

**METRO VANCOUVER TOURISM AND HOSPITALITY
INDUSTRY RESPONSE AND RECOVERY TASK FORCE**

**Responding to COVID-19:
A Plan to Survive and Thrive**

June 2020

Tourism and Hospitality have been Hit Hard by the Pandemic

In response to the COVID-19 public health crisis, tourism and hospitality operators formed the Metro Vancouver Tourism and Hospitality Industry Response and Recovery Task Force to speak with a united voice to effectively highlight the challenges faced by our sector. The Task Force now has dozens of organizational members, representing more than 1,500 businesses.

The tourism and hospitality industry is the third-largest segment of the British Columbia economy. In Metro Vancouver, the sector supports 105,000 jobs and generates \$14.4 billion in visitor spending annually, an outsized share of province-wide economic activity. The region also serves as a primary gateway to the rest of British Columbia, where visitors were expected to spend an additional \$7 billion this year. Our operators market our incredible province to the world, showcasing the beauty and diversity of B.C. with stunning vistas, spectacular events and truly memorable adventures, all served up with the best of west coast hospitality.

More than any other sector, tourism and hospitality reflects B.C. today: thousands of employees showcase our diversity to the world with unmatched festivals, food and hospitality; small, family-run businesses and individuals of all ages underpin much of our sector; women feature prominently on the front lines and in executive boardrooms; and growing Indigenous and adventure tourism businesses highlight our incredible natural landscape and history.

COVID-19 has significantly damaged our industry. To comply with governments' directive and adhere to public health requirements, many operators ceased operations or dramatically scaled back, while restrictions on travel and gatherings have all but eliminated the markets for many others. As some businesses begin to re-open or expand, they continue to implement public health guidelines that reduce volumes and adhere to restrictions that will keep travellers out of Metro Vancouver for the foreseeable future. Further, public confidence returning to a "new normal" will take time to recover, time many businesses simply don't have.

Despite broad agreement that the tourism and hospitality industry has been one of the hardest hit during the pandemic, there is much less understanding of the uniqueness of the industry and specifically the factors that make recovery more difficult than for most others. Unlike many sectors, public health restrictions directly required many operators to shut down entirely or significantly retract because a business model based on the movement and interaction of people became completely untenable.

Further, the nature of the pandemic and the resulting changes in public attitudes and behaviour mean it is nearly impossible for tourism operators to foresee when their business will return, with any degree of confidence. So decision-making, which is difficult for all businesses in the short-term, remains almost inconceivable for a great number of tourism and hospitality operators in the medium- and long-term. Finally, and maybe most importantly, because so much of the sector is seasonal, the likely loss of peak summer season means that many operators will operate with zero or near zero revenues in 2020, something that will, without government support, result in permanent closure for many operators.

While there is an understandable desire for governments to move into the recovery phase, this combination of circumstances mean that for tourism operators, government must continue to focus on supports that help the sector pay the bills, while continuing to have little to no revenue. For the tourism and hospitality industry to survive, and hopefully thrive, governments must shift their thinking to

understand that tourism is not experiencing this downturn in the same way as other businesses and therefore needs a different response.

Measures taken by the Governments of Canada and British Columbia to make funds available to address business liquidity, subsidize worker wages, assist with rent payments, and defer taxes and other payments are welcome. Yet, none of these measures comes without its flaws and none have been specifically tailored to suit the diverse and unique needs of the tourism and hospitality industry.

In this paper, we outline common needs that cut across most businesses as well as some more specific proposals designed to stabilize those businesses that unpin the broader industry. We look forward to working with municipal, provincial and federal leaders going forward to ensure the tourism and hospitality industry in Metro Vancouver survives, and then thrives, through a recovery that can benefit all British Columbians.

Supporting Businesses to Ensure Liquidity

After months of isolation and economic inactivity, governments are looking to move to re-opening and economic recovery. For many who are experiencing severe liquidity issues, this is simply not possible. Until they have assurances that they will survive the short- and medium-term liquidity concerns, many cannot yet begin to think about opening safely.

For many tourism and hospitality operators, the business downturn began as early as January, related to dramatically reduced Lunar New Year travel this year. By March, the effects were being felt in the economy more broadly and governments began responding with announcements aimed at assisting businesses with liquidity concerns.

Many of our operators have taken advantage of deferred taxation and payment plans and utilized the Canada Emergency Business Account, the Business Credit Availability Program (to a much lesser extent) and the Canada Emergency Commercial Rent Assistance. Yet, we have consistently seen that our businesses are not in a position to take on debt, given the uncertainty facing the industry right now, in particular in the context of likely losing the summer tourist season, which so many count on to remain solvent through the year.

The Task Force recommends several measures the federal government can take to address ongoing liquidity concerns:

Recommendation #1:

Extend working capital grants to tourism and hospitality businesses to enable those businesses to remain solvent to allow time for the tourism economy to recover.

Recommendation #2:

Increase funding available through the Canada Emergency Business Account to at least \$250,000, extend the repayment period to at least 3 years and increase the potential non-repayable portion of that funding to 50 per cent to support small businesses that are the backbone of our economy by increasing funding available.

Recommendation #3:

Engage directly with financial institutions to direct them to offer below market interest rates and flexibility in repayment terms, for existing loans.

Recommendation #4:

Modify the Canada Emergency Commercial Rent Assistance to enable commercial tenants to apply directly to the program.

The Task Force is also recommending measures that the provincial government can take to address ongoing liquidity concerns:

Recommendation #5:

Prohibit commercial rental evictions for non-payment of rent related to COVID-19 and ban rent increases through the end of the year.

Recommendation #6:

Waive or reduce additional taxes and payments, including municipal property tax, PST, ICBC rates, BC hydro rates, crown tenure lease payments, permit fees, and guide licence charges for the remainder of the year. The Municipal and Regional District Tax (MRDT), collected by the accommodation sector and utilized to support tourism marketing, has increased in importance to the industry during this period and should continue to be remitted.

Managing Workforce Needs

The Canada Emergency Wage Subsidy has been unavailable to many tourism and hospitality businesses as they have been closed with their employees on temporary layoff for weeks. For those that are now open, there is no certainty about when their businesses will return to anything resembling pre-COVID-19 levels, making it very difficult to assess when to bring back many staff.

An adjustment to a federal government program is recommended by the Task Force to ensure workers are supported:

Recommendation #7:

Extend the Canada Emergency Wage Subsidy to ensure that all businesses can utilize it until their revenues have recovered to at least 70 per cent of pre-COVID-19 levels, whichever is longer.

For those operators that continue to have some or all of their staff on temporary layoff, the prospect of moving to permanent layoffs and payment of severance is adding financial pressure to already difficult circumstances. Without a clear signal that there will be relief that goes beyond the initial decision to extend the temporary layoff period to 16 weeks, businesses will experience undo hardship, knowing that the impact of paying severance will put them, and hundreds others like them, out of business overnight.

The Task Force recommends a further provincial change to prevent permanent layoffs:

Recommendation #8:

Introduce a temporary measure to exempt layoff or reduction of hours related to COVID-19 from being deemed a termination of employment that triggers a permanent layoff and severance payment, similar to steps taken in Ontario.

Protecting Consumers and Businesses

Tourism relies on advance bookings for accommodations, events and transportation, with travellers often paying weeks or months in advance. With borders closed and trips cancelled, operators are facing pressure to provide refunds, even where they have already made investments that they themselves cannot recoup. Forcing operators to do so will only exacerbate their liquidity challenges leading to insolvency and myriad other issues for government to contend with.

Currently, in some European jurisdictions, governments have passed legislation rendering travel credit vouchers acceptable. In the UK, government is considering a proposal for a Refund Credit Note (RCN), issued to a consumer by the travel supplier and backed by a fund so there is full financial protection for the consumer. It allows the customer to rebook the holiday or activity at a later date and still gives the right to a cash refund up to the date the RCN expires.

To protect consumers and businesses from the potential effects of insolvency, the Task Force proposes to work with the provincial government to revise rebate measures:

Recommendation #9:

Work with Consumer Protection BC, in consultation with tourism and hospitality operators, to develop a solution that protects businesses and consumers. Specifically, measures could include:

1. Extending the date of refund from time of cancellation;
2. Enabling the supplier to offer a voucher or credit for up to two years post original travel date before full refund is due;
3. Suspending enforcement of the legislation for a minimum of two years post-recovery; or
4. Suspending enforcement of any related penalties for a minimum of two years post-recovery

Encouraging Domestic and International Travel

Decisions by the Canadian and British Columbian governments to close international borders and impose strict conditions on those who cross the borders have served to reduce the spread of COVID-19 in the province. As the weeks and months pass; however, it is clear that there are other provinces, states and countries that have also handled the pandemic successfully and as a result, travellers from those areas may be deemed safe to visit B.C.

To keep British Columbians safe and simultaneously support economic growth, the Task Force proposes working with government to move slowly and surely towards measures that will allow for safe travel within and beyond Canada:

Recommendation #10:

Identify potentially safe provinces, territories, regions and countries with whom British Columbia (and Canada) can enter into agreements to ease travel restrictions, including by opening specific borders and regions to non-essential travel, prior to a vaccine or treatment being made widely available.

Recommendation #11:

Work with transportation providers and entities, including YVR, the Canadian Border Service Agency, and regional authorities to develop pilot projects establishing safe-to-safe travel areas and ultimately develop new protocols that enable safe and efficient international travel.

Developing Protocols to Ensure Safe Gatherings

Currently, large grocery stores and retail outlets are not subject to the prohibition on gatherings of 50 people or more but are instead expected to establish environmental and personal hygiene practices and reconfigure physical spaces to ensure appropriate public health measures are keeping people safe. Similar measures, that put public safety first, but allow for increased movement of people in larger spaces would have a significant impact for venue operators and the sector as a whole.

The Task Force recommends appropriate public health officials develop protocols that will enable the safe expansion of gatherings over time:

Recommendation #12:

Exempt all businesses that satisfactorily demonstrate that they are able to meet public health guidelines regarding physical distancing and hygiene from the prohibition on gatherings of 50 or more people.

Recommendation #13:

Implement a rolling evaluation plan to assess and/or adjust restrictions on gatherings and events every 30 days.

Promoting Promote Long-term, Stable Growth

The tourism and hospitality industry is diverse, with distinct, but interconnected needs. A single traveller may use several forms of transportation to arrive in Metro Vancouver and move around in the region, visit multiple attractions and attend events at a variety of venues hosted by numerous event planners, eat and drink at many restaurants and bars, and stay in one or more of our various available accommodations. Each one of those businesses relies on each other to make visiting the region an enjoyable experience.

During the pandemic, governments reacted to remove regulatory hurdles that hamper business, a move that was applauded by industry. Those measures, now proven effective, should remain in place and additional steps should be taken to reduce unnecessary burdens to growth. To build long-term resiliency that will ensure sectoral success in the long-term, tourism and hospitality operators will be faced with making significant adjustments to how they do business, taking into account public health measures and travel restrictions, as well as attitudinal and behavioural changes of the travelling public.

The Task Force recommends working with government to develop a long-term resiliency plan for industry that will provide for long-term success:

Recommendation #14:

Support the tourism and hospitality sector to prepare for an anticipated second wave of infections and develop long-term resiliency through the transition to a “new normal.” This support will need to be broad-ranging and done in consultation with industry representatives and communities. At a minimum, the following are necessary:

- Identify and address communities and sub-sectors that have been particularly hard hit, including Indigenous-run businesses with connections beyond Metro Vancouver;
- Address supply chain concerns through creation of incentives to develop new product development;
- Incorporate tourism and hospitality concerns into planning across government departments and crown agencies, in particular with respect to environment and natural resources, Indigenous reconciliation, and public health and safety; and
- Work with the sector to effectively assure domestic and international travellers that steps have been taken by public health authorities and local businesses to ensure Metro Vancouver is a safe and welcoming place to visit, including addressing a recent rise in overtly racist acts.

Investing in Stimulus and Infrastructure

Recovery will include significant investments in communities to get people back to work and shore up the underpinnings of B.C.’s economy in the longer term. Transportation infrastructure, public transit and community services will spur economic development and growth, providing much-needed support for the tourism and hospitality industry.

As federal, provincial and municipal governments make decisions about future infrastructure investments and operational spending, the Task Force recommends they focus on those that will contribute to economic development in the long-term:

Recommendation #15:

Prioritize investments in transportation infrastructure and public amenities that benefit residents and visitors, which will assist the tourism and hospitality industry and ensure the safe and efficient movement of people.

Recommendation #16:

Provide operating funding for transportation entities significantly affected by revenue reductions related to COVID-19.

Selling Metro Vancouver to the World

When it comes to protecting public health, Metro Vancouver has weathered the COVID-19 pandemic better than nearly any jurisdiction of comparable size in North America and Europe. While maintaining the low infection rate is of the utmost importance, it should also be seen as an advantage when

travelling restrictions are reduced and people are ready to become visitors again. It is expected that people will travel more within the province, and over time, they will move more freely within Canada. Highlighting B.C.'s success with containing the virus can help attract people here.

Tourism and hospitality marketing organizations are experts in attracting visitors to British Columbia, which they must be able to continue to do in future. The Task Force recommends that the province support these efforts:

Recommendation #17:

Ensure adequate long-term funding for Destination British Columbia and Community Destination Marketing Organizations to support domestic and international marketing campaigns.

Recommendation #18:

Take the lead to work with businesses, labour and non-profit entities to restore public confidence in the health and safety of British Columbia businesses and facilities.

Conclusion

For the tourism and hospitality industry to recover and thrive in the coming months and years, municipal, provincial and federal governments all have a role to play, working with the sector to identify immediate and long-term solutions. Those who rely on the industry to pay their bills and take care of their families simply won't be able to do so without significant government intervention.