extremely busy with tourists, our risk is heightened and we have no choice but to open."*

*"The 40,000 loan was nice to get to pay our fixed costs. My concern is it will take years to dig out from under that debt. We are close to retirement and don't have years to do this. Our house mortgage was supposed to be paid off this summer. Not going to happen. We were going to save \$ for a year of travel."*



*Not going to happen. I guess we will just have to keep working a few more years, hoping the tourism and cruise boat industry recover.”*

*“Consistency in funding and aids, Simplified processes, better long term assistance to allow businesses to be able to plan better in the uncertain times since the border opening is unknown, crowd size for events is not certain due to social distancing, better cash flow supports and ensuring that funding reaches all people because even though funding for women businesses as an example is promoted through the rrrf, it’s uncertain how these businesses are chosen. The wage subsidy should be moved into 2021 allowing businesses to bounce back and have less financial impact for employees but also hiring critical roles that will help with their survival and growth after covid-19.”*

## Appendix A

### 7.0 COVID 19 Impact on Ontario Tourism Operations Coded Summary

#### Q3. What is the current status of your tourism business or operation?

##### All Responses

Status	Count	%
Partially open/ limited operations/ reduced capacity	251	37%
Temporarily closed	171	25%
Re-opened after closing	86	13%
Open/Never Closed	74	11%
Preparing to re-open for Stage 3 Friday, July 17, 2020	32	5%
Permanently closed	8	1%
Other (please specify)	51	8%
Re-opened and then required to close again due to regulations	1	0%
<b>Total</b>	<b>674</b>	<b>100%</b>

Other please specify

Status	Count	%
Closed but preparing/planning to open (i.e., when restrictions are lifted)	10	20%
Open - but very little or no guests/ business	9	18%
Partially open/ limited operations	8	16%
Working remotely/ converted to online business model	6	12%
Festival/ Event cancelled or postponed	5	10%
Open - but opened late/ delayed opening	4	8%
Closed for the season	1	2%
Other	8	16%
<b>Total</b>	<b>51</b>	<b>100%</b>

**Q5. Please indicate the risk your tourism business is facing presently. Select all that apply.**

**All Responses**

Risk	Count	%
Significant loss of cash flow	488	72%
Employee lay offs	275	41%
Closing your business temporarily	202	30%
Unable to open for the summer season	165	24%
Unable to pay staff wages	157	23%
Unable to pay commercial rent or mortgage	144	21%
Insurmountable debt levels	130	19%
Unable to pay commercial utilities	107	16%
Closing your business permanently	59	9%
Unable to pay staff sick leave	59	9%
Unsure who has the authority to grant me permission to re-open	43	6%
Bankruptcy	33	5%
Unable to cross the US border in order to open by business in Ontario	25	4%
Other (please specify)	135	20%
<b>Total</b>	<b>675</b>	<b>300%</b>

Other please specify

Risk	Count	%
Managing reopening costs and restrictions (guidelines, safety protocols, etc.)	35	26%
Lack of funding/ operating revenue	21	16%
Long-term business sustainability/ uncertainty about future	21	16%
None/ N/A	20	15%
Fear of second wave/ contracting virus	11	8%
Staffing issues (difficulty hiring staff, etc.)	10	7%
Consumer confidence/ lack of tourists	5	4%
Other	12	9%
<b>Total</b>	<b>135</b>	<b>100%</b>

**Q6. Please indicate which types of COVID-19 related aid you have received to date. Select all that apply.**

All Responses

Aid/Resources Received	Count	%
\$40,000 Interest free loan	290	43%
75% wage subsidy	223	33%
Canada Emergency Response Benefit (CERB)	213	32%
I do not qualify for any of the COVID-19 aid	114	17%
10% wage subsidy	73	11%
N/A	58	9%
Employment Insurance (EI)	23	3%
\$50,000 Interest free loan via an Aboriginal Financial Institution (AFI)	2	0%
Other (please specify)	82	12%
<b>Total</b>	<b>675</b>	<b>160%</b>

Other please specify

Aid/Resources Received	Count	%
RRRF	12	15%
Not eligible	9	11%
Did not apply	7	9%
Support not specified	7	9%
Museums Assistance Program	6	7%
No additional funding indicated	6	7%
CEWS	5	6%
BDC Loan	4	5%
Canada Council for the Arts	4	5%
CEBA	4	5%
CECRA	4	5%
CMHC Mortgage Deferral	3	4%
Municipal grant	3	4%
EDC Assistance	2	2%
CERB	1	1%
CFDC Loan	1	1%
ITAC Stimulus Fund	1	1%
Ontario Together Fund	1	1%
RTO Funding	1	1%
South Lake Futures ERB	1	1%
<b>Total</b>	<b>82</b>	<b>100%</b>

**Q9. What other forms of aid/resources do you require during COVID-19? Select all that apply.**

**All Responses**

<b>Other Aid/Resources</b>	<b>Count</b>	<b>%</b>
<b>Extended access to the Canadian Emergency Wage Subsidy (CEWS) into 2021</b>	<b>246</b>	<b>36%</b>
<b>Grants to cover the infrastructure costs and PPE required for re-opening</b>	<b>240</b>	<b>36%</b>
<b>Debt forgiveness</b>	<b>217</b>	<b>32%</b>
<b>Increased access to direct financial aid</b>	<b>213</b>	<b>32%</b>
<b>Increased access to interest free loans</b>	<b>191</b>	<b>28%</b>
<b>Information on when and how you will be able to re-open your business</b>	<b>127</b>	<b>19%</b>
<b>Financial aid for businesses disproportionately impacted by the US border closure</b>	<b>121</b>	<b>18%</b>
<b>None</b>	<b>93</b>	<b>14%</b>
<b>Greater access/eligibility to the Canadian Emergency Commercial Rent Assistance</b>	<b>76</b>	<b>11%</b>
<b>N/A</b>	<b>63</b>	<b>9%</b>
<b>Other (please specify)</b>	<b>76</b>	<b>11%</b>
<b>Total</b>	<b>675</b>	<b>246%</b>

Other please specify

Other Aid/Resources	Count	%
Operational assistance	22	29%
Grants for income losses	15	20%
Wage assistance	9	12%
Property tax relief	7	9%
Pandemic information	6	8%
Benefit assistance/extension	5	7%
None	4	5%
Supplies and Equipment	3	4%
Other	5	7%
<b>Total</b>	<b>76</b>	<b>100%</b>

