

Northwestern Ontario's unique air carriers urge immediate, tailored support to survive, recover

Written submission for the pre-budget consultations in advance
of Budget 2021

Submitted by:

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List of recommendations

Recommendation 1:

That the federal government, in recognition of the devastating impact of the coronavirus and the Canada-U.S. border closure on seasonal tourism businesses, take immediate steps to adjust available financial support under FEDNOR to help remote tourist enterprises survive and contribute to the economic recovery. NWOACA recommends increasing available funding for applicants up to \$500,000, through FEDNOR's Regional Relief and Recovery Fund, based on calculations of the cost of staying solvent for 12 months (rather than the current six months).

Recommendation 2:

That the federal government renew and strengthen its commitment to advancing tourism as crucial to northern Ontario's economic recovery. This should include a substantial increase in overall funding to FEDNOR programs, better positioning the agency to support the recovery and long-term sustainability of northern Ontario's rural and remote businesses.

Recommendation 3:

That the federal government enhance FEDNOR's Community Economic Development program to provide entrepreneurs with more financial backing to support the recovery and incentivize sustainable economic growth in northern Ontario sectors such as tourism.

The difference between survival and closure

The Northwestern Ontario Air Carriers Association (NWOACA) represents twenty five small and medium-sized businesses operating commercial flights for tourists in remote areas of northwestern Ontario. In the storied history of northwestern Ontario, the bush plane was used to open up the region to gold exploration, resource development and, more recently, tourism and community support. Today our members operate primarily float aircraft, providing critical access to remote communities and inaccessible lakes.

Our members provide a vital lifeline for supplies and support services, including Medevac flights, to numerous rural and remote Indigenous communities in northern Ontario without road access. NWOACA members also use their aircraft to assist in the transportation of community and family support personnel, court staff, medical personnel, and tradespeople which are critical to the infrastructure of these communities. These transportation services also provide critical fire detection and protection services to communities during forest fire season, support moving firefighters and equipment to the front lines, and the evacuation of people to safety.

A thriving, expanding tourism enterprise before COVID-19, our carriers are a key part of northern Ontario's regional tourist sector, worth \$400 million annually. Tourism in the region over the last few decades could not have been possible without our members and their services. Many tourist attractions are related to remote access lodges or outpost cabins which could not be in business without commercial air services. The access our members provide to a pristine part of the country, with thriving ecosystems and habitats, allows thousands of people to connect with nature and understand the importance of preserving natural resources and a clean, sustainable environment for future generations.

Our tourism season runs from June-to-October, with most visitors travelling by car from the U.S. The impact of the pandemic and the Canada-U.S. border closure has put our members in an extremely challenging situation. With the border closure now extended through most of the 2020 season, NWOACA's air carriers are experiencing a complete collapse of 2020 revenues and face the very strong possibility of insolvency and permanent closure.

FEDNOR

We appreciate the federal government's support through FEDNOR. However, if our air carriers are going to survive the economic devastation of the pandemic and resulting border closure, there must be a clear recognition of the special problems confronting seasonal tourism businesses such as ours that are dependent on travel from the U.S. Accordingly, NWOACA recommends vital adjustments to FEDNOR on an urgent basis. For our commercial air service members, this is the difference between survival and closure.

NWOACA appreciates the federal government's initiatives and support for the growth potential of the country's rural and remote regions. Our members hope that, as Canadians struggle to rebound from the pandemic and its fallout, the government takes the opportunity to recognize the particular vulnerability of seasonal tourism industries such as ours in northern Ontario. It will be necessary to redouble efforts to ensure small and medium-sized businesses survive and find a path back to sustainability and successful economic activity.

Recommendation 1:

That the federal government, in recognition of the devastating impact of the coronavirus and the Canada-U.S. border closure on seasonal tourism businesses, take immediate steps to adjust available financial support under FEDNOR to help remote tourist enterprises survive and contribute to the economic recovery. NWOACA recommends increasing available funding for applicants up to \$500,000, through FEDNOR's Regional Relief and Recovery Fund, based on calculations of the cost of staying solvent for 12 months (rather than the current six months).

The necessary shutdown of commercial activity and closure of the Canada-U.S. border has wrought great economic damage, but few enterprises have suffered the decisively crippling impact experienced by seasonal tourism operators. With U.S. tourism suspended, NWOACA members anticipate losing revenues for the entirety of 2020. At the same time, most members have the same fixed cost levels as before the pandemic. Aside from the possibility that many of our twenty five member companies could go out of business, and deliver significant damage to regional tourism, this would also mean an end to the valuable support services our members provide for remote Indigenous communities and forest firefighting efforts.

In this crisis, FEDNOR's Regional Relief and Recovery Fund (RRRF) has been helpful. However, the program's support based on estimated costs of \$250,000 for staying solvent for six months, is inadequate for our businesses in the current circumstances. NWOACA air carriers need additional support due to the collapse of U.S. tourism, anticipated revenue losses for 2020, and the fact that we must continue to carry overhead for 12 months in hopes of resuming operations in spring 2021. To avoid the collapse of our business and resulting multiplier effect on the regional economy, NWOACA is urging the federal government to recognize the special challenges faced by our members and adjust RRRF funding requirements accordingly.

We recommend raising support for our remote commercial air carriers under the RRRF to \$500,000, and adjusting the timeframe for calculating needed expense supports to 12 months from the current six months. Doing so would align with the federal government's recognition of tourism as a long-term, sustainable contributor to the economy, and enable NWOACA's air service operators and other seasonal tourism businesses in northern Ontario to survive the crisis and look at rebuilding in the post-COVID period.

Recommendation 2:

That the federal government renew and strengthen its commitment to advancing tourism as crucial to northern Ontario's economic recovery. This should include a substantial increase in overall funding to FEDNOR programs, better positioning the agency to support the recovery and long-term sustainability of northern Ontario's rural and remote businesses.

The federal government has stressed the importance of strengthening the economies of rural and remote communities and has identified tourism as a growth sector. The Federal Tourism Growth Strategy encourages tourism as an economic driver for the regions, and the government has proposed a \$100-million Tourism Community Infrastructure Fund to invest in communities relying on the sector.

NWOACA urges the government to recommit to strengthening tourism and regional development by timely improvements to FEDNOR—both to help tourism operators cope with the current erosion of revenue and rebound with viable, pro-growth plans. In view of the special hurdles faced by tourism operators in northwestern Ontario who draw their annual revenues during a short summer season and are dependent on U.S. visitors, the government should substantially increase the \$24 million in RRRF funding allocated to northern Ontario.

Recommendation 3:

That the federal government enhance FEDNOR's Community Economic Development program to provide entrepreneurs with more financial backing to support the recovery and incentivize sustainable economic growth in northern Ontario sectors such as tourism.

The Community Economic Development program offers valuable opportunities for businesses to assess potential expansion. Such longer-term feasibility studies will be more important than ever to communities and regional economies as we establish conditions for growth post-COVID. For NWOACA's air operators, the resources needed for a smart, innovative growth plan will be scarce after losing an entire year of operations. Accordingly, NWOACA recommends the provisions of the program be broadened to increase this FEDNOR initiative's usefulness. Specifically, for the next three years, we recommend that the program be adjusted to cover 100 percent of non-capital costs for businesses engaged in doing a feasibility study for expansion (rather than the current 50 per cent of non-capital costs). Similarly, NWOACA recommends that, during the next three years as businesses work to recover from the crisis, loans under the program be made non-repayable (Community Economic Development loans are currently repayable based on profit expectations).

In the case of NWOACA's members, such financial support would be invaluable to our efforts to develop a long-term plan to expand our operations and diversify our client base. The aim is to develop the infrastructure and promotional means to reach for clients beyond the U.S. and tap into the potentially exciting market for European and Asian tourism to northwestern Ontario. We believe our air carriers' ability to provide access to northwestern Ontario's pristine open spaces,

backcountry and lakes offers an excellent strategic advantage to attract wilderness tourism from abroad. Access to advantageous FEDNOR funding to develop this economic growth opportunity through a long-term, community-engaged business plan and feasibility study, would be of enormous benefit to our members, our local community and the regional economy.

Need for action

NWOACA greatly appreciates the federal government's efforts to provide support for northwestern Ontario during the pandemic. But it is important for all stakeholders to recognize the devastating impact of COVID-19 on seasonal tourism, particularly for businesses largely dependent on visitors from the U.S. It is also important to recognize that, in addition to the economic damage to the northwestern Ontario tourism sector that would result from the closure of NWOACA members' commercial operations, a critical service gap would emerge for rural and remote Indigenous communities along with important forest fire prevention efforts.

NWOACA would like to express the hope that the federal government can recommit and deepen its efforts to support tourism as a national economic generator for Canadians, particularly as part of its laudable objective to improve economic conditions in remote and rural areas of the country. Given the enormity of the impact of this public health crisis, the federal government should use this opportunity to expand and improve its valuable FEDNOR support programs to give our commercial air service operators a chance to remain solvent. With federal government support, northern Ontario air carriers can plan for a successful 2021 tourist season and look forward to growth in the years ahead.