PRESENTATION

QUEBEC SKI AREA ASSOCIATION

Standing Committee on Finance
of the
House of Commons of Canada

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ASSOCIATION DES STATIONS DE SKI DU QUÉBEC

Introduction

Skiing has been in Quebecers' DNA for over a century. The Quebec Ski Area Association (QSAA) represents Quebec's 75 ski areas. Some 1.4 million Quebecers practice sliding sports. The activity generates $800 million in economic benefits as well as 33,000 direct jobs, which makes it the primary winter tourism activity in Quebec.

The ski industry provides the people of Quebec with a healthy winter sporting activity, one that the whole family often enjoys together.

The ski industry contributes economically to Quebec's economy in a number of ways:

- Direct payroll of almost $400M;
- Tax revenues of almost $150M;
- Economic benefits from downhill skiing estimated at $800, 6.4% of tourism GDP in 2014;
- Significant contribution to the regions' economies and to the real estate value of the relevant municipalities;
- Significant impact on tourism, the restaurant industry and retail trade; and
- Presence of international manufacturers stimulating Quebec's economy and innovation.

In Canada as a whole, there are 236 ski areas. There are ski areas in all 10 provinces and in the Yukon.

The majority of the 75 ski areas in Quebec are NPOs or ski areas whose assets are considered to be the property of the municipality or RCM. This highlights the difficulty of making activities profitable on a seasonal basis. Because ski areas could not operate profitably on private property, a number of ski areas had to be turned over to the community, as happened in Mont-Orford and Mont-Orignal. A region such as Saguenay Lac-Saint-Jean has no private ski areas because there are not enough skiers and operating costs are too high to keep a ski area operating (labour, energy expenses, acquisition and maintenance of ski lifts, grooming equipment, snow-making equipment, skier visit control system). A number of regions depend on a ski area as a regional economic motor in the winter. This is particularly true in the Gaspé region, at Station Touristique Pin Rouge, and in the Lower St. Lawrence, at Parc du Mont-Saint-Mathieu.

The financial situation of ski areas as a whole is thus particularly fragile because of the problems caused by the COVID 19 pandemic. The measures that the Government of Canada has instituted have for the most part helped, although a more detailed examination of these measures does reveal certain shortcomings.

Government of Canada business support measures: CEWS

The most promising measure is unquestionably the Canada Emergency Wage Subsidy. In response to the restrictions imposed by COVID, the CEWS has compensated for the industry's losses and made it possible to keep employing key personnel.

It is, however, regrettable that this measure is not available to ski areas that are associated with a municipality but are required to be self-financing from the revenues they generate.

Not all ski areas in Quebec and Canada operate on the same organizational model. When people think about skiing in Canada, the names Whistler, Lake Louise, Blue Mountain, Tremblant and Marble Mountain come to mind. However, the majority of ski areas in Canada are small areas that offer winter activities to a local and regional clientele.

As can be seen in the extract from the *Étude économique et financière des stations de ski du Québec 2019-2020* (figure 7), small and medium-sized areas are more fragile because they generate less revenue and have high operating costs.

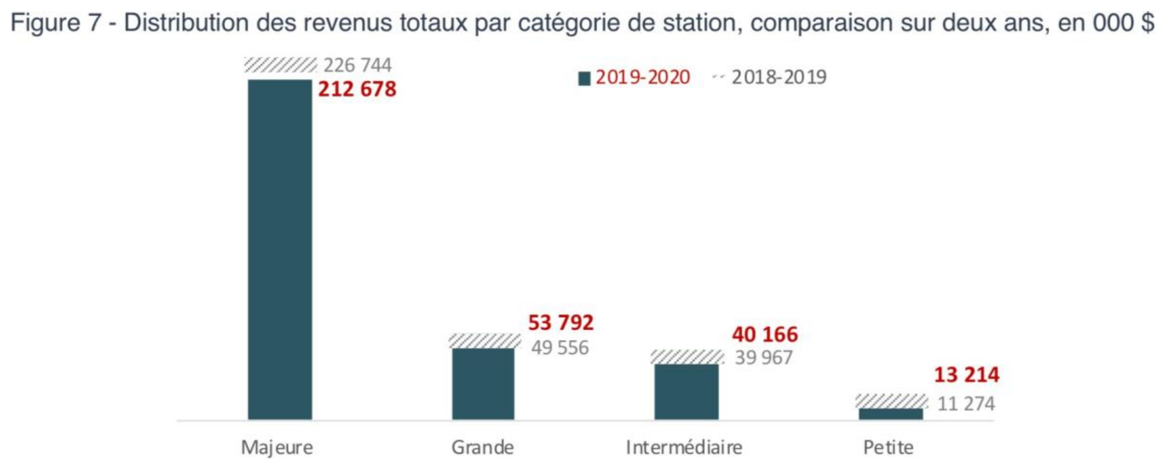

Figure 7 – Distribution of total revenues by category of area, two-year comparison, in $000

Major Big Intermediary Small

As we mentioned, a number of regional ski areas, which are non-profit organizations, maintain some degree of connection to their municipality or RCM. In the original announcement of the CEWS program, it seemed clear that NPOs were included as eligible organizations, but a number of accounting firms have advised their clients that their links, however tenuous, could compromise their eligibility.

The ASSQ has thus been trying for several months to obtain a clear definition of the term “public institution” in order to confirm that all ski areas are eligible for the CEWS. After dealing with lawyers who specialize in municipal law, accountants and even senior officials at the Canada Revenue Agency, we arrived at the conclusion that one thing is clear: the situation is not clear.

Based on a reading of the Act, it is not possible to determine whether municipal ski areas are eligible. The CRA says that there is no jurisprudence that establishes eligibility and that the federal government has no intention of amending the Act to clarify the situation. We hope that the members of the Standing Committee on Finance can obtain a clear answer about organizations’ eligibility for the CEWS.

Government of Canada business support measures: Support for to allow Quebec tourism companies to adapt their health standards

With a budget of $7 million, this program, whose management was entrusted to the *Alliance de l'industrie touristique du Québec*, has been one of the most beneficial for a large number of Quebec's tourism companies, including the ski areas of Quebec. However, after reviewing the preliminary statement of accounts for the 2020-2021 winter season, we want to draw the Committee members attention to the fact that, among the companies that have suffered the most during the crisis, those that generate the largest tourism revenues were excluded from the program because of its eligibility criteria. And yet, these are the companies that suffered the greatest losses as a result of the crisis and that continue to suffer because of the absence of destination customers (outside Quebec and outside Canada).

Government of Canada business support measures: Loan and loan guarantee programs

A multitude of programs making it possible to obtain loans and loan guarantees were set up to support companies in difficulty. We feel that these initiatives were a mixed success within the tourism industry. With their businesses already compromised by the crisis, the operators prefer not to have to use such programs because they increase the company's indebtedness and further compromise its long-term survival. Direct assistance is the most promising measure. For that reason, the CEWS was the initiative that best provided support to tourism companies. All that remains therefore is to expand the measure to companies that have been excluded until now, which simple fairness demands should have access so that they can ensure their survival.

Recommendation for upcoming support measures for tourism companies

The future plan to relaunch the Canadian economy must contain several elements in order to guarantee a successful relaunch.

Maintaining the CEWS

The QSSA feels that the Government of Canada must maintain the CEWS beyond June 2021 and promote the expansion of eligibility to other categories of businesses, as we mentioned earlier.

Supporting the rural tourism industry

We also believe that the efforts to promote and relaunch Canada's tourism industry must rely on regional attractions in the short and medium term. To ensure the relaunch's success, the tourism industry cannot rely on the traditional icons of large Canadian cities such as Vancouver, Toronto and Montreal. The relaunch must support the industry in rural areas. Mountain and regional communities have wide-open spaces in which the tourism industry can be safely relaunched. The industry must be rebuilt with an emphasis on tourism experiences that encourage the clientele to leave the great urban centres and discover the wide-open spaces of the regions. Before the crisis, the tourism market of the major Canadian cities was already saturated.

The Federal Government should invest in diverse experiences to build back better and entice visitors to move outside pack cities into rural areas.

A program dedicated to mountain infrastructures

Relaunching the industry will mean supporting companies' investments in innovations and upgrades to the attractiveness of their facilities. To that end, the Government of Canada has in the past supported recreational infrastructure upgrade programs. In Quebec, the most recent version of this type of aid was PAFIR. The result of a bilateral agreement with the Government of Quebec, the *Programme d'aide financière aux infrastructures récréatives et sportives* (PAFIR) had a budget of $294. However, the ski areas that applied to this program, such as Mont-Grand-Fond and Mont-Orford, were rejected by the federal government. Cross-country ski areas, snowmobile clubs and play lots all obtained government support, but nothing to support the practice of downhill skiing in Quebec. Without help from this program, these ski areas will not be able to renew their infrastructures and guarantee their long-term survival. And yet, they are tourism engines for their region and lead to many stays in regional hotels such as the Fairmont Le Manoir Richelieu in Charlevoix or the many hotels in the Orford region. The economic benefits these ski areas produce for their community justify federal government aid and the establishment of a ski area infrastructure renewal plan to promote the relaunch of the rural tourism industry.

The 2017 Archambault report[1] already identified the investment and economic development possibilities that the ski industry foresaw in early 2017. In 2020, the forecast investments over the next 5 years were estimated to be almost **$250M.[2]** These investments will serve to upgrade strategic assets, improve the tourism supply and tourism revenues, extend the operating season and acquire significant recreational infrastructures. The crisis, however, has endangered the investments that can ensure the long-term survival of the industry.

- **$70M** **Increase in snow-making capacity and integration of less energy intensive technologies.***
- **$90M** **Increase in productivity by the addition and replacement of ski lifts.**
- **$15M** **Land-use and ski area planning.**
- **$40M** **Buildings, equipment, grooming capacity.**
- **$35M** **Installations and equipment to diversify supply.**

Adapting to climate change – Snowfall

The purpose of the Ouranos report[3] was to provoke reflection on the impact of climate change on the profitability of Quebec's ski areas and to make recommendations.

In the ski industry, adapting to climate will depend primarily on its ability to invest in innovative technology. One of the report's main recommendations was to evaluate innovative solutions for snow-

[1] Archambault, M (2017), *La modernisation des stations de ski du Québec : prendre le virage de 2020*

[3] *Da Silva, L., Desrochers, F.-A., Pineault, K., Gosselin, C.-A., Grenier, P. and Larose, G. (2019) "Analyse économique des mesures d'adaptation aux changements climatiques appliquée au secteur du ski alpin au Québec". P. iv*

making systems.[4] For example, the new snowguns now need less compressed air (CFM) and produce snow at more marginal temperatures while being more energy efficient. The automation of snow information systems is an approach with great promise for optimizing every snow production window while reducing electricity consumption and the environmental impact.

Ski lifts

New types of motors in ski lifts are more energy efficient because they reduce charge fluctuations, thus producing significant energy savings. These innovations increase ski areas' productivity and allow them to adapt better to climate change.

Other technological opportunities

The industry is also prepared to integrate new technologies for activity zone attendance, including the establishment of electronic access controls and on-line sales systems. These systems also provide revenue growth opportunities through growth offers, either through products offered directly by the company or through commercial partners.

The QSAA will be happy to provide all the data on the ski industry needed to implement such a program. Such investments would produce **over $125M in economic benefits and direct tax revenues of up to $183M in 5 years.**

Investing in participation in winter sports

Last winter season demonstrated Canadians' appetite for outdoor activities. We face a challenge: how to promote winter sports among different ethnic communities and among adolescents. The Canadian Ski Council's Go Skiing\Go Snowboarding program and the "Never Ever Days" initiative offer opportunities to increase the participation of Canadians, particularly inactive young women between 13 and 17 and members of cultural communities. In an effort to increase healthy living habits, we are stressing these opportunities in order to garner support from the Government of Canada to make them better known and attract more people to winter sports, sports that are a distinctive element of the lifestyle of Quebecers and Canadians.

The QSAA wants to participate in any study of existing programs. Our industry believes that it must propose solutions that work to the various orders of government. Different potential solutions can be envisaged in order to support the ski industry in light of the challenges it faces in order to allow it to reposition itself in the North American market.

[4] *Da Silva, L., Desrochers, F.-A., Pineault, K., Gosselin, C.-A., Grenier, P. and Larose, G. (2019) "Analyse économique des mesures d'adaptation aux changements climatiques appliquée au secteur du ski alpin au Québec". P. iv*

APPENDIX

Economic and Financial Analysis of Quebec Ski Areas — 2018-2019 Season
1 — Overview of the 2019-2020 Québec Downhill Ski Season
1.1 Highlights of the season

Quick facts

Impact of the pandemic
According to ski area estimates, if the pandemic had not cut the season short, the number of skier visits was projected to reach 6.8 MSV—a ten-year high.
The abrupt end to the season cost ski areas $40 million, including a $15 million shortfall in ticket revenues.

Skier visits

Mild winter with good snowfall

Ski areas In Quebec City/Charlevoix were the hardest hit by the abrupt end to the season (-13.2%), while those in the Eastern Townships fared the best (-2.9%)

-15.7%
Clients from outside Quebec
20% of skiers (1.16 MSV)