

2023 PRE-BUDGET SUBMISSION

OCTOBER 2022



Recommendations:

Recommendation 1: Revive the Destination Employment Program previously used for Syrians to successfully connect Ukrainians arriving through special immigration measures with hospitality and hotel sector careers.

Recommendation 2: Create a dedicated pathway to Permanent Residency through Express Entry designed for NOC C and D workers in the hotel sector, workers with previous Canadian work experience, or offers of employment.

Recommendation 3: Increase Provincial Nominee Program immigration levels for those provinces with In-Demand Skills streams that include tourism and hospitality.

Recommendation 4: Invest in a corresponding affordable housing strategy to support immigration growth targets.

Recommendation 5: Prioritize Temporary Foreign Worker (TFW) program applications with hotel sector NOC codes.

Recommendation 5.5: Provide quarterly processing updates to the Minister of Tourism and Associate Minister of Finance on the status of Recommendations 2 through 6.

Recommendation 6: Invest in a Domestic Workforce Strategy including awareness campaigns, skills development and worker engagement through sustainable funding to Tourism HR Canada (\$3.5M/year for 5 years including tax credits for relocation).

Recommendation 7: Invest in a Destination Development Strategy to align all tourism investment stakeholders, including funding agencies.

Recommendation 8: Create a \$75M bid fund in support of destination bids for major events and conferences.

Recommendation 9 Incentivize hotel investments with tax credits for energy efficient retrofits and renovations.

Recommendation 10: Incentivize investments in new hotel assets through a new Capital Cost Allowance category.

Recommendation 11: Facilitate lending to the hotel sector through government backed loans and an optional federal mortgage insurance for hotels.

Recommendation 12: Stimulate innovative tourism and hospitality products with a dedicated federal grant fund of \$2B over 5 years.

Recommendation 13: Take a leadership role in encouraging Canadians and international visitors to travel to and within Canada.

Context

Behind Canada's hotels are mostly small and medium-sized businesses owners. Whether they operate their properties independently or under a global brand name, owners are local, community-minded entrepreneurs.

Before COVID, Canada's hotel sector contributed \$22 billion to our economy, paid over \$10 billion in taxes, and employed over 300,000 people - predominantly women, youth and immigrants.¹ The industry was hit first and hit the hardest with revenue losses between 70 and 90%².

During COVID, hotels endured two years of deep negative cashflows due to multiple rounds of lockdown measures. At the same time, hotels were critical infrastructure, working with governments to shelter Canada's most vulnerable people, evacuees, new immigrants, and health care heroes. Our industry weathered the storm.

Because of tailored federal government support for tourism, only the most vulnerable hotels were lost during COVID. While forecasts appear brighter there are significant headwinds impeding the sector's ability to recover and grow.

¹CBRE (2019) *Canada's Lodging Sector*

² STR data, 2019-2022

Barrier 1: The labour shortage in the hotel sector is at a crisis level

The tourism sector lost more than one million workers during the first wave of COVID-19, and recurring lockdowns drove hundreds of thousands of employees from tourism to other sectors. Hotels and tourism were last to re-enter an already stretched labour market.

As of August 2022, about 800,000 workers had returned to tourism-related jobs.³ The hotel sector tried desperately to recruit Canadians for the summer season through signing bonuses, flex hours, increased wages and workplace support programs, but fell 58,000⁴ short of available positions. Many workers have left the sector permanently.

Our August member survey found that 70% of respondents were forced to limit room availability to ensure service standards. About 3/4s of hotels deploying staff to jobs they were not hired for (a general manager taking on housekeeping duties).⁵

ISSUE:

The hotel sector is currently short 58,000 workers and reputational damage from COVID-19 shutdowns is hindering our ability to re-staff. We are recommending a three-pronged approach:

Recommendation 1: Revive the Destination Employment Program previously used for Syrians to successfully connect Ukrainians arriving through special immigration measures with hospitality and hotel sector careers.

There are more than 100,000 Ukrainians⁶ currently in Canada and they need stable careers to restart their lives. Prior to COVID-19, HAC partnered with Tourism HR Canada to deliver a three-year pilot program, Destination Employment, which employed newcomers in stable, good paying hotel jobs, funded by IRCC. This was a successful pilot that IRCC should revive and tailor to Ukrainians to support job acquisition, life skills, and language training with potential for a successful long-term career in the hospitality industry.

Recommendation 2: Create a dedicated pathway to Permanent Residency through Express Entry designed for NOC C and D workers in the hotel sector, workers with previous Canadian work experience, or offers of employment.

We recommend IRCC create dedicated Express Entry draws with criteria that will bring in NOC C and D workers. Tourism, hospitality, and hotel workers should be

³ Statistics Canada. Table 14-10-0291-01 Labour force characteristics by industry, monthly, seasonally adjusted, last 5 months (x 1,000)

⁴ Tourism HR (2022) Canadian Tourism Labour Market Snapshot, August.

⁵ Hotel Association of Canada. (2022). *Labour and Temporary Foreign Worker Survey, August* [Data summary]. Available from HAC.

⁶ <https://www.canada.ca/en/immigration-refugees-citizenship/services/immigrate-canada/ukraine-measures/key-figures.html>

prioritized for permanent residency through the Express Entry system. Priority should also be provided to workers who have previous work experience in Canada (either as a TFW or as international student workers) or an offer of employment for a NOC-categorized tourism, hospitality, or hotel sector job.

Recommendation 3: Increase Provincial Nominee Program immigration levels for provinces with In-Demand Skills streams that include tourism and hospitality.

The Federal Government should increase the “in-demand skills” streams in the Provincial Nominee Programs.

Recommendation 4: Invest in a corresponding affordable housing strategy to support immigration growth targets.

Housing is a key barrier for workers who need to commute to work and cannot afford to live nearby. Affordable housing options in downtown cores as well as rural and resort destinations is foundational.

Recommendation 5: Prioritize Temporary Foreign Worker (TFW) program applications with hotel sector NOC codes.

In the short term, the TFW program is the most efficient tool to supply the sector’s labour needs. However, the TFW program is not working for our sector.⁷ First, the program’s red tape is a barrier and 80% of our respondents who applied for the TFW program needed a third-party consultant to help them with the process.

Second, almost half of those that applied for TFWs **haven’t had a single application approved** since January. This was especially frustrating over the summer when demand for travel surged.

Hotel sector jobs must be prioritized within the TFW program. This can be done by expediting applications with tourism sector NOCs, removing the LMIA requirement and \$1,000 fee, and waiving the 30-day job posting requirement.

The NOCs most needed by the hotel sector are:

- 6731 - Light duty cleaners
- 6312 - Executive housekeepers
- 6525 - Hotel front desk clerks
- 6721 - Support occupations in accommodation, travel and facilities set-up services
- 6322 – Cooks

Upon creation of the Trusted Employer System, tourism, hospitality and hotel sector companies should automatically receive trusted employer status. This status should include a dedicated channel for employers and applicants to get faster updates on

⁷ Hotel Association of Canada. (2022). *Labour and Temporary Foreign Worker Survey, August* [Data summary]. Available from HAC.

applications as well as further reductions in red tape in both ESDC and IRCC processes.

Recommendation 5.5: Provide quarterly processing updates to the Minister of Tourism and Associate Minister of Finance on the status of Recommendations 2 through 6.

Addressing the labour shortage in tourism and hospitality will require a collaborative approach. We recommend that IRCC, ESDC and other relevant departments provide updates to the Minister of Tourism and Associate Minister of Finance on the status of the recommendations 1-5 above.

Recommendation 6: Invest in a Domestic Workforce Strategy including awareness campaigns; and invest in skills development and worker engagement through sustainable funding to Tourism HR Canada (\$3.5M/year for 5 years) (including tax credits for relocation).

Hotels want to hire Canadians. HAC is working with industry, government and Tourism HR Canada on a Domestic Workforce Strategy including awareness campaigns, skills development, and worker engagement programs. HAC supports Tourism HR Canada's current \$25 million proposal to Employment and Social Development Canada, for the Ready to Work program.

Barrier 2: Canada needs new and renewed tourism products, including hotels, to meet demand and compete globally

While there is high demand for Canada as a travel destination domestically and internationally, significant investments in attractions, infrastructure, hotel capacity and other tourism products are needed to retain and grow our market share.

Recommendation 7: Invest in a Destination Development Strategy to align all tourism investment stakeholders, including funding agencies.

Currently, public and private investment strategies are disconnected. There is inadequate infrastructure supporting major business and tourism events. The government must fund Destination Canada's Destination Development work.

Recommendation 8: Create a \$75M bid fund in support of destination bids for major events and conferences.

The biggest worry for hotels is an anemic forecast for business events and business travel. Corporate meetings book about 6 to 18 months in advance while major events are usually booked 2 to 8 years ahead. Canada's COVID restrictions during and after the pandemic have curtailed bookings. As of June 2022, Canada's booking pipeline for events in 2022 was about 50% the 2019 baseline. Bookings for events held further in the future are lagging by 44%⁸. A bid fund is needed to activate event planners into booking over the coming years.

Recommendation 9: Incentivize hotel investments with tax credits for energy efficient retrofits and renovations.

Aging properties are energy inefficient and less attractive to visitors. Refundable tax credits would stimulate investments in new windows and HVAC upgrades to reduce greenhouse gas emissions. The refundable tax credit would be for existing hotel properties and reimburse 25% of eligible expenditures.

Recommendation 10: Incentivize investments in new hotel assets through a new Capital Cost Allowance category.

To sustain pre-pandemic levels of growth, Canada will need at least 50,000 new hotel rooms by 2030. A Capital Cost Allowance category for new hotels with a 100 percent write off would result in the construction of thousands of new rooms across Canada. This allowance could also be extended to major renovations and retrofits.

Recommendation 11: Facilitate lending to the hotel sector through government backed loans and an optional federal mortgage insurance for hotels.

⁸ DC, (2022) Incorporating Business Events in TGS, 2022 & Tourism Outlook Spring 2022

One of the hotel sector's biggest barriers to growth and innovation is the lack of access to patient capital. Despite negligible loan losses, the hotel sector faces a hostile lending environment from traditional lenders. Since the pandemic, the perception that the hotel sector is risky has worsened. A pool of government-backed lending capital administered by BDC, EDC or federal chartered banks would increase stimulate hotel construction.

Recommendation 12: Stimulate innovative tourism and hospitality products with a dedicated federal grant fund of \$2B over 5 years.

Difficulties in accessing capital means that innovative or remote hotel projects are especially difficult to finance. A \$2 billion Incubation Fund administered by the Industry Sector Branch at ISED would support projects in underserved rural and remote areas, or the rejuvenation of historic properties. The fund would be matched with \$3 of private sector investment for every dollar of federal money.

Barrier 3: Unpredictable Travel Environment

We thank the Government for the recent removal of all federal travel restrictions, which returned much-needed predictability for travelers. Our hope is that this predictability remains to restore traveler confidence, which was not the case over the summer.

During the summer international visitation only reached 42% of its 2019 performance⁹ due to barriers like random testing at the borders and a difficult travel environment.

Recommendation 12: Take a leadership role in encouraging Canadians and international visitors to travel to and within Canada.

High vaccination rates have succeeded in making Canada one of the safest countries in the world. We need an equally intense effort from the Government of Canada to communicate that travel in Canada is safe and we are ready to welcome the world back.

⁹ DC, (2022) June 2022 Overnight Arrivals At A Glance