

Alliance de l'industrie touristique du Québec

Partner in Success

Brief

Tourism Industry Priorities – 2021 Federal Budget

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Alliance de l'industrie touristique du Québec

Our mission

To bring together, coordinate and represent businesses and associations in the tourism sector in order to propel the industry's performance while supporting and participating in the development of Quebec's tourism offer and marketing.

Our vision

The Alliance is recognized as a partner in the success of Quebec's tourism industry, contributing to its national and international profile and to increased economic benefits in Quebec. It is made up of a passionate team working within an innovative, collaborative and learning business, partnership and industry ecosystem. Given its expertise, approach and performance, it sets the North American standard for creating tourism value.

Our values

Passion, collaboration, courage, creativity, performance

Tourism in Quebec

TOURISM: A THRIVING INDUSTRY THAT WAS BOOMING BEFORE COVID-19

Tourism revenue

Tourism is a source of wealth, making it a major driver of Quebec's economy:

- Canada - \$102 billion (2019)¹
- Quebec - \$16.4 billion (2019)²

Spending³

- Total tourist spending: \$10.9 billion (2019)
- Tourist spending - markets outside Quebec: \$5.8 billion (+5.5% in 2019)

Influx of international tourists

An influx of tourists from around the world indicates how attractive a destination is:

- Canada – 22.1 million (2019)⁴
- Quebec – 9.3 million tourists from outside Quebec (2019)⁵

¹ Statistics Canada, via [Tourism Industry Association of Canada](#)

² Quebec Department of Tourism, 2020

³ Quebec Department of Tourism, 2020

⁴ Statistics Canada, via [Destination Canada](#)

⁵ Quebec Department of Tourism, 2020

Export industry

Tourism is a significant source of new money and foreign exchange, on par with exports:

- Canada - \$22 billion in export revenue (2018) | Tourism is the largest Canadian service traded abroad, accounting for nearly 20% of all services export revenue⁶
- Quebec - close to \$3.5 billion in 2017, an equivalent inflow of foreign currency⁷ | Quebec's 5th largest export product⁸

Tax and incidental revenue

Because of its many tax and incidental benefits, tourism contributes substantially to funding government programs that benefit all Quebecers. In 2017, tourism in Canada generated \$27 billion in tax and incidental revenue for all orders of government.⁹

Recommendation 1: Wage subsidy (CEWS)

Extend the wage subsidy until August 2021

The Alliance would first like to welcome the CEWS, the program that has best enabled tourism businesses to look to the future, as it is critically important to their recovery. Recent changes extend the CEWS to December 2020. However, this is a problem for seasonal businesses, both summer and winter.

For this reason, the Alliance is recommending that it be extended until the start of next summer, after which companies will be able to pay wages themselves from that season's income. This would allow them to avoid laying off their permanent staff during winter 2020-2021. Permanent employees are key resources for their companies and will be needed to plan and prepare for the resumption of operations in 2021. Laying them off would likely have several significant consequences:

- Employment Insurance claims
- a skilled workforce being hired in industries other than tourism, resulting in a massive loss of tourism expertise in Canada, thereby weakening the industry
- not to mention the industry's decline on the world stage, while other countries will be busy preparing for recovery in 2021 because they will have been able to retain their resources; such a delay internationally could have an impact on the Canadian industry that would be felt for years

Winter businesses are already expected to suffer major revenue losses due to a lack of international visitors, or at least a steep projected decline in their numbers. These winter businesses would not be able to benefit from the CEWS during their main months of operation. For example, consider ski resorts operating mainly from December to April, while the CEWS is currently expected to end on November 21, 2020. Without an extension, some winter businesses may very well not even open.

The companies will therefore be left on their own while still in "survival" mode, especially since this program would be ending at one of the worst times of the year in terms of liquidity.

⁶ [Government of Canada](#), 2019

⁷ [Institut de la statistique du Québec](#), 2020

⁸ [Quebec Department of Tourism](#), 2019

⁹ [Destination Canada](#), 2018

Maintain the basic CEWS rate based solely on the percentage loss of revenue

Recent changes to the CEWS include the addition of a top-up to the basic subsidy. The changes also reduce the CEWS amounts before the program expires. The idea is to gradually decrease the CEWS as business revenue increases. However, this cannot be applied unilaterally to tourism businesses because of their seasonal financial cycle—they normally set aside a portion of the revenue generated during their high season in order to be able to cover all their expenses and fixed costs during their low season.

The Alliance believes that not only are these decreases occurring too early, as stated above, but that they are also too drastic. Companies will not have enough time to generate new revenue by November to make up for the decreases in amounts.

Rather than being set at 75% from the time a 30% loss of revenue is demonstrated, the new calculation of the basic CEWS rate is now based on two variables:

- i. percentage loss of revenue
- ii. decreasing multiplier ranging from 1.2 to 0.4.

As with the CEWS top-up, the Alliance recommends that the calculation of the basic CEWS percentage be based solely on the loss of revenue, maintaining the multiplier at 1.2 for all periods until April 30, 2021. The recommendation can be summarized as follows:

| Structure of the basic CEWS rate | |
|-------------------------------------|--|
| Period | Period: From July 5, 2020, to April 30, 2021 |
| Maximum weekly benefit per employee | Up to \$677 |
| Loss of revenue | CEWS calculation |
| 50% and over | 60% |
| From 0% to 49% | $1.2 \times \text{loss of revenue}$ (e.g., $1.2 \times 20\% \text{ loss of revenue} =$ basic CEWS rate of 24%) |

This way of calculating the basic rate would guarantee, for example, that a company with a 50% loss would obtain a basic CEWS of 60% from July 5, 2020, until April 30, 2021. The difference between the percentage loss of revenue and the subsidy rate would therefore be more balanced.

Recommendation 2: RRRF Program

Expand eligibility for the RRRF to benefit large companies that act as catalysts

Program details

The purpose of the Regional Relief and Recovery Fund (RRRF) is to provide emergency financial assistance to small businesses and not-for-profit organizations that do not qualify for other federal programs or that have been denied assistance under these programs so that they can remain operational.

The Alliance's proposed amendments to the RRRF are intended to provide emergency financial assistance to key tourism businesses that

- i. are not eligible for federal financial support programs related to COVID-19 other than the Canadian Emergency Wage Subsidy (CEWS);
- ii. have been denied assistance under these programs; or
- iii. have accessed these programs but continue to experience financial difficulties (minimum 30% decrease in business)

so that they can remain operational.

Eligible recipients

The Alliance recommends expanding the established list to include key tourism businesses with sales of at least \$5 million that suffered a loss of at least 30% between April 1, 2020, and March 31, 2021, compared to the same period in 2019-2020.

These businesses are unique in that they serve as catalysts in the tourism ecosystem. They attract visitors who go to on patronize local businesses.

Financial assistance and repayment terms

The Alliance recommends adding a third category of financial assistance for large key tourism businesses, based on the following terms:

Maximum amount of financial assistance of \$5,000,000 in the form of a subordinated loan

Portion of the non-repayable financial assistance based on the percentage loss for the year between April 1, 2020 and March 31, 2021. As well, there could be adjustments to the principal and interest based on the repayment period.

Recommendation 3: Employment Insurance

Maintaining the employment relationship and helping companies retain as many workers as possible

Work-sharing

Work-Sharing is “an adjustment program designed to help employers and employees avoid layoffs when there is a temporary reduction in the normal level of business activity that is beyond the control of the employer.” Although this objective accurately reflects the situation of tourism businesses, the program terms exclude many tourism workers from the outset because they are seasonal.

In the current crisis, a similar program should be adapted to the reality of tourism so that tourism workers and businesses can qualify. To ensure that the most vulnerable workers are included, program eligibility should not be tied to eligibility for employment insurance. In addition, benefits received should count as insurable earnings for EI purposes.

Urgent action is needed. In Quebec, companies have deadlines for notifying laid-off employees whether or not they plan to call them back to work. After this deadline, they must pay the severance benefits required by law.

Securing the income of seasonal workers

The Alliance therefore recommends establishing a program similar to Work-Sharing to include businesses and seasonal workers. However, not all tourism jobs can be shared. Examples include smaller tourism businesses where each employee has specific responsibilities, or administrative or management positions usually held by only one person in the business.

The Alliance recommends that changes similar to those recently brought in for fishers be implemented in the tourism industry. These measures allow fishers to collect Employment Insurance benefits based on insurable earnings from previous seasons.

Recommendation 4: Festivals and events

Create experiences likely to attract more intra-national and international tourists

The Alliance supports Festivals and Major Events (FAME), which recommends that the government implement a new program based largely on the MTEP and allocate \$225 million to it over three years.