

TIABC Submission to the Government of Canada

Extension and Proposed Changes to the Canada Emergency Wage Subsidy (CEWS) and the Introduction of the Canada Recovery Hiring Program (CRHP)

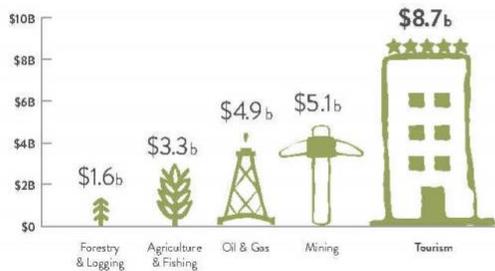
May 20, 2021

2019 Value of Tourism
A Snapshot of Tourism in BC

TOURISM GROSS DOMESTIC PRODUCT

GDP for the provincial economy as a whole grew 2.5% over 2018. The tourism industry contributed 3.4% or \$8.7 billion of value added to the BC economy, as measured through GDP (in 2012 constant dollars). This represents 3.4% growth over 2018, and 41.8% growth since 2009. In 2019, tourism contributed more to GDP than any other primary resource industry.

GDP BY PRIMARY RESOURCE INDUSTRY



TOURISM BUSINESSES

19,748

tourism-related businesses in operation in BC in 2019, a 2.2% increase over 2018.



TOURISM EMPLOYMENT

149,900

people employed in tourism-related businesses, a 1.8% increase over 2018.



TOURISM WAGES AND SALARIES

The tourism industry paid

\$6.1 Billion

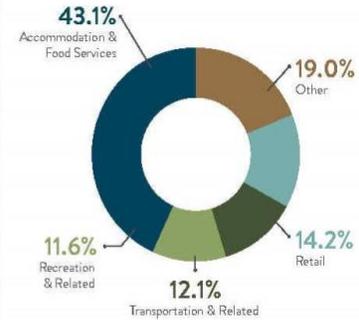
in wages and salaries in 2019.

+5.8% Over 2018 | +65.0% Since 2010*



\$ = \$1 Billion * the earliest year available for comparison

SHARE OF TOURISM EMPLOYMENT BY SERVICE AREA



Source: Destination British Columbia



About the Tourism Industry Association of BC

The Tourism Industry Association of BC (TIABC) advocates for the interests of British Columbia's \$21+ billion visitor economy (pre-pandemic). As a not-for-profit industry association, TIABC works collaboratively with its members – private sector tourism and hospitality businesses, other industry associations and destination marketing organizations – to ensure the best working environment for a competitive tourism and hospitality industry.

TIABC's vision is for the tourism and hospitality industry to be recognized as one of British Columbia's leading and sustainable industries. As the primary advocate for BC's visitor economy, TIABC unites operators, sectors, DMOs, government and residents to support and be passionate about making this province a great place for tourism.

On behalf of its members and stakeholders, TIABC is submitting this brief with recommendations on proposed changes to the **Canada Emergency Wage Subsidy Program (CEWS)** and the introduction of the **Canada Recovery Hiring Program (CRHP)**.

Background and Recommendations

Tourism and hospitality is a critical industry within BC's economy. In 2019, the tourism and hospitality industry generated over \$8.7 billion in provincial GDP – some 3.4 percent of total provincial GDP, which was greater than any of BC's primary resource industries. The more than 19,000 BC tourism and hospitality businesses were estimated to have directed employed almost 150,000 people and paid over \$6.1 billion in wages and salaries.¹

The recently announced federal government budget ("Budget 2021") proposed a set of changes to federal business support programs that will have severe consequences for BC's tourism and hospitality businesses. While many other industries are already rebounding from the effects of the COVID-19 pandemic and are therefore able to reduce their reliance on federal support programs, the tourism and hospitality industry continues to be hard hit and is projected to be so through at least mid-2022. As a result, tourism and hospitality businesses need continued access to new and existing government programs that are maintained at the present levels of support.

On behalf of the BC tourism and hospitality industry, TIABC recommends:

- 1. The federal government extend the CEWS Business Support Program for tourism and hospitality businesses through mid-2022.**
- 2. The federal government maintain the 75% maximum level of the CEWS program for tourism and hospitality businesses through mid-2022.**
- 3. The federal government grant an exemption for tourism and hospitality businesses to allow them to claim under both the CEWS program and the new CRHP.**

¹ Source: Destination BC, The Value of Tourism, 2019.

Proposed Changes to the CEWS program announced in Budget 2021

Budget 2021 extended the CEWS program to September 25, 2021 with possible legislative room to further extend the program through regulations until November 20, 2021 should the COVID situation warrant. At the same time Budget 2021 proposed a series of reductions in the maximum available rate beginning in July and continuing through August. Under the proposed reductions the maximum available rate will decrease from 75% to 60% on July 4, from 60% to 40% on August 1, and from 40% to 20% on August 29. These changes are summarized in Table 1.

Table 1. Changes to the CEWS program announced in Budget 2021.

Revenue Decline	Period 17 6 June – 3 July	Period 18 4 July – 31 July	Period 19 1 Aug – 28 Aug	Period 20 29 Aug – 25 Sept
More than 70%	75% (base: 40%+ top-up: 35%)	60% (base: 35%+ top-up: 25%)	40% (base: 25%+ top-up: 15%)	20% (base: 10%+ top-up: 10%)
50% to 69%	Base: 40% + top-up: (revenue decline – 50%) x 1.75	Base: 35% + top-up: (revenue decline – 50%) x 1.25	Base: 25% + top-up: (revenue decline – 50%) x 0.75	Base: 10% + top-up: (revenue decline – 50%) x 0.50
10% to 50%	Base: revenue decline x 0.8	Base: (revenue decline – 10%) x 0.875	Base: (revenue decline – 10%) x 0.625	Base: (revenue decline – 10%) x 0.25
0% to 10%	Base: revenue decline x 0.8	0%	0%	0%

Many industries in BC are already rebounding successfully from the effects of the pandemic, and many more will begin to recover once domestic vaccinations reach acceptable levels. However, that is not the case for tourism and hospitality businesses, which are dependent not only on a return to travel by Canadian residents, but also on a return to travel by visitors from around the globe. As can be seen from Table 2 which compares employment in March 2019 with that in March 2021, employment in many BC economic sectors is already at or near pre-pandemic levels. Such sectors include forestry, fishing, mining, quarrying, oil and gas, wholesale and retail trade, finance, insurance, real estate, rental and leasing, and professional, scientific and technical services.

For sectors that have rebounded from the pandemic, the CEWS program has achieved its main objectives, and a scaling back or elimination of government support is now appropriate. However, the tourism and hospitality industry has not yet participated in the economic recovery as is demonstrated by the continuing decline in employment in the accommodation and food services subsector, one of the main tourism and hospitality subsectors.²

² Statistical agencies report employment estimates for sectors and subsectors that have been assigned NAICS codes on a monthly basis, typically with only a two- or three-month reporting lag. Employment estimates for sectors such as tourism, which include businesses from multiple NAICS codes, are prepared only periodically and typically have a reporting lag of two or three years. Because the accommodation and food services subsector has been assigned its own NAICS code, its monthly employment estimates are commonly used as an indicator of current employment in the tourism and hospitality sector overall.

Table 2. Employment, 15 years and over, British Columbia (in thousands)³

Industry (Statistics Canada NAICS)	March 2019 Employment (thousands)	March 2021 Employment (thousands)	Change from 2019 to 2021 (thousands)	Percent Change from 2019 to 2021
Accommodation and food services⁴	198	172	-26	-13%
Construction	243	215	-28	-11%
Transportation and warehousing	143	135	-8	-5%
Information, culture and recreation	137	130	-7	-5%
Business, building and other support services	115	110	-4	-4%
Manufacturing	172	171	-1	0%
Forestry, fishing, mining, quarrying, oil and gas	52	52	1	2%
Wholesale and retail trade	389	397	8	2%
Finance, insurance, real estate, rental and leasing	162	168	6	4%
Health care and social assistance	335	351	16	5%
Educational services	188	199	11	6%
Professional, scientific and technical services	233	256	23	10%
Public administration	115	129	14	12%
Utilities	13	19	6	47%
Other/unclassified	156	129	-27	-17%
<i>Total, all industries</i>	<i>2,650</i>	<i>2,633</i>	<i>-17</i>	<i>-1%</i>

Statistics published by the federal government for the CEWS program through Period 12 (through February 13, 2021) show that the lion's share of funding has gone to businesses in sectors other than tourism and hospitality. In fact, to date, the accommodation and food service subsector has received 11.9% of the total support provided to BC businesses, while substantial amounts of support have been provided to other industries including construction, manufacturing, and professional, scientific & technical services, which together have received over 33% of all funds.

Moreover, as can be seen from Table 3, the support for accommodation and food service subsector has been used effectively and has supported more workers per dollar received than any other sector. The support per period per employee in the accommodation and food subsector has been \$899, or about half the level of workers in most other sectors.

³ Source: Statistics Canada, Statistics Canada. Table 14-10-0022-01 Labour force characteristics by industry, monthly, unadjusted for seasonality (x 1,000)

⁴ On a disaggregated basis we expect the decline is larger in accommodation than in food services. Data from BC Stats and Statistics Canada suggests employment in accommodation may be as much as 40 percent lower in 2021 than it was in 2019.

Table 3. Approved CEWS claims for BC businesses from period 1 through period 12 (March 15, 2020 through February 13, 2021)⁵

Industry (Statistics Canada NAICS)	CEWS Amount Approved Since Launch	Percent of Amount Approved	Number of Employees Supported by the Program ⁶	Support per Employee
72 Accommodation & Food Services	\$981,073,000	11.9%	1,090,920	\$899
23 Construction	\$1,038,081,000	12.6%	543,820	\$1,909
48-49 Transportation & Warehousing	\$405,798,000	4.9%	218,020	\$1,861
51 Information & Cultural Industries	\$281,084,000	3.4%	140,310	\$2,003
71 Arts, Entertainment & Recreation	\$296,143,000	3.6%	192,690	\$1,537
31-33 Manufacturing	\$982,873,000	11.9%	520,610	\$1,888
11 Agriculture, Forestry, Fishing & Hunting	\$216,814,000	2.6%	120,260	\$1,803
21 Mining, quarrying, and oil and gas extraction	\$63,652,000	0.8%	28,210	\$2,256
41 Wholesale Trade	\$623,463,000	7.6%	337,160	\$1,849
44-45 Retail Trade	\$756,783,000	9.2%	628,310	\$1,204
52 Finance & Insurance	\$117,144,000	1.4%	89,480	\$1,309
53 Real Estate & Rental & Leasing	\$140,100,000	1.7%	76,190	\$1,839
62 Health Care & Social Assistance	\$354,918,000	4.3%	267,780	\$1,325
61 Education Services	\$205,754,000	2.5%	136,970	\$1,502
54 Professional, Scientific & Technical Services	\$747,202,000	9.1%	382,010	\$1,956
91 Public Administration	\$4,378,000	0.1%	2,110	\$2,075
22 Utilities	\$1,696,000	0.0%	730	\$2,323
55 Management of Companies & Enterprises	\$97,899,000	1.2%	47,700	\$2,052
56 Administrative Support, Waste Management & Remediation Services	\$369,102,000	4.5%	242,660	\$1,521
81 Other Services, except Public Administration	\$416,349,000	5.1%	289,640	\$1,437
Missing/Not Assigned	\$130,231,000	1.6%	90,850	\$1,433
<i>Total</i>	<i>\$8,230,537,000</i>	<i>100.0%</i>	<i>5,446,430</i>	<i>\$1,511</i>

⁵ Source: <https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-statistics/stats-detailed.html>.

⁶ In the statistics released by the federal government, employees are counted in each period and then totalled across periods. Consequently, individuals may be included more than once (for example, an employee supported in period 1, period 2 and again in period 3 would be counted as three employees in these statistics). The 1,090,920 accommodation and food services subsector employees supported over the 12 periods of the CEWS program equates to an average of 90,910 employees per period, which is over half of the reported total number of employees in the subsector as of March 2021.

Summary & Recommendations

The Tourism Industry Association of BC recommends:

1. **The federal government extend the CEWS Business Support Program for tourism and hospitality businesses through mid-2022.** While it is appropriate to end the program for sectors that are rebounding from the pandemic, the tourism and hospitality industry's circumstances are far different and will therefore need an extended time frame for recovery. Tourism and hospitality businesses have accounted for less than 12% of total funding through CEWS in BC. As a result, extending the program for tourism and hospitality businesses while phasing out the program for better-off sectors will still achieve substantial reductions in government spending.
2. **The federal government maintain the 75% maximum level of the CEWS program for tourism and hospitality businesses through mid-2022.** Tourism and hospitality businesses continue to be hit harder than virtually all other businesses. Moreover, CEWS support received by tourism and hospitality businesses supports more workers per dollar than in other sectors. Maintaining the 75% maximum will allow tourism and hospitality business to survive and be ready to again become important contributors to Canada's economy as they too recover from the effects of the pandemic.
3. **The federal government grant an exemption for tourism and hospitality businesses allowing them to claim under both the CEWS and CRHP programs.** Tourism and hospitality businesses need such an exemption to enable them to hire new workers in anticipation of improving business conditions during the summer months. The exemption would increase certainty for tourism and hospitality businesses thereby allowing them to respond to increased visitor activity should pandemic conditions allow.

Conclusion

The BC tourism and hospitality industry is appreciative of the support provided to date by the federal government to tourism and hospitality businesses during the pandemic. We believe these recommendations will greatly help the industry recover and return as a strong contributor to BC and Canada's economy post-pandemic. We look forward to hearing from you to discuss our recommendations in further detail.

Best Regards,



Walt Judas
CEO, TIABC
778-953-0620
wjudas@tiabc.ca