

TIAO Provincial Survey #5 Report, May 21st, 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,

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.

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 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 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 5⁶ 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.

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

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.

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

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 5: Key Findings

The data collected from survey 5 indicates that the greatest risks to tourism operations are:

- Uncertainty around when and how they will be able to re-open
- Lack of information and clarity around the re-opening of borders
- Lack of access to the Ontario-Canadian Emergency Commercial Rent Assistance
- Temporary closures becoming permanent
- Ineligibility for existing government aid
- Insurmountable debt levels and severe disruptions to cash flow
- Risk of bankruptcy
- Government aid not sufficient to ensure the viability of some tourism businesses

Top line data:

- More than 65% of tourism businesses are temporarily closed
- 37% of seasonal tourism businesses will be unable to open for the summer season
- 53% of tourism businesses report that the current forms of government aid are not enough to ensure their business remains viable throughout the COVID-19 pandemic.

Problems with the Ontario-Canadian Emergency Commercial Rent Assistance (OCERCA):

- Less than 4% of tourism businesses report that their landlords have applied for OCERCA

The requirement for the commercial landlords to apply on behalf of their tenants creates additional barriers for businesses who qualify for the aid based on the quantification of their revenue loss. Many tourism businesses that have been required to close are not able to access OCERCA, either because their commercial leaser has not applied, because they have a mortgage rather than a lease, or do not meet the 70% loss requirement. Some respondents reported the barriers of accessing OCERCA:

“I advised the landlord about CERCA when it was first announced, and then again when the amount of funding was known. He wanted to think about it and would let me know by Mid-May, but I have not heard anything.”

“The landlord was looking into it to see if they qualified, but even still we are dead in the water, we have no income to pay the 25%.”

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.

While more than half of tourism businesses report that the current COVID-19 government aid is not going to ensure that their operations remain viable throughout the COVID-19 response, there is also a lot of uncertainty reported. Many respondents have indicated that whether the current aid from the provincial and federal government will sustain them depends largely on when, if, and how they are able to re-open, and at what operating capacity. One operated reported:

“This depends largely on when restrictions are lifted. We believe that we will remain viable if we can resume operation for the summer of 2021, but if restrictions on large public gatherings continue into next summer, it could present significant challenges.”

Lay-offs:

- 39% of tourism businesses indicate that they have laid off staff; of those, 31% have laid off between 76 to 100% of their staff.

We continue to see historic numbers for the numbers of layoffs across all sectors in the tourism and hospitality industry. Due to the parameters of the COVID-19 response, our industry was the first to be impacted by massive layoffs which is further complicated by the uneven, and difficult to predict, recovery stages to come.

Workforce Recovery:

- 10% of tourism operators have applied for the 10% Emergency Wage Subsidy
- 29% of tourism operators have applied for the 75% Emergency Wage Subsidy

The uptake in the Emergency Wage Subsidy is complicated by the uncertainty of the recovery phase for the tourism and hospitality industry. Respondents report the difficulty in not knowing when they will re-open and at what capacity.

Of those who have accessed the Emergency Wage Subsidy, the following data indicates how much of their workforce was sustained:

- 12% were able to sustain 1-10% of their workforce
- 4% were able to sustain 11-20% of their workforce
- 3% were able to sustain 21-30% of their workforce
- 6% were able to sustain 91-100% of their workforce
- 31% reported that they did not apply for the Emergency Wage Subsidy due to ineligibility

The combination of ineligibility and uncertainty around re-opening, influence the low number of tourism businesses that have applied for the Emergency Wage Subsidy.

The Immediate Risks to Tourism Businesses:

- 28% unable to pay their commercial rent or mortgage
- 27% unable to pay staff wages
- 24% unable to pay commercial utilities
- 22% facing insurmountable debt levels
- Of the businesses that remain open, 56% report that they risk temporary closure
- Nearly 15% of tourism businesses report that they risk permanent closure
- 8% of tourism businesses are at risk of bankruptcy
- 80% of tourism businesses are facing a significant loss of cash flow

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:

- 41% have applied for the \$40,000 interest free loan
- 35% have applied for the Canadian Emergency Response Benefit

However, 19% of tourism businesses do not meet the eligibility criteria for any of the currently available government aid. One of the most significant challenges to the current government aid that has been available to date, is making it accessible to tourism businesses across a range of businesses the include owner/operated, seasonal, to mid and large size businesses. The Ontario tourism industry is comprised of diverse business operations, and TIAO will continue to push for greater eligibility across all sizes and sectors.

Additional Aid/Resources and Information Required:

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

- 41% require expanded access to government aid for seasonal businesses
- 13% require greater access/eligibility to the Canadian Emergency Commercial Rent Assistance
- 35% require increased access to interest free loans
- 39% require increased access to direct financial aid
- 31% require debt forgiveness
- 65% require information on when and how you will be able to re-open your business
- 28% require information on when and how the border will re-open to the US

Financial Aid *and* Clarity of Information

The Ontario tourism industry is experiencing unprecedented decline and loss because of the necessary state response to COVID-19. At TIAO we are working to understand the details of what this decline looks like, and how to ensure that tourism businesses remain economically viable, so that when the economy is restarted, there is a continuation of job growth and opportunity in every region.

The survey 5 data is showing us that not only do tourism businesses require greater access to financial aid, and greater eligibility into the existing programs but also a real need for direct and clear information around what the re-opening process will look like, and how the border with the US will be re-opened, once it is safe to do so.

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. 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.

"I make 90% of my annual revenue between May long weekend and Thanksgiving weekend. Currently I am forced to use retirement savings to stay afloat. The current situation is unsustainable for running the business without financial aid or a vaccine. My clients are also calling us with concern."

"We are a seasonal business and have just been able to open. We have already lost a month of revenue which we will not get back. We have increased costs for material and labour due to refitting our shop with protective glass etc. and cleaning costs for equipment and shop daily. We are a "mom & pop" shop so we do not draw a salary by T4, so do not qualify for the programs being offered. The lack of seasonal people if they do not come to their summer places will greatly impact our revenue as well."

"All Spring revenue lost. Without an open date our July and August revenue is at serious risk. 80% of our revenue is made between May and September. Bookings off by 25-30%. Cancellations are coming fast and hard. We have ample room for social distancing and housekeeping cottages with cleaning protocol for safety. HELP!"

"The greatest concern is the impact on the smaller communities and their business that we support with our trail activities. The sport of ATVing is a billion dollar business in Ontario. We serve and inject money into small and rural communities that might not recover from this. Getting more support from Government to help rebuild these communities with added support to a provincial model for ATVing would be a little change that would greatly help OFATV be an engine for economic recovery in rural Ontario"

"Lack of tourists for the foreseeable future. 80% of my guests are American, and I can't see them being allowed in anytime soon."

"Losing the ability to open our tasting room, patio, tours, and event space to the public this summer."

"We have lost the all revenues for the 2020 season which also make us less able to promote and operate in the 2021 season. Need help with direct financial aid and government grants to refit our business."

"Museum revenue is 80- 90% based on fundraising events which we can't do at this time. Multiple events Over 100 people."

“Fear that business recovery will take longer than current wage subsidy is in place. Need more help with commercial rent as we did not qualify, and 40k relief loan is too small for hotels to see any significant benefit.”

“Lack of predictability in planning. Our economic impact on the area is \$220 Million+/annum and so very concerned that restrictions around us reopening will continue to heavily impact thousands of others.”

“The loss of revenue due to social distancing measures that will limit the amount of passengers on our tours. The margins were already very slim but when we are allowed to open we will have additional expenses coupled with less opportunity to make up the shortfall.”

“Regretfully I can no longer continue my business operation.”

“On Manitoulin Island we have 6 weeks of tourism to keep us stable for the whole year. If tourism drops substantially we do not know if our business will survive. We operate on an Island which most people who live here depend on tourism and if they don’t have money to spend then we are all affected.”

The Path to Recovery:

There is an uneven impact of COVID-19 across the tourism sector. As one of the most impacted industries, the need for government aid to be immediately available and inclusive to all business sizes and structures is key.

The data reported on in this report shows us that tourism businesses require two key things to be able to remain economically viable. First, there is the need to have continued access to government aid that prioritizes greater inclusivity, and a focus on direct financial aid over debt deferral. Secondly, there is a need for information and clarity around when and how the recovery and re-opening of businesses will occur. Tourism businesses are in a position of great uncertainty, and access to both financial support along with critical information on the stages ahead is required.

5.0 COVID 19 Impact on Ontario Tourism Operations Coded Summary

Q4: What actions have you currently taken as a result of COVID 19? Select all that apply

All Responses

Action	Count	%
Closed temporarily	646	64%
Laid off staff	390	39%
Reduced services	354	35%
Not hiring	271	27%
Adapting business model	262	26%
Reduced staff hours	258	26%
Seasonal business/too early to predict	257	26%
Not opening for the summer season	81	8%
Nothing/no change	22	2%
Closed permanently	10	1%
Other	154	15%

Other please specify

Action	Count	%
Cancelled/ Delayed Events	39	25%
Complied with Government Guidelines (PPE, physical distancing, closed restaurant, curbside pickup, etc.)	24	16%
Waiting for Further Government Direction re. Reopening	20	13%
Transitioned Business Online (Sales, Virtual Events, etc.)	16	10%
Reduced Staff, Volunteers, Hours and/ or Salaries	11	7%
Implemented Remote Work	8	5%
Applied for Government Aid	6	4%
Other	30	19%

Q6: Please indicate the risk your tourism business is facing presently. Select all that apply

All Responses

Risk	Count	%
Significant loss of cash flow	794	79%
Closing your business temporarily	559	56%
Employee lay offs	451	45%
Unable to open for the summer season	371	37%
Unable to pay commercial rent or mortgage	276	28%
Unable to pay staff wages	271	27%
Unable to pay commercial utilities	243	24%
Insurmountable debt levels	220	22%
Closing your business permanently	144	14%
Bankruptcy	80	8%
Unable to pay staff sick leave	75	7%
Unable to cross the US border in order to open by business in Ontario	74	7%
Other	151	15%

Other please specify

Risk	Count	%
Cash flow	36	24%
Cancellations/loss of bookings	26	17%
Loss of income	18	12%
COVID-19/social restrictions	16	11%
Loss of American/Int'l business	8	5%
Loss of consumer confidence	7	5%
Sales reductions	6	4%
Loss of staff/volunteers	6	4%
Too early	5	3%
Facing bankruptcy	5	3%
Service reductions	4	3%
Keeping up maintenance	3	2%
Other	8	5%
n/a	3	2%

Q10: What other forms of aid/resources do you require during COVID-19? Select all that apply

All Responses

Aid/Resources	Count	%
Information on when and how you will be able to re-open your business	646	64%
Expanded Access to government aid for seasonal businesses	411	41%
Increased access to direct financial aid	387	39%
Increased access to interest free loans	353	35%
Debt forgiveness	309	31%
Information on when and how the border will re-open to the US	276	28%
Greater access/eligibility to the Canadian Emergency Commercial Rent Assistance	125	12%
None	106	11%
Other	135	13%

Other please specify

Aid/Resources	Count	%
Access/extension to more grants/subsidies/loans	27	20%
COVID-19 recovery assistance/information	22	16%
Business loss recovery programs/aid	19	14%
COVID-19/PPE protection	10	7%
Mortgage/rent assistance	8	6%
Tax relief HST/Property	6	4%
Fed/Prov Regulation changes	5	4%
Foreign owned - no support/no access	3	2%
EI/payroll deductions/HST relief	3	2%
Other business supports	27	20%
n/a	5	4%