
GREATER VICTORIA TOURISM RESCUE & RECOVERY TASK FORCE

First Phase Priorities for Immediate Support to June 2020

PHASE ONE IN AN INCREMENTAL SERIES OF RECOMMENDATIONS
IN AN EVOLVING SITUATION TO SUMMER 2021

MAY 12, 2020

GREATER VICTORIA TOURISM RESCUE & RECOVERY TASK FORCE

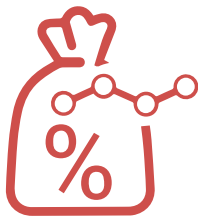
Who We Are

The Greater Victoria Tourism Rescue & Recovery Task Force (Task Force) is a group of twelve tourism business leaders working together to propose solutions to rescue Greater Victoria's tourism industry from the impacts of COVID-19 and also develop ways forward for business recovery. Collectively these business leaders have 400 years of experience in the tourism & hospitality sector as well as more than 200 years contributing to Greater Victoria's communities.

All members care deeply about their community being generous with their charity, investment in their workers and a commitment to sustainable tourism.

The focus of the Task Force is two-fold:

1. To seek policy initiatives and financial support to ensure survival of Greater Victoria's tourism industry through the COVID-19 pandemic, and
2. to position Greater Victoria's tourism industry for the expected economic recovery as restrictions related to the COVID-19 pandemic are relaxed, with a focus on a realistic 18 month survival and recovery strategy.



TOURISM BUSINESS WILL BE EXTREMELY CURTAILED
FOR 18 MONTHS UNTIL FALL 2021

Although the work of the Task Force feeds into the larger B.C. and Canadian economic context, our goals are very local: to ensure our unique island location, our distinctive industry and tourism's value to Greater Victoria's economy are considered in government strategies and achieve real benefits from their vital supports. The Task Force has an essential role in informing the roadmap to reopening B.C.'s economy. Its work and recommendations are especially vital within the context of BC's Restart Plan released on May 7, 2020, whereby (i) many segments of the industry's customers will continue to be prevented from visiting and (ii) crucial, foundational meetings and conference business remains prohibited. Tourism was the first industry impacted by COVID-19 and will be last to come through the pandemic, enduring the most prolonged economic adversity compared to other sectors.

It is clear that the road ahead will be very difficult and we look to all levels of government to work with us as partners, in good faith for mutually beneficial solutions.

Who We Are

in alphabetical order



FRANK CHARLES BOURREE

CEO, Bourree & Associates

Frank Bourree has been actively involved in Greater Victoria's community and tourism, hospitality, human resources, and consulting sectors for more than 40 years. Frank is Vice Chair of the South Island Prosperity Partnership, Chair of the Our Place Community Advisory Board, and a Past Chair of the Greater Victoria Chamber of Commerce.



DAVE COWEN

CEO, The Butchart Gardens

Dave Cowen has more than 30 years experience in the tourism industry, including 13 as General Manager and CEO of The Butchart Gardens. Dave is Chair of the Board of the Greater Victoria Harbour Authority, Co-Chair of the Tourism Committee for the Pacific Northwest Economic Region (PNWER), and a Past Chair of Destination Greater Victoria's Board of Directors.



ANTHONY EVERETT

President & CEO, Tourism Vancouver Island

Anthony Everett has more than 30 years experience in destination marketing, sport tourism, media relations, visitor services and Board governance.



SUZANNE GATRELL

Owner, Kingsbridge Hotel Consulting

Suzanne Gatrell has more than 30 years experience in tourism and hospitality, including 12 years in Greater Victoria. Suzanne is Chair of Destination Greater Victoria's Transportation and Destination Management Committee.



KIMBERLEY HUGHES

General Manager, Delta Hotels by Marriott Victoria Ocean Pointe Resort

Kimberley Hughes has more than 30 years of tourism and hospitality experience, including 12 years in Greater Victoria. Kimberley is Chair of Destination Greater Victoria's Board of Directors.



DAN KUKAT

Owner and President, Springtide Whale Watching & Eco Tours and Member of the Pacific Whale Watch Association

Dan Kukat started Springtide Whale Watching & Eco Tours 27 years ago, combining his passion for being on the ocean, his desire to live in Victoria and his interest in running his own business. Dan is a Past Chair of the Pacific Whale Watch Association.

Who We Are

in alphabetical order



BILL LEWIS

General Manager, The Magnolia Hotel & Spa

Bill Lewis has a diverse background in the hotel sector, with more than 25 years of experience and 15 years in management roles in Victoria. Bill is Chair of the Hotel Association of Greater Victoria and a Past Chair of Destination Greater Victoria's Board of Directors.



PAUL NURSEY

CEO, Destination Greater Victoria

Paul Nursey has more than 25 years of tourism and hospitality experience, including 20 years in leadership roles in destination management and six years in Greater Victoria.



BRENDA OLLIS

General Manager, Chateau Victoria Hotel

Brenda Ollis has 32 years experience in tourism and hospitality, all in Greater Victoria. Brenda is Treasurer of the Victoria Hotel Destination Marketing Association.



THE REV'D CANON IAN POWELL

General Manager, Inn at Laurel Point and Managing Director, Paul's Restaurants Ltd

The Rev'd Canon Ian Powell has more than 45 years of tourism and hospitality experience, with more than 30 years in senior leadership roles. Ian has contributed to Greater Victoria's tourism industry for more than 40 years. Ian is Chair of go2HR's Board of Directors and a Past Chair of Destination Greater Victoria.



JOHN WILSON

President and CEO, The Wilson's Group of Companies

Led by John Wilson, The Wilson's Group has been an active member of Greater Victoria's business and tourism community for 40 years. John is Chair of the Greater Victoria Chamber of Commerce.



RANDY WRIGHT

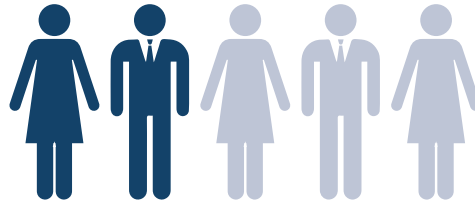
President, Harbour Air Group

Randy Wright has 43 years of tourism and hospitality experience, all in Greater Victoria. Randy is a Past Chair of Destination Greater Victoria.

Why Tourism Matters

Tourism is a major contributor to Greater Victoria's local economy. Prior to the COVID-19 pandemic, tourism was the second largest industry in Greater Victoria, delivering \$2.3 billion economic impact annually and bringing \$1.4 billion in new revenue from visitors into the local economy each year. This revenue is critical for the multitude of small to medium-size businesses underpinning the tourism industry.

The staggering job losses announced on May 8, 2020 reinforce these numbers and the importance of tourism.



2 IN 5
WORKING GREATER
VICTORIANS ARE
EMPLOYED IN TOURISM

Tourism's benefits go beyond new spending in the economy. Tourism generates jobs at all skill and technical levels for people of all ages. It is also a major employer of young adults and people with disabilities, and an important 'gateway employer' for students seeking diverse work experience. Tourism employs two in five of Greater Victoria's working citizens and supports livelihoods for local families. Tourism's contributions to the year-round quality of life enjoyed by Greater Victoria's residents also strengthens the region's ability to attract and retain skilled workers for its technology, academic, government and health care sectors.

How Tourism Businesses and Workers Have Been Impacted

Due to the necessary health and safety measures put into place by government to address the COVID-19 pandemic, for the short-term there is almost no tourism activity. Both the degree and immediacy of economic decline is startling in a region where tourism plays such a pivotal role in our local economy and for households across the South Island. Tourism is inherently seasonal and the timing of the COVID-19 pandemic has hit tourism businesses particularly hard. The immediate cessation of visitor travel to Greater Victoria has occurred at a time of year when tourism businesses are preparing for the main summer season and significant funds have already been invested in these preparations. In addition to being forced to lay-off up to 90% of tourism's full-time workforce, businesses have not been able to employ the thousands of seasonal workers they rely on over the main season. These seasonal workers also rely on tourism for income and experience.

MOST TOURISM BUSINESSES RECEIVE 60 TO 65 PER CENT OF
THEIR ANNUAL REVENUE FROM MAY TO SEPTEMBER

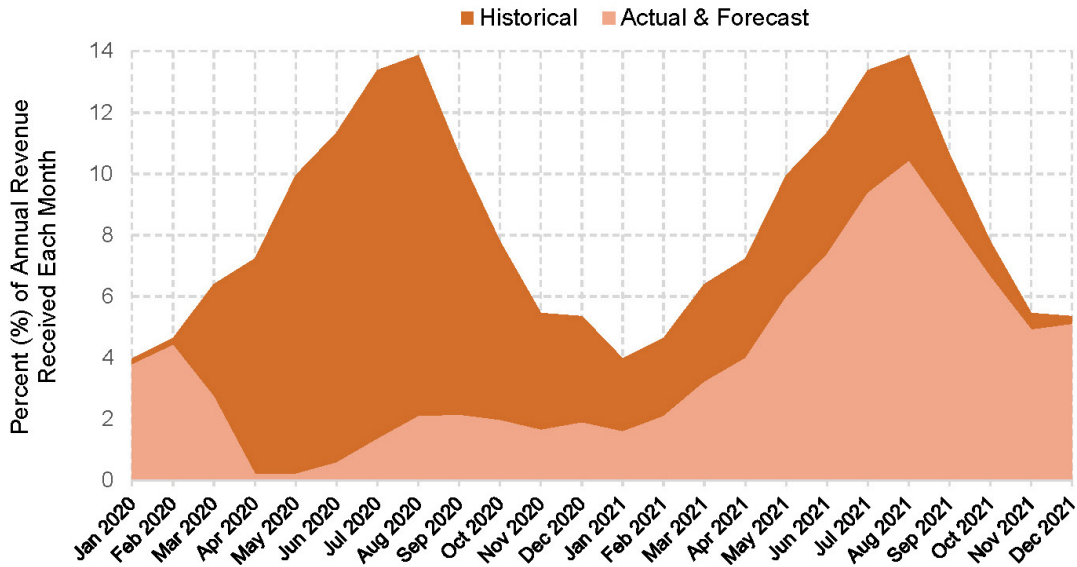


Most tourism businesses receive up to two-thirds of their annual revenue from May to September and rely on this critical core revenue to keep their business functioning over the remainder of the year. In 2020 it is likely that this revenue will decrease by up to 88%, assuming it is safe for some travel and tourism to recommence in June 2020.

SEASONALITY IS A MAJOR DRIVER OF A LONG-TERM SURVIVAL PLAN

Historical and Projected Revenue Flows 2020 and 2021

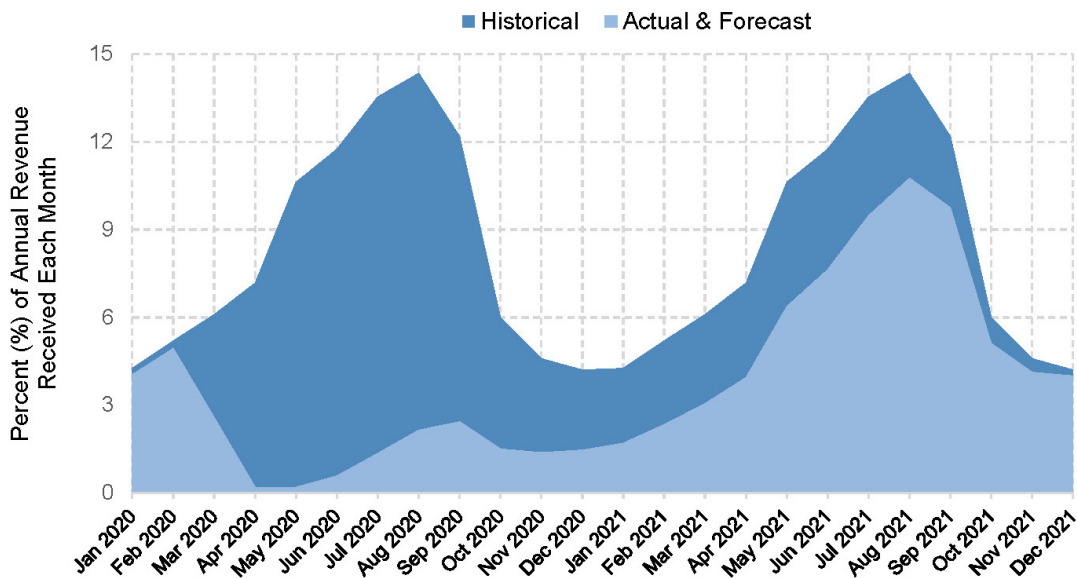
1. Hotels and Other Commercial Accommodation



Sources: STR Greater Victoria Destination Reports and Chemistry Consulting Victoria Tourism Bulletins.

Historical and Projected Revenue Flows 2020 and 2021

2. Attractions, Experiences and Tourism Transportation



Sources: Statistics Canada NTS and VTS Reports, and Chemistry Consulting Victoria Tourism Bulletins.

Tourism was first affected in January 2020 with the loss of Asian business – including Chinese New Year – and will be the last sector to reemerge in Phase 4 of the restart plan.

Governments are taking action to provide temporary supports for businesses, for which tourism businesses are very grateful. While these supports are helpful and appreciated, in some cases they do not cover the seasonal timeframes for which tourism businesses need support, nor address many of the unique characteristics of the tourism sector and its workforce. Revenues in 2020 will be very modest and not cover costs for many businesses, leaving business owners, their workers, and the families they support in a precarious situation. Bankruptcy of cornerstone tourism businesses in Greater Victoria is a real possibility without tailored government support to ensure survival through to summer and fall 2021.

Government supports provided now and into 2021 will be investments delivering high returns in employment and tax contributions for many years to come.

An 18-Month Roadmap

We agree health and safety are paramount. Under guidance from our Provincial Health Officer and Minister of Health, we are committed to working together to stop the spread of COVID-19. We are hopeful the hardships endured to date to flatten the curve will result in gradual lifting of restrictions in the weeks and months ahead. With the right government supports and conditions to allow for safe business operations, many tourism businesses will be able to adapt and embrace the “new normal”.

We are confident tourism businesses can come back strongly and contribute positively once again. However, given critical seasonal factors and severe declines in revenue flows for 2020 and into 2021, recovery will not occur soon. As illustrated in the charts above, it will take 12 to 18 months for tourism businesses to return to the levels of revenue necessary to fully sustain their operations and workforce. Local tourism businesses will need support throughout this period.

Assuming it is safe to recommence some travel and tourism activities in June or July 2020, this will be at greatly reduced capacity (due to health and safety requirements and the need to maintain physical distancing) and is likely to be limited to visitors from within BC for the foreseeable future. Traditional source markets, and the significant revenue they generate, will simply not be available. Even as travel across provinces becomes possible, visitation will only grow very gradually and is only likely to occur once the main summer tourism period has mostly passed. Visitation from the USA – one of Greater Victoria’s key source markets – might not be possible even at low capacity until late 2020. Travel from overseas source markets to BC is unlikely until 2021 alongside availability of a COVID-19 vaccine. It is therefore necessary to approach recovery of the tourism industry with a long-term, seasonal 18-month roadmap because it will, quite literally, take that long for tourism businesses to return to revenue levels that can sustain both the fixed and variable costs of doing business.

We now know it will be a long recovery. Tourism businesses care deeply about their employees and want to keep a connection. Specific, safe emergency policies are required.

While there is a path to recovery, it will take a collective and coordinated effort to maintain the foundation of the industry in the months ahead. Our industry has always been collaborative, and we are grateful for our ongoing access and dialogue with all levels of government. The leadership and coordinated actions taken by our federal, provincial, and municipal governments are essential to helping enable our industry to survive and to transition from rescue to recovery. To aid and inform government efforts in these unprecedented times, the Task Force is developing a roadmap for tourism industry recovery. This roadmap recognizes that recovery will be a gradual process over the next 18 months, with progressive steps

and adjustments along the way. To accommodate these steps and implement actions when they are most critical, the most feasible approach is to update and reiterate the supports required by tourism businesses over rolling two- to three-month periods. This will ensure recovery moves forward in bite-sized pieces while keeping the 18-month perspective in sight.



To move the 18-month roadmap to recovery forward in feasible steps, the key supports required will be prioritized in rolling 2 to 3 month updates.

Cost of Reopening Businesses

When some travel recommences and businesses re-open gradually, it will be far from ‘business as usual’ for the tourism industry. Visitor source markets and business segments central to tourism in Greater Victoria will not be available due to restrictions on cross-border travel (particularly the USA) and limitations on the size of meetings (which precludes conventions and business events). Prior to COVID-19, these key markets and segments provided almost 45% of visitors to Greater Victoria as well as almost 55% of visitor expenditure. Suggestions that these source markets and segments can be replaced by lower-yield B.C. residents are not realistic. Because visitation will be minimal to start and only grow very slowly, demand and capacity will be severely reduced, and revenues will be low for an extended period. Businesses will be operating at a financial loss, even with fewer working employees. This is not a viable operating model and cannot be sustained but will be a painful necessity in order to build a sector-wide recovery. Support will be required.



PRIOR TO COVID-19, **CROSS-BORDER TRAVEL AND CONVENTIONS AND BUSINESS EVENTS** PROVIDED **45%** OF VISITORS TO GREATER VICTORIA AS WELL AS **55%** OF VISITOR EXPENDITURE

On top of this, complying with the important health and safety requirements to contain COVID-19 will be an inherently more expensive way of operating. There will be additional fixed and variable costs that businesses could not reasonably have planned for prior to COVID-19. It is likely that many businesses will need to modify facilities, equipment, and transportation to support physical distancing guidelines. There will be expenses for personal protective equipment (PPE), cleaning supplies, signage, and education materials. Rigorous cleaning protocols and overseeing physical distancing will add considerable labour costs. Collectively these costs will be incremental direct operating expenses.

While tourism businesses will always enthusiastically welcome local and B.C. visitors as valued guests, the reality is that these source markets are insufficient to sustain businesses into 2021.

Significantly, complying with health and safety requirements will further reduce capacity to conduct business, thereby exacerbating revenue constraints. To ensure safe physical distancing, hotels and attractions must have fewer guests, tours must have fewer participants, transportation must have fewer passengers, and restaurants must have fewer diners. Tourism businesses will be operating below the levels of capacity required to break even. It will not be feasible to increase prices to help offset the reduced capacity and added costs. Reopening will include a high financial burden and raises the question of who can or should help pay.

Recovery will be severely undermined and may stall unless tourism businesses receive financial supports to meet the added costs from COVID-19. These supports will not only be critical when businesses re-open, but also afterwards as recovery gradually builds and until revenues reach a level sufficient for ongoing operations. Measures that help with liquidity and cashflow will be most effective, even if financial support reduces over time as recovery gains momentum.

For example, extending the Canada Emergency Wage Subsidy (CEWS) would greatly help tourism business address the added costs of reopening and working towards recovery. Contributions to labour costs will free-up funds to cover other operating expenses. It would also maintain valuable connections to employees so they can be brought back to work as business gradually increases. It would not be necessary to maintain 75% CEWS support throughout the recovery period. Rather, the proportion could be reduced progressively over time and still be very beneficial. Adopting a tapered approach, the proportion of CEWS support could be tied to sector-specific return to capacity and/or revenue measures, and phased gradually downwards. Importantly, this would also allow tourism businesses to plan more effectively, both financially and operationally.

As a further consequence of capacity constraints and increased fixed and operational costs, asset valuations for many tourism businesses have been or will be reduced, undermining their ability to leverage assets and raise funds through loans. Added costs and decreased capacity (for example, fewer guests or passengers) reduce the revenue produced by an asset, resulting in lower valuation. Because most assets are financed and specified coverage (e.g. net income, interest, capital value) ratios must be maintained, prolonged or significant declines in valuation may trigger lenders to seek principal repayment, which under current scenarios would make many tourism businesses insolvent or bankrupt. Given that added costs and constraints on capacity will be unavoidable as businesses re-open, financial support over the longer term – such as interest-free loans, grants or subsidies to offset valuation reductions – is likely to be the most workable and effective solution.

Problem Statement

Tourism is a significant contributor to Greater Victoria's economy, a major employer of residents, and central to quality of life for Greater Victoria's communities. The ongoing COVID-19 pandemic has severely reduced liquidity at a critical time when tourism businesses generate core annual revenue. With a safe, gradual recovery the adverse impacts on tourism, including revenue losses, capacity constraints and new additional costs, will persist throughout 2020 and into late 2021. The short-term and long-term survival of many tourism businesses, and their contributions to Greater Victoria, is at stake. Many shops and services enjoyed by Greater Victoria's residents will not be able to survive without tourism revenue. Governments are requested to act now to support these businesses and the many workers and families they directly and indirectly support.

Requests

The Task Force has prioritized five requests for government that are critical to support tourism businesses immediately and going forward:

- 1. Extending the Canada Emergency Wage Subsidy (CEWS) well into 2021.**
- 2. Extending the 16-week period before severance is required for staff on temporary layoff, as well as flexibility on group lay-off provisions for tourism's highly seasonal workforce.**
- 3. Interest-free loans, grants, subsidies or similar financial supports.**
- 4. Support for COVID-19 safety oriented and physical social-distancing measures.**
- 5. Redirect Destination Canada and Destination BC marketing funds from traditional international source markets to domestic source markets at the community level for the short term upon approved restart.**

Details of the Requests

1. Extension of the Canadian Emergency Wage Subsidy (CEWS)

The CEWS currently expires on June 15, 2020. Liquidity and cashflow will be critical issues for many tourism businesses after June 15, 2020 and for an extended period likely to continue into 2021. Extending the CEWS to a later date, ideally in rolling two to three-month periods and/or on a tapered basis as outlined above, would help businesses maintain existing connections with their employees and continue their operations. Tourism businesses are people-centric and value their employees very highly and maintaining links with their skilled and enthusiastic workforce will be essential through the recovery. Extending CEWS will also greatly support businesses in meeting the added costs of reopening and safety requirements, and addressing the associated capacity and liquidity challenges as recovery slowly builds. Business that are able to maintain operations and retain their workers through to 2021 will also be better placed to capitalize on anticipated economic recovery next year. If the CEWS ceases too early, before businesses can re-open sufficiently to start rebuilding sustainable revenues, many businesses will be unable to bring back their employees, may be forced to lay them off permanently, or probably will not survive.

2. Further extension of the 16-week (previously 13-week) temporary layoff period

Under pre-COVID BC employment law an employee could be laid off for a maximum period of 13 weeks, after which severance must be paid. Although we appreciate that the provincial government has recently extended this period to 16 weeks, the extension remains far too short considering business realities. Many tourism businesses have found it necessary to lay off a major proportion of their staff temporarily, and for most the new 16-week temporary layoff period will end in early July 2020. While these businesses are keen to maintain connection with their employees and bring them back to work when possible, with severely reduced revenue for the foreseeable future and remainder of 2020 they are facing crippling severance costs at the end of the 16-week period in July 2020. This timing is too early, particularly when seasonality and revenue flows for tourism businesses are considered.

As outlined above, even assuming it is safe to recommence some travel and tourism activities in June or July 2020, with minimal revenue flow the vast majority of tourism businesses will not be in a financial position to bring back most of their employees in July (or even August, September or October). As much as businesses would like to bring employees back, it will not be a feasible option. If the temporary lay-off period is not extended significantly for tourism businesses (for example, through 2020 and into 2021) their only choice will be to sever most of their employees and lose the mutually valuable connection with them. Moreover, the direct costs of severance are a critical factor and would be likely to push

most of these businesses over the financial edge, thereby taking further employees out of the workforce as businesses are forced to close over the leaner period of the year. The adverse social and economic implications are significant.

It is equally essential to address BC employment law provisions for group lay-offs, which apply when more than 50 employees are laid off during any two-month period. While intended mainly within the context of factories, mills and similar sized businesses, these provisions can greatly impact many tourism businesses that, due to highly seasonal visitation, employ a core full-time team supplemented by many seasonal employees. For example, a whale watching or tour business may have more than 20 year-round employees and then employ 30 or more on a seasonal basis in line with visitor demand. When COVID-19 restrictions occurred, this was the position many of Greater Victoria's tourism businesses were in. They were recruiting, investing in and training large numbers of seasonal staff in preparation for the primary tourism season. If these businesses have to lay off these employees and ultimately terminate their employment due to lack of customers, the severance costs could total hundreds of thousands of dollars and cripple or sink the businesses permanently. Again, the adverse implications are significant. Temporary flexibility is requested for tourism businesses.

Temporary policy changes are required so that businesses do not face these detrimental severance costs and employees are not placed in an unfavourable position. A considerable extension to the 16-week temporary layoff period would allow businesses to avoid high severance costs while revenues are low and they are still operating at a financial loss, and keep the opportunity open to hire back employees when revenues increase and reach at least a break-even level. In terms of timeline, the period should directly align with business recovery. Flexibility on provisions for group lay-offs to recognize the highly seasonal nature of tourism's workforce would not only help businesses avoid unintended and crippling severance costs, but also maintain opportunities to re-hire employees as recovery progresses. Flexibility would also help ensure businesses survive to employ large numbers of seasonal workers in future years.

3. Interest-free loans, grants, subsidies or similar financial supports

In view of projected revenue flows through to the end of 2021, it is not viable for tourism businesses to increase their debt obligations or defer interest on loans. As noted above, the COVID-19 pandemic has occurred as tourism businesses were preparing and investing for their core-season operations. As per standard practice, many took out loans prior to the COVID-19 pandemic to invest operationally for revenues in spring and summer 2020. Increasing debt or deferring interest on additional loans will increase costs and directly undermine business viability. Because of prolonged severely reduced revenue flows there will not be capacity to repay. Instead, interest-free loans or similar direct financial support should be in place to help businesses remain viable, retain their employees, and gradually recover over the longer term. These supports will also assist in maintaining asset valuations for longer term business viability and resilience.

4. Support for COVID-19 safety oriented and physical social-distancing measures

As restrictions are gradually relaxed and some businesses re-open and increase operations, it will still be necessary to have measures in place to prevent transmission of COVID-19. Health and safety of visitors, workers and residents will remain paramount, and tourism businesses will need to adapt and put best practices into place. For example, there could be requirements to modify facilities, equipment, vehicles, aircraft and vessels to adhere to physical distancing guidelines. There will be incremental expenses for personal protective equipment (PPE), cleaning supplies, staff costs for extra cleaning, signage, and education materials. There will need to be clear guidelines from health authorities to ensure businesses can meet requirements. Along with these additional direct operating costs for businesses, the health and safety requirements (particularly physical distancing) will place considerable constraints on capacity to serve customers and do business. There should be discussion around how tourism businesses can be best and most efficiently supported in implementing safety measures, meeting added costs, and addressing reduced capacity. We request all levels of government to respond in timely and meaningful ways to support tourism businesses in their efforts to endure and adapt.

5. Redirect Destination Canada and Destination BC marketing funds from traditional international source markets to domestic source markets at the community level for the short term upon approved restart.

Destination Canada and Destination British Columbia have tens of millions of dollars in their budgets dedicated to marketing Canada and BC within international source markets. Because international borders are closed to non-essential travel for the foreseeable future, it does not make sense for Destination Canada and Destination BC to continue to market internationally. Instead, these funds could be re-dedicated to domestic source markets, promoting hyper-local tourism and ‘staycations’ within Canada. For many years, community Destination Marketing Organizations have partnered upwards to become very effective senior-tier, locally-grounded partnership marketers. This makes community DMOs particularly well-placed to market most effectively and efficiently at local and regional scales. The re-purposing of marketing funds aligns directly with the anticipated phasing of tourism recovery. Domestic ‘rubber tire’ travel will recommence first, followed by domestic air travel, and then finally international air travel. Because borders are not expected to re-open to non-essential travel before 2021 and tourism recovery will be hyper-local, then local, then regional into 2021, re-purposing of Destination Canada and Destination British Columbia international marketing funds would be appropriate and beneficial for one to two years only.

Greater Victoria's Visitor Economy

ECONOMIC IMPACT OF COVID-19

The COVID-19 pandemic is likely to have devastating impacts on the economy of Greater Victoria. This will not only effect businesses and workers connected to tourism, but also the residents, communities and governments that benefit from visitor spending in Greater Victoria.

PROJECTED LOSSES OVER THE NEXT 10-14 MONTHS



\$1.4 BILLION

LOST TO OUR ECONOMY FROM VISITOR SPENDING

BUSINESSES HARDEST HIT



Transportation



Accommodation



Food & Beverage



Attractions



Retail



Arts & Entertainment

WAGE LOSSES

\$605 MILLION

AND COULD BE AS MUCH AS \$850 MILLION

JOB LOSSES



BETWEEN **19,800**

AND **22,500**

PROJECTED TAX REVENUE LOSS



\$375 MILLION

IN THE NEXT 10-14 MONTHS