

April 13, 2020

Hon. Jason Kenney, Premier of Alberta
Government of Alberta
Edmonton, Alberta
10800 97th Ave T2K 2B6

RE: COVID-19 Crisis & Recovery

Dear Premier Kenney:

On behalf of the Tourism Industry Association of Alberta (TIAA) board of directors, we thank you for your leadership; your honesty; and, your unwavering commitment to ensure the health and safety of Albertans during this unprecedented crisis. TIAA fully acknowledges, and supports, the need for sustained social distancing measures as the government considers how to best re-ignite the economy in a manner that ensures the health and safety of Albertans, as its first priority.

Following the experience of other countries that have begun to reopen their economy and, in consideration of how the timing a similar sequencing of events might impact Alberta's tourism economy, it is looking increasingly probable that Alberta will lose most of its tourism revenue generating potential this summer.

For this reason, we wish to advance our thoughts and recommendations on actions that could be taken by the Government of Alberta, as well as actions we are looking to the Government of Alberta to advocate to the Government of Canada on the industry's behalf.

TIAA's eleven recommendations at the close of this letter are grouped as follows:

- **Measures to avert the loss of tourism businesses (immediately)**
- **Measures to set the stage for economic recovery (30 to 60 days)**
- **Measures to support visitation, new product development and investment (within 30 to 90 days)**

Alberta's economy: It is more than the energy sector

In as much as the resource sector is the backbone of the provincial economy, tourism is the other part of Alberta's economic skeletal structure that connects all facets of rural and urban economies.

The tourism industry **supports sectors** such as finance, manufacturing, and others in the provision of products and services that drive those sectors' profitability. The tourism industry **supports the needs of residents** through the provision of local recreational, cultural, sport and entertainment services; this contributes to the social fabric of the community. And, the tourism industry **supports visitors** in their desire to explore and experience Alberta's rich and diverse tourism offerings through the provision of accommodation, food and beverage, retail and attraction services, to name but a few.

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Prior to the COVID-19 crisis, Alberta's visitor economy generated greater than \$8.9B annually in tourism-related expendituresⁱ. Moreover, the government has demonstrated a commitment to grow tourism to \$20B by 2030. Given the setbacks brought-on by COVID-19, however, additional measures will be needed to ensure Alberta can stay the course.

Tourism: Largest employer of youth

Tourism employment in our province represents approximately 127,000 jobsⁱⁱ, which translates to about 9% of all jobs in Alberta. Unemployment data released this week, however, points to the depth and severity of the economic fallout from COVID-19.

In March, Alberta's accommodation and foodservices sector employment dropped by 27.9%. The highest impacted segment has been youth employment. As the industry that singularly employs the highest number of youth, we are deeply saddened by the collapse of the labour market and our sector's inability to do anything about it.

Unemployment impact: Tourism one of the hardest hit sectors

At the close of 2019, Alberta's visitor economy consisted of 23,232 businessesⁱⁱⁱ that provide many of the core of service residents and visitors depend on in every community of this province. Employment within Alberta's tourism economy at that time could be broken-down as follows: F&B services - 43.7%; Transportation – 30.1%; Recreation & Entertainment -11.7%; Accommodation – 10.2%; and, Travel Services – 4.2%.

As government contextualizes what mass unemployment means across all spectrums of the economy, it may be helpful to consider that the 1.8M Canadians that had been part of the tourism workforce prior to COVID-19 was greater than the combined employment of the following sectors: finance and insurance; agriculture, forestry, fishing and hunting; real estate, rental and leasing; and, mining, quarrying, and oil and gas extraction.^{iv}

Most attractive about the industry is its responsiveness to meeting changing consumer preferences, an imperative in today's market. Tourism is green, renewable and is one of the best economic tools government can use to promote economic renewal in communities struggling with structural economic change. TIAA would argue that the tourism sector has never been more important to Alberta's economic future, than it is now.

Tourism business failures imminent: Estimated at least 50% won't survive without a summer season

TIAA is deeply concerned that many businesses within Alberta's visitor economy will not make it through this crisis. Based on discussions with various tourism operators and looking generally at the economic impacts experienced in other countries, TIAA estimates that at least 50% of all Alberta tourism businesses could run out of cash if there is no summer tourism season.

Unique to the tourism industry is that many businesses generate a majority of annual revenues in the months of May – September. In the lean months, the use of retained earnings and access to credit facilities bides time for many of these businesses as they await the start of the next year's tourism season.

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Many businesses start the tourism season hoping to generate just enough cash flow to pay-down loans, credit cards and lines of credit; the prospect of generating positive cash-flow is something that comes much later in the summer tourism season. Even then, that depends on a multiplicity of factors lining up from knowing there will be uninterrupted air access into Alberta, to currency exchange rates holding, to there being non weather-related issues to deal with (eg. wildfire).

Half of Alberta's tourism businesses are self-employed

One out of every two tourism businesses in Alberta is run by a self-employed individual: this is a proxy for the significance of Alberta's SME sector, and its contribution to provincial tax revenue. Unfortunately, this cohort is currently unable to access the federal wage subsidy program, as well as the federal business loan program due to the fact current policy definitions only recognize an employee in the traditional sense.

TIAA recommends that as part of a provincial tourism sector strategy and relief package that the Government of Alberta:

Measures to avert the loss of tourism businesses (immediately)

1. As the accrual of deferred fees and taxes act as a drag on future cash flow and threatens the ability of many businesses to re-start operations when the time comes, forgive all provincial fees and taxes associated with the timeframe the economy was unable to move under its own power and advocate to the federal government to do the same.
2. Advocate to the federal government on behalf of the 50% of Alberta's tourism industry who are self-employed and are experiencing immense difficulty in accessing the business liquidity measures announced by the Government of Canada and further, provide financial backstops to support Alberta businesses until such time that Ottawa confirms additional funding supports.
3. Advocate to the federal government to ensure that any federal supports provided to Air Canada are also guaranteed for WestJet given the significance of the company's health and wellbeing to the future of Alberta's tourism economy.
4. Avail funding supports for not-for-profit destination marketing organizations and tourism sector associations to ensure continuity of operations as these associations are integral to supporting the recovery and mobilization of the tourism industry, as well as nurturing its future growth potential.

Measures to set the stage for economic recovery (30 to 60 days)

5. Immediately identify and commit funding for ***tourism capital infrastructure projects*** that have the greatest potential to:
 - a. generate employment for Albertans;
 - b. improve the safety and experience of visitors;
 - c. contribute incremental tourism revenue within a community (or region), baselined to pre-COVID-19 economic performance levels; and,
 - d. support the province's commitment to achieving its *economic, environmental and social* objectives.

6. Reinstatement of the Alberta Investor Tax Credit (AITC) program to encourage investment (and reinvestment) on capital expenditures, research, development, and product or process improvements.
7. Establish an Alberta Economic Opportunities Recovery Fund to support sector-specific recovery efforts, which could include: providing short-term, interest free loans; and, taking an equity stake in distressed businesses, in alignment with the Government of Canada.
8. Commit no less than \$50M toward an economic recovery campaign aimed at encouraging Albertans to get outside, recreate, go for dinner, stay overnight somewhere to activate consumer spending throughout Alberta.

Measures to support visitation, new product development and investment (within 30 to 90 days)

9. dedicate the full value of the Alberta Tourism Levy to Travel Alberta to support provincial industry development, promotion and marketing efforts. (Funding should be determined based on pre COVID-19 market conditions.)
10. Identify an inventory of crown lands suitable for various scales of tourism development within each land use region, making this information readily available to support early-stage project analysis by entrepreneurs, investors and community stakeholders.
11. To drive interest in future tourism investment opportunities in Alberta, immediately clarify its policies around tourism and outdoor recreation development on provincial crown lands so proponents have certainty regarding the review and approval process.

Sincerely,



Alida Visbach
Chair



Darren Reeder
Board Advisor

Cc Jamie Huckabay, Chief of Staff, Office of the Premier

ⁱ Government of Alberta, Ministry Business Plan, Economic Development, Trade & Tourism (2020-23)

ⁱⁱ Travel Alberta, Visitor Economy statistics

ⁱⁱⁱ Government of Alberta, Tourism-Related Businesses in Alberta, 2019

^{iv} Tourism HR Canada