

Revisiting Tourism: Canada's Visitor Economy One Year into the Global Pandemic

March 2021

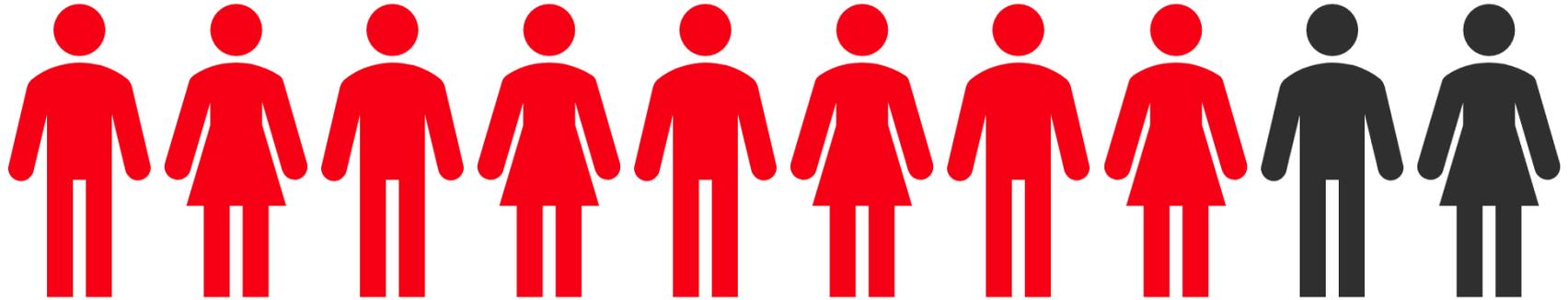


Executive Summary

- Canadians want to travel: while safety is a key consideration in planning travel, data shows high interest in future international travel.
- If Canadians shift two-thirds of their planned spend on international leisure travel towards domestic tourism, it will make up for the estimated \$19 billion shortfall currently facing our visitor economy—and help sustain 150,000 jobs.
- Recovery is forecasted to take years, but a significant increase in domestic travel can accelerate recovery by one year.
- The visitor economy saw unprecedented losses in 2020 alongside business closures and rising unemployment. The impact on tourism is greater than that experienced after 9/11, SARS and the 2008 economic crisis combined.
- Because of its service nature, tourism is the most impacted sector in the Canadian economy. Canada's major cities have been hit the hardest by the loss of tourism revenue.
- While still significant, job loss was minimized through Government of Canada initiatives which include, among others, the Highly Affected Sectors Credit Availability Program (HASCAP).
- Women, immigrants and youth, who make up the engine of the visitor economy, have been hardest hit by the impact of COVID-19 due to reduced operations, business closures and job loss.

The majority of Canadians are eager to get back out and explore, when it is safe to do so

80% of Canadians plan to travel when restrictions are relaxed



Source: Destination Canada 2020 Global Tourism Watch, November 2020

Base size: Canadian residents (n=9059)

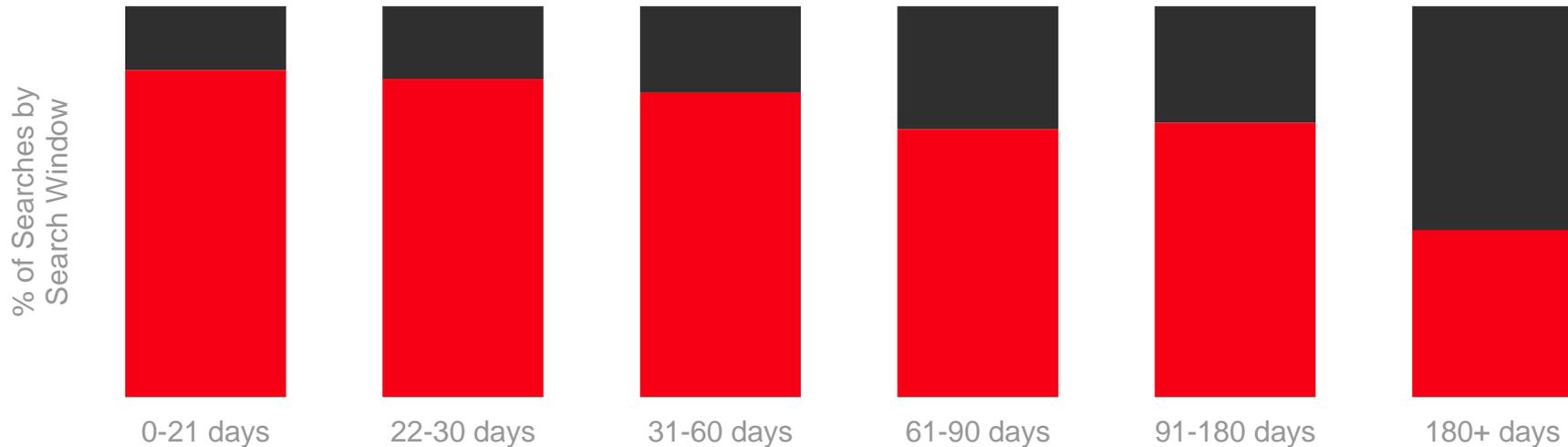
Q: "How likely are you to travel in the next year for the following reasons as government restrictions related to COVID-19 are relaxed?"

As Canadians search for travel dates further out, they show increasing interest in international travel



● Searches to Canadian destinations

● Searches to international destinations (including USA, UK, Italy, France)



Source: 1st Party Expedia Group Search data; Date Range(s): Jan 1-Feb 20 2021

Points of Sale (POS) used: Canada

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A shift in spending from international to domestic travel this year can sustain jobs and rebuild billions of dollars in lost revenues

In 2019, Canadians spent

\$28.2 billion

on international leisure travel
(excluding air fares)

Re-allocating
two-thirds of those dollars
to domestic tourism would replace the estimated

\$19.4 billion

shortfall in 2020 international visitor revenues,
and would sustain over

150,000 jobs

Recovery is forecasted to take years, but a significant increase in domestic travel can accelerate recovery



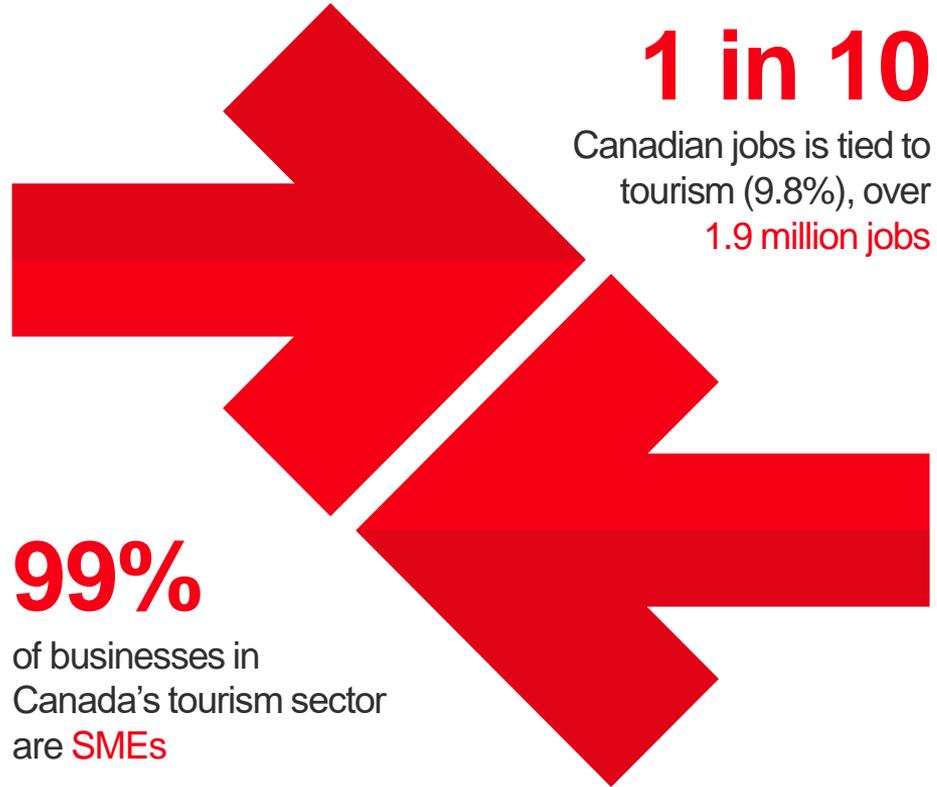
Forecasting is based on reasonable estimations at present, given the current state of COVID-19 in Canada and worldwide, and projected lifting of travel restrictions within Canada in Q3 2021 (including re-opening borders to all key international markets).



**Canada's tourism
sector creates
jobs, supports
small businesses,
and enhances
overall quality of
life for all
Canadians**

Tourism plays a key role in supporting small business and creating jobs

Tourism jobs fall within all regions across Canada; tourism is the only sector that employs Canadians in every province, territory & electoral riding.



Canadians understand the value of tourism

84%

of Canadians believe that the tourism sector is **very/somewhat important** to Canada's economy.

Perceptions of Tourism in Canada

Strongly/somewhat agree

82%

Canadian visitors travelling domestically are good for Canada

79%

Visitors from other countries are good for Canada

Source: Destination Canada 2020 Global Tourism Watch, November 2020

Base size: Canadian residents (n=9059)

Q: "In your opinion, how important is the tourism industry to Canada's economy?" Q: "To what extent do you agree or disagree with each of the following statements?"

Supporting tourism means enhancing the quality of life for all Canadians



TRAVEL

Tourism accounts for the majority of revenues in passenger air and rail transport. Without visitors supporting our transportation infrastructure, the availability of transportation to Canadians for their own pursuits – vacationing, visiting friends and family – will be prohibitive.



ENTERTAINMENT & RECREATION

Many entertainment and recreation venues will not be able to stay open without tourism revenues. These include theatres, museums and art galleries, parks, zoos and botanical gardens, amusement parks, casinos, and more that are enjoyed by all Canadians in their communities.



DINING

The diversity of Canada's food and beverage industry is of benefit to all Canadians. Food service is the largest source of tourism jobs; without tourism patronage, many restaurants will face unsustainable loss of revenue, impacting small businesses and jobs across Canada.



FESTIVALS & EVENTS

Tourism supports national and international events and festivals. These events create a ripple of economic, socio-cultural and environmental benefits enriching both visitor experiences and the communities in which they operate.



BUSINESS EVENTS

Business events are economic catalysts to the vitality of many cities across Canada. They bring expertise, ideas and people from around the world, promoting innovation, leading to investment in key sectors across Canada, and ultimately spurring economic growth by 68%.

Domestic tourism is needed to stimulate the visitor economy

By keeping their tourism dollars in Canada, Canadians can play a critical role in:

Bolstering the
tourism
economy

Creating
jobs

Supporting
local
businesses



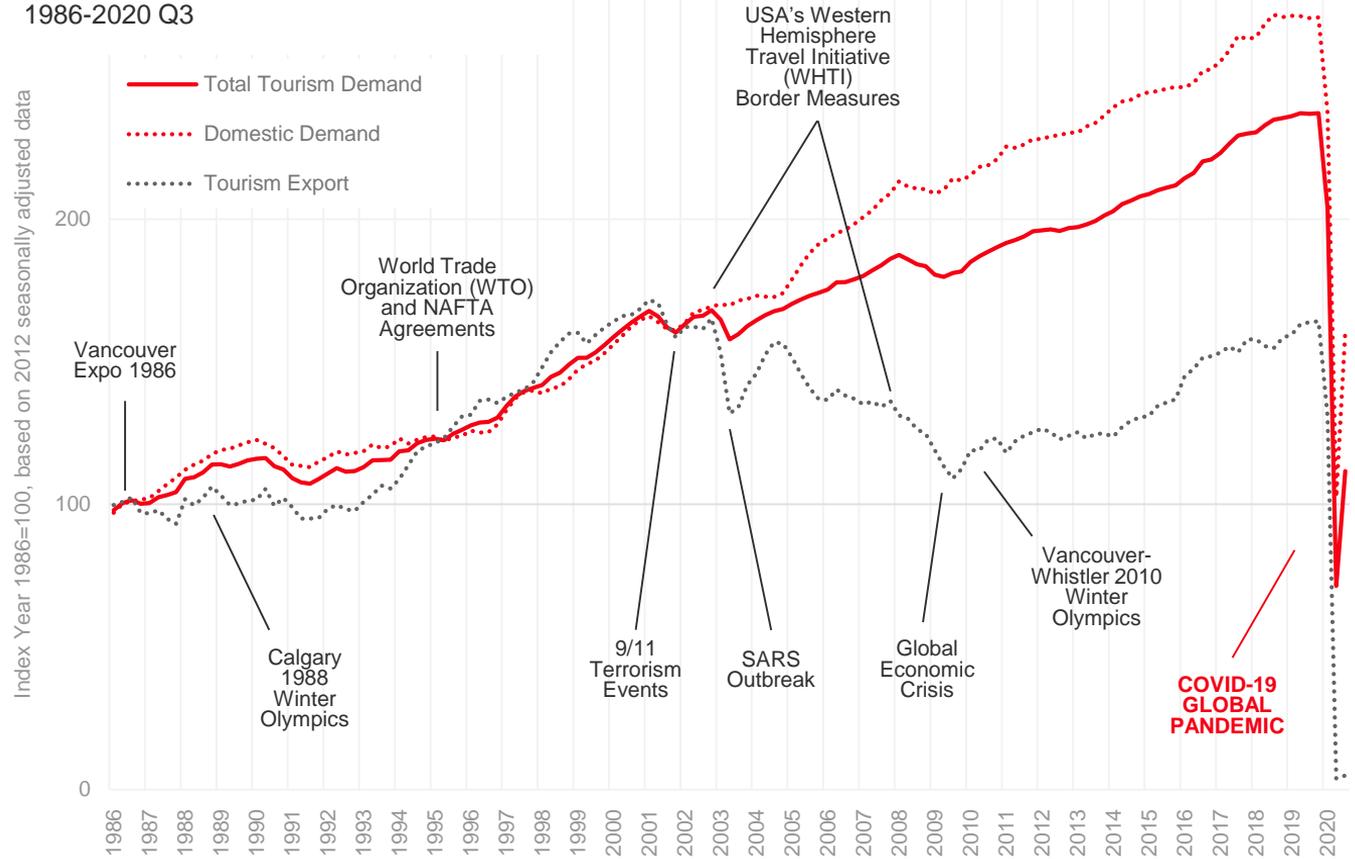


Tourism in Canada was first hit, hardest hit and will be last to recover

The state of the visitor economy is more dire than the impacts following 9/11, the SARS outbreak, and the 2008 economic crisis combined.

2020 losses to Canada's tourism sector are the worst on record

Quarterly Economic Evolution of Tourism in Canada 1986-2020 Q3

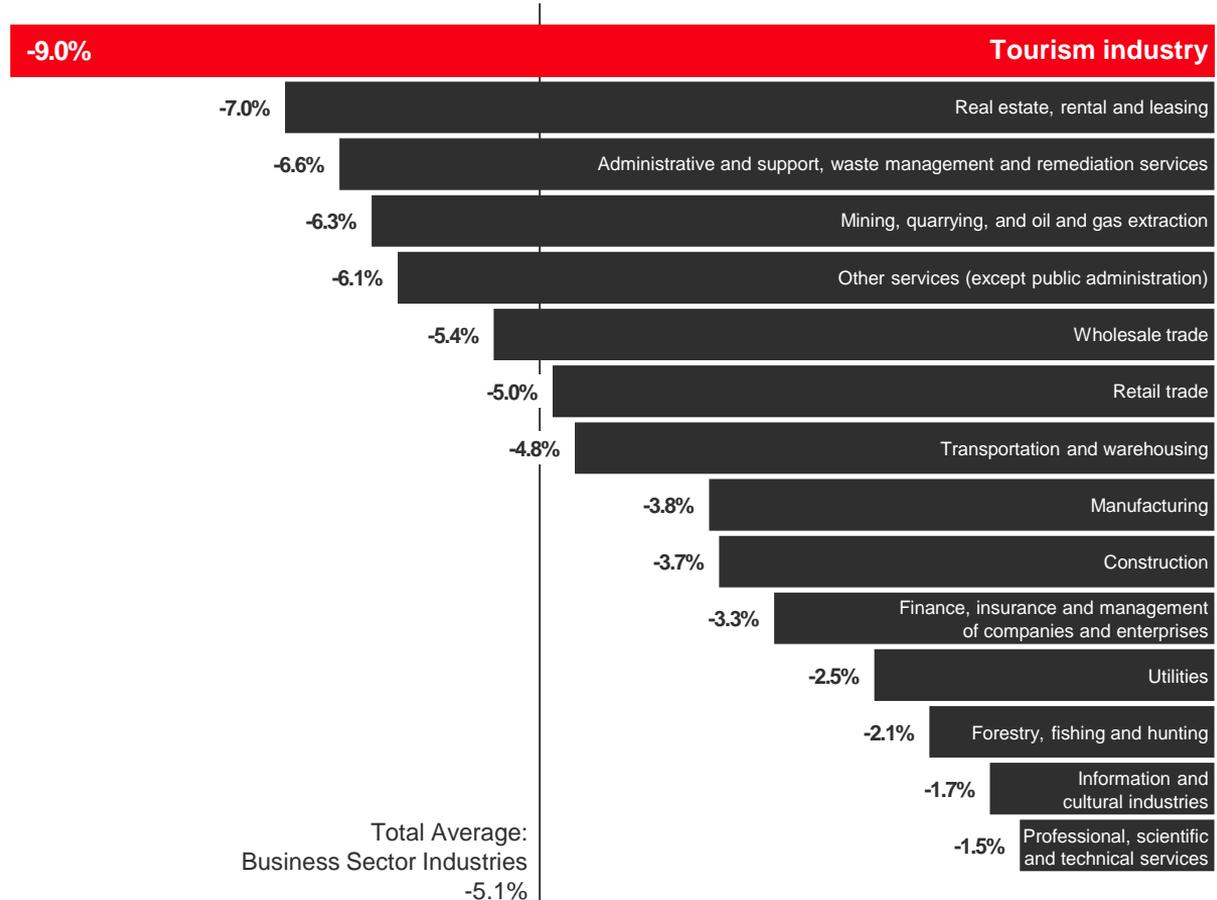


Of all business sector industries, the pandemic has had the greatest impact on tourism businesses

Because of its service nature, tourism has been and continues to be far and away the most exposed sector in the Canadian economy to the policies and practices designed to limit transmission of COVID-19.

Active Businesses by Sector

% change from January 2020 to November 2020

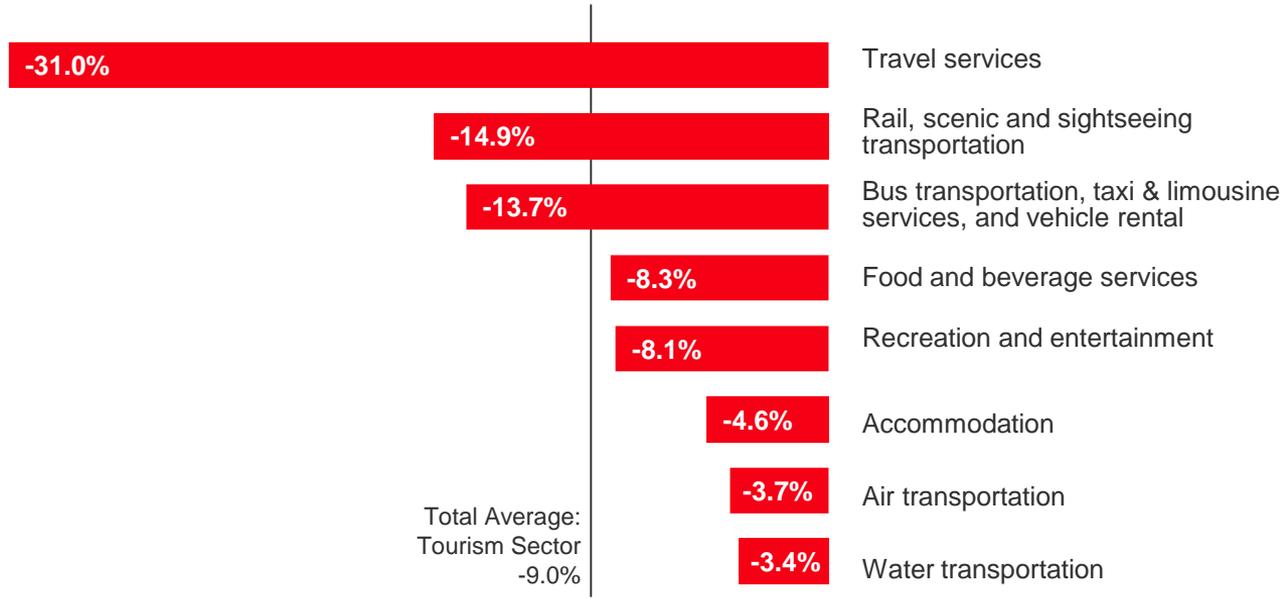


Source: Statistics Canada. Table 33-10-0270-01 Experimental estimates for business openings and closures for Canada, provinces and territories, census metropolitan areas, seasonally adjusted

Within tourism, travel services have faced the largest decline in active businesses

Active Businesses: Tourism Industries

% change from January 2020 to November 2020



With outbound travel brought to a standstill, **travel services** remain the most fragile industry, followed by **sightseeing transport services**.

Passenger air transport revenues have declined by 91%

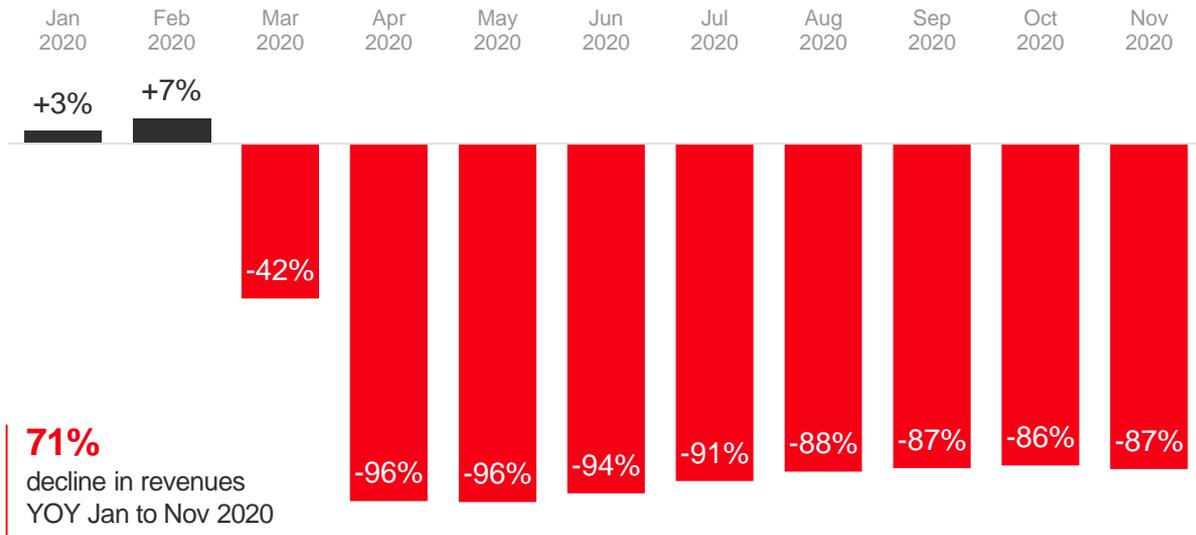
Airlines and accommodations, leading performance indicators for the overall tourism sector, have been hit hard by the COVID-19 pandemic.

With their fleets grounded and operating on severely constrained conditions, Canadian airlines providing scheduled passenger air service have seen their revenues drop 71% over the first 11 months of 2020.

From April to November 2020, passenger air transport revenues collapsed, falling 91%.

Passenger Airline Revenues for Canadian Airlines

Year-over-year monthly, Jan to Nov 2020



91%
decline in revenues
YOY April to Nov 2020

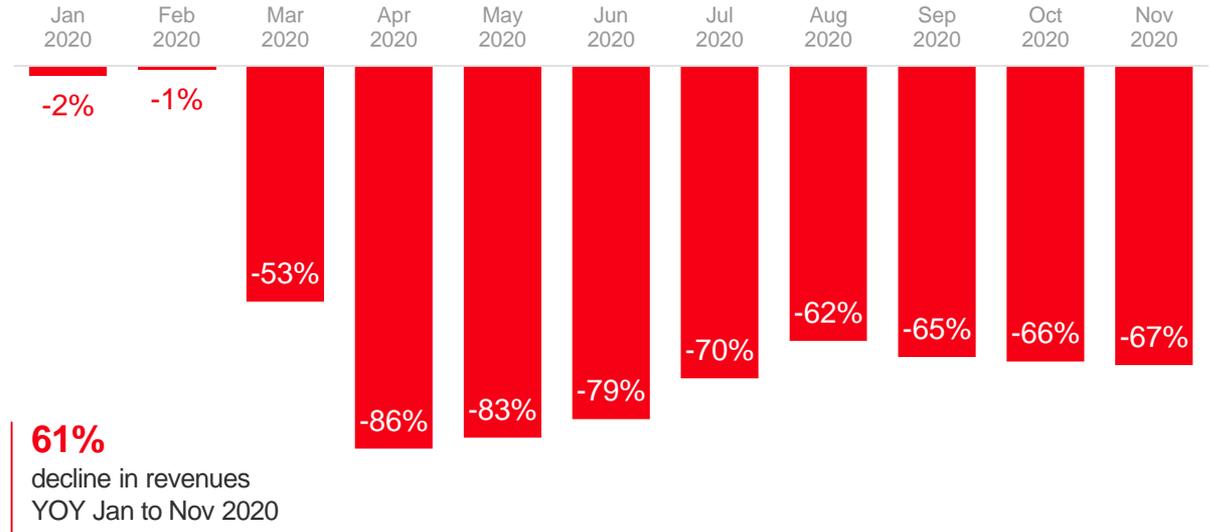
Accommodation revenues dropped by 71%

Occupancy among Canadian commercial accommodations fell to an all-time low of 13.8% in April 2020, amid the first wave of COVID-19.

In 2020, commercial accommodation revenue fell by estimated 61% as occupancy rate fell 50% and Average Daily Rates contracted by 25%.

Revenues from Commercial Accommodations

Year-over-year monthly, Jan to Nov 2020

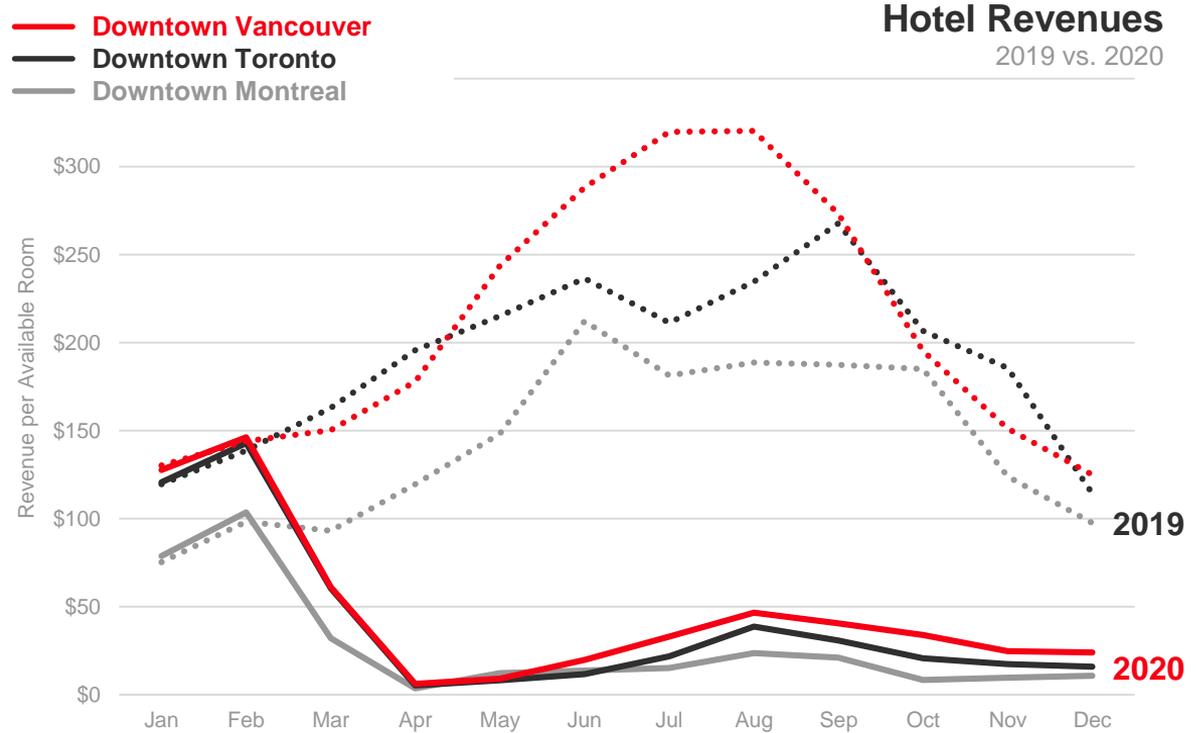


71%
decline in revenues
YOY April to Nov 2020

Canada's major cities are hit hardest by loss of revenue

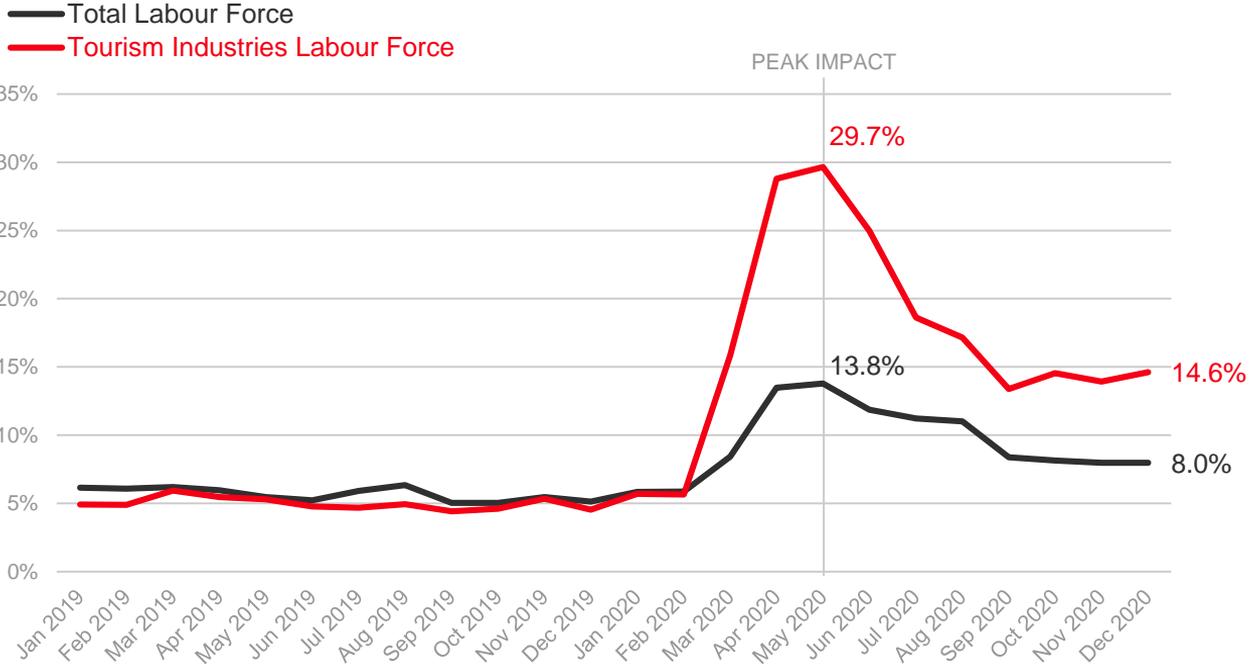
Alongside declines in tourism, the COVID-19 pandemic brought business events to a halt; the combined impact resulted in massive losses to hotel revenues.

Montreal, Toronto & Vancouver downtown hotels recorded the lowest occupancies of any region in Canada, with revenues falling an estimated **79%** in the last year, a loss of **\$2.3 billion** across the three cities.



Unemployment in the tourism sector has surpassed the national unemployment rate

Canadian Unemployment Rates



Unemployment rates in the tourism sector remained high at the end of 2020.

The loss of core staff will hinder businesses' ability to scale up efficiently, thus further impacting recovery.



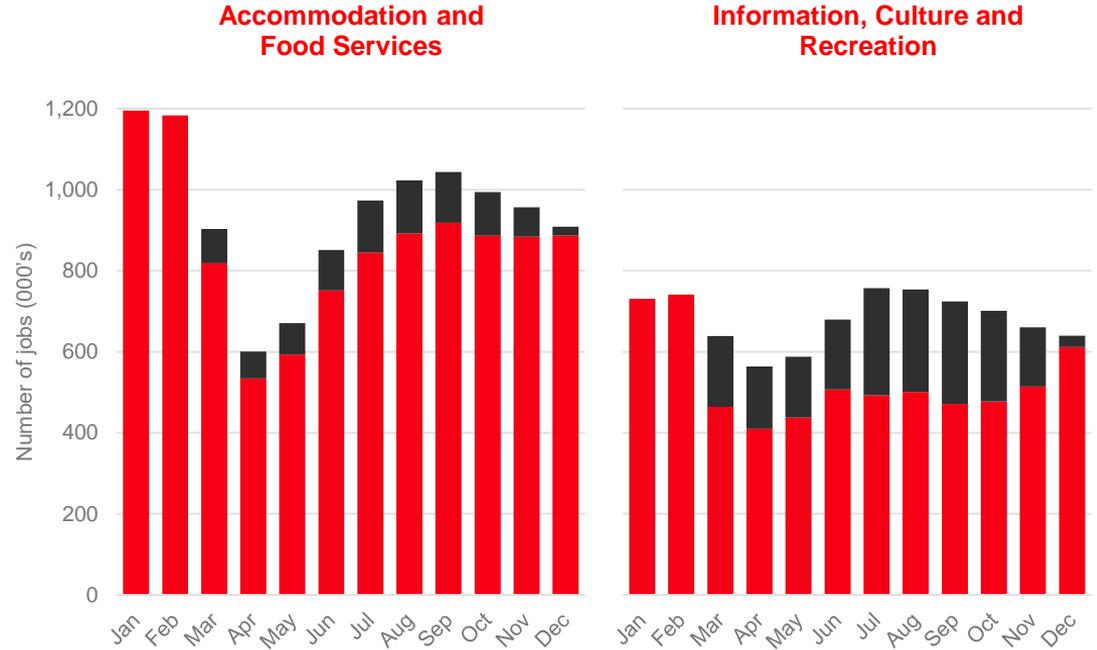
Job loss has been minimized through Government of Canada initiatives

Programs like the Canadian Emergency Wage Subsidy prevented the loss of an additional 131,100 jobs in Accommodation and Food and Beverages alone (at its peak in August 2020), and 264,000 jobs in the information, culture and recreation sectors (at its peak in July 2020).

Number of Jobs in Select Tourism Industries

Jan-Dec 2020

- Jobs without CEWS
- CEWS supported jobs



Government support for the tourism sector is broad-reaching

- Highly Affected Sectors Credit Availability Program (HASCAP)
- Canada Emergency Wage Subsidy (CEWS)
- 25% of Regional Relief and Recovery Fund Earmarked for Tourism
- Canada Emergency Business Account (CEBA)
- The Canada Emergency Rent Subsidy (CERS)
- Business Credit Availability Program (BCAP)
- Department of Canadian Heritage and Canada Council for the Arts
- Large Employer Emergency Financing Facility (LEEFF)
- Extending the Work-Sharing program



Losses within the tourism sector could take years to rebuild

Following 9/11, it took over 10 years for the sector to recover.

Despite projected growth for 2021, forecasts still place tourism in Canada far below 2019 demand

Total Canadian
Tourism Demand



\$67.9 billion



2021 Tourism Forecast

Domestic
Tourism Demand



\$64.5 billion



Tourism Export
(foreign \$ into Canada)



\$3.4 billion



indicates % increase
vs. prior years

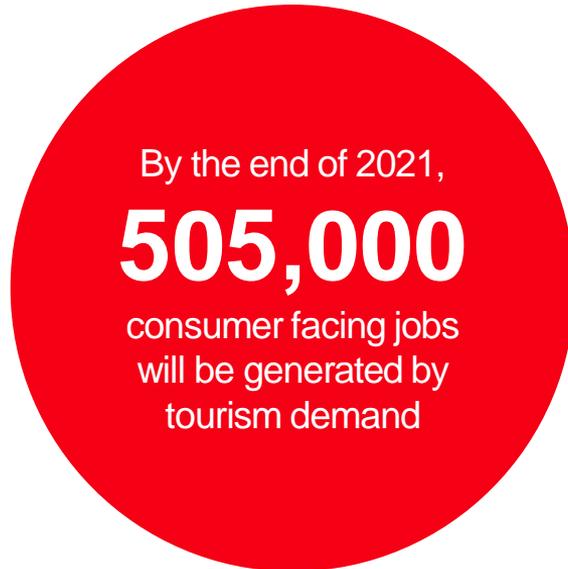


indicates % decrease
vs. prior years

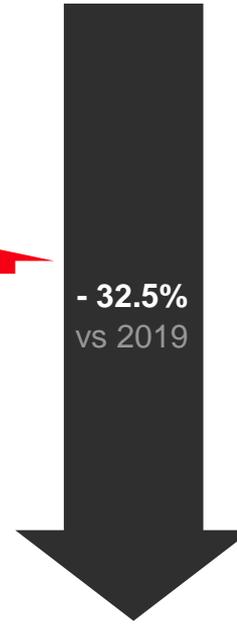
Job growth projected for 2021 lags far behind 2019 employment levels

2021 Tourism Forecast

Job creation directly attributable to tourism demand



+ 2.4%
vs 2020



The ability to scale up/re-staff, and the timeframe needed to do so, presents a challenge for the tourism sector.

Seasonal businesses need time to prepare for summer openings but cannot anticipate demand. Remaining closed means lost income if we see a reasonably normal summer for travel, while opening leaves them vulnerable to significant cost risk if a lucrative summer season fails to materialize.



Declines within the tourism sector disproportionately impact women, youth, and immigrants to Canada

These three segments are the most vulnerable to business closures and job loss.

Women account for a majority of the workforce in Travel Services, the industry most impacted by COVID-19

This disproportionate representation in the hardest hit tourism industry means that women are more severely impacted both by business closures and by reduced operations, leading to contractions in terms of employment and/or reduced work hours.

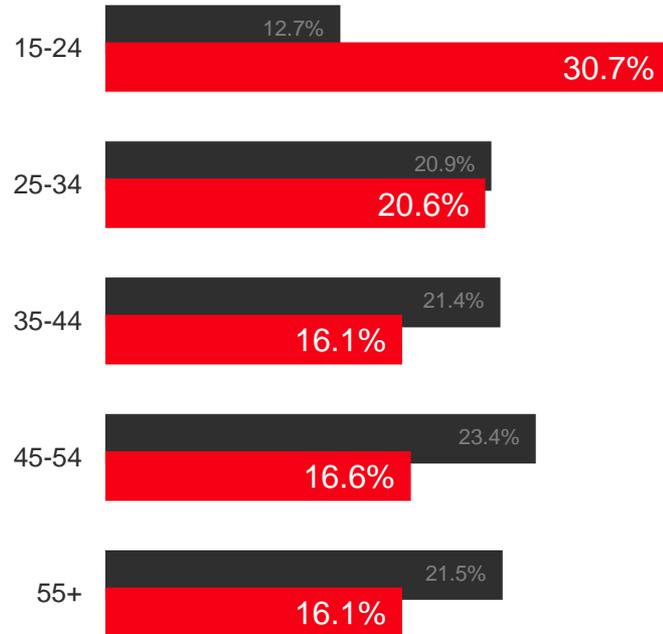
Proportion of Women Employed Within Each Tourism Industry



Tourism Sector Employment by Age

2016 Census Data

- Total Economy
- Tourism Sector



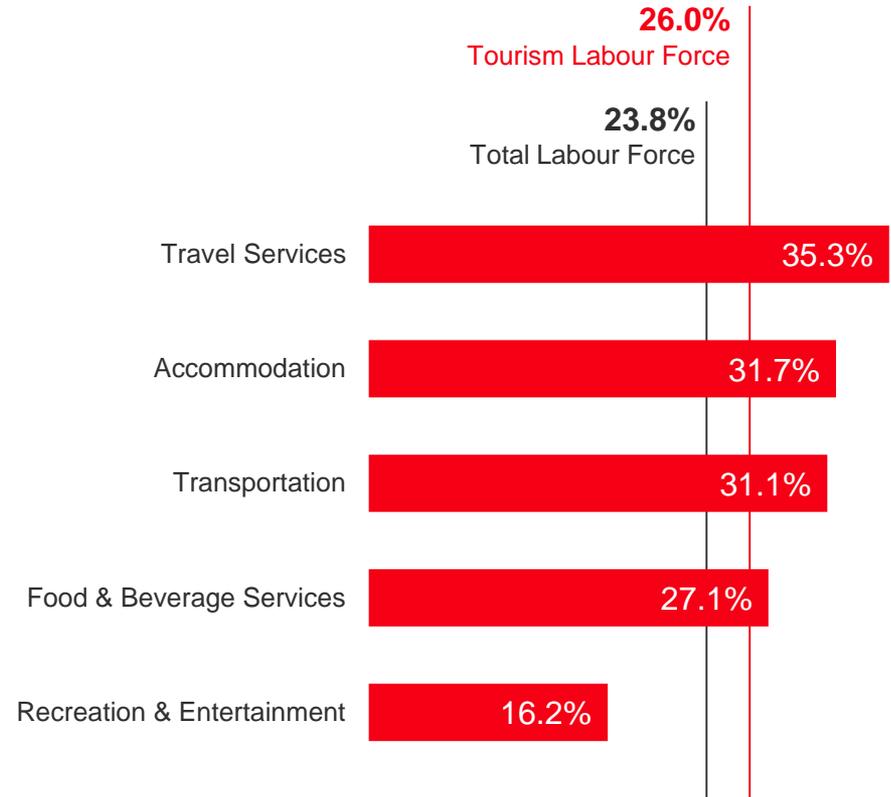
Youth hold a high proportion of jobs in tourism industries, leaving them vulnerable to the higher rates of unemployment experienced in 2020

Over 30% of the jobs in tourism are held by Canadians aged 15 to 24, well above their share of the total labour force, at 12.7%. For youth, tourism provides one of the strongest entry points into the workforce.

Tourism employs a higher proportion of immigrants than the overall labour force.

The impact of the pandemic on tourism employment not only affects immigrants' ability to integrate into Canadian society, it also impacts the quality of life of immigrants and their communities.

Proportion of Immigrants Employed Within Each Industry

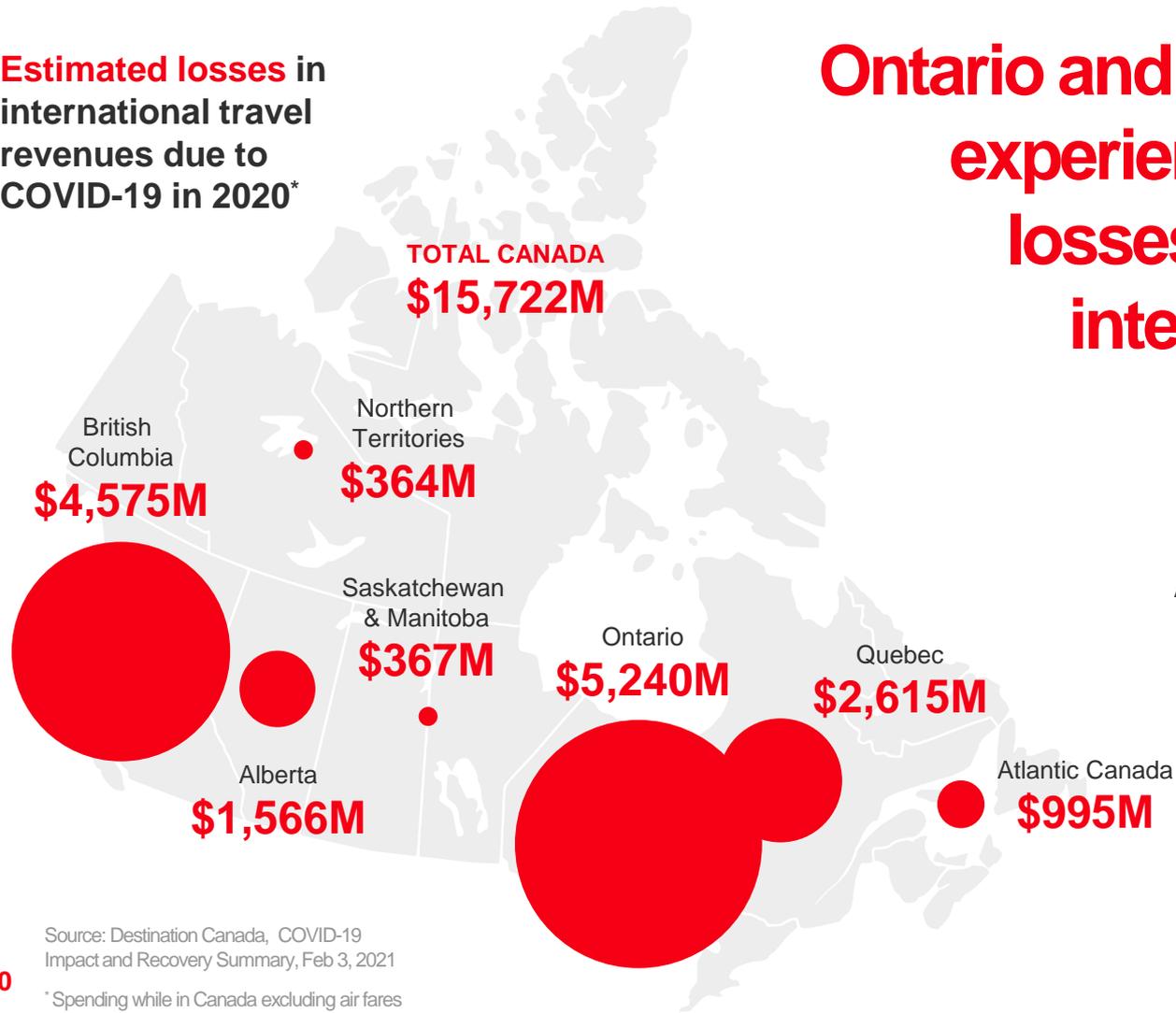




APPENDIX:

Regional Dynamics

Estimated losses in international travel revenues due to COVID-19 in 2020*



Ontario and British Columbia experienced the greatest losses in revenue from international tourism in 2020

Nova Scotia faced the steepest losses in Atlantic Canada, at \$460M. New Brunswick fell by \$259M, Prince Edward Island by \$167M, and Newfoundland & Labrador by \$109M.

Saskatchewan losses are estimated at \$154M, with Manitoba at \$213M.

Source: Destination Canada, COVID-19 Impact and Recovery Summary, Feb 3, 2021

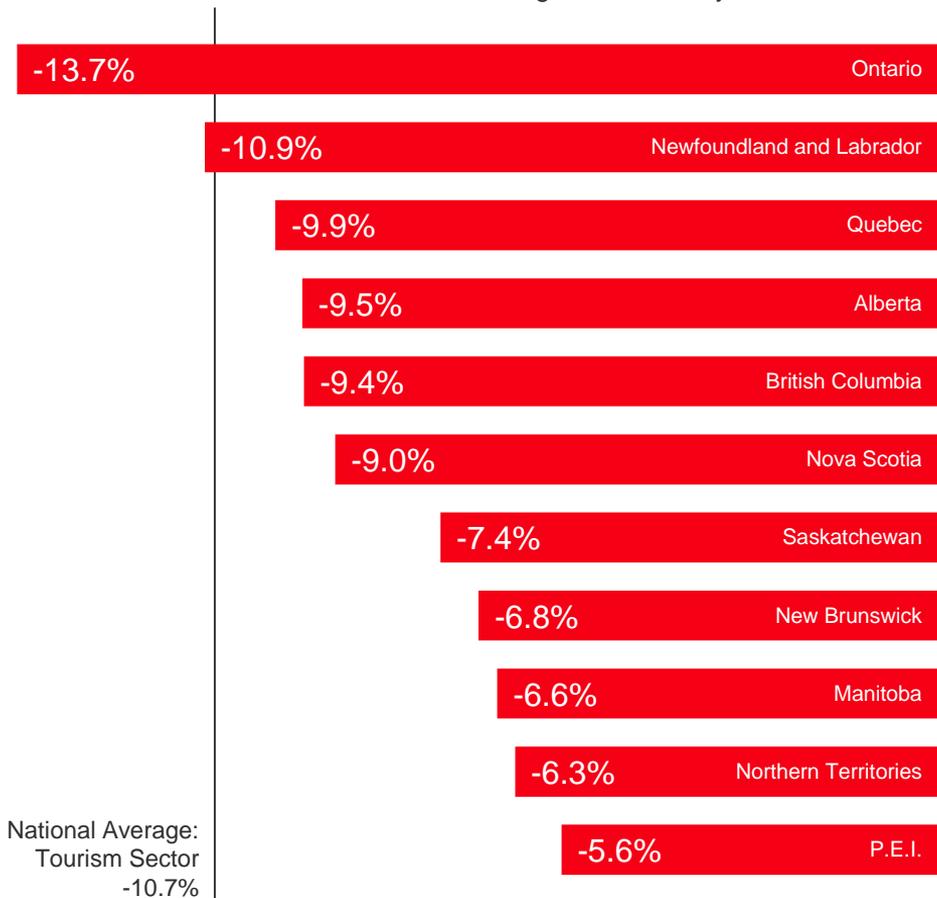
* Spending while in Canada excluding air fares

Businesses in Ontario have been most impacted by declines in tourism

The number of active tourism businesses in Ontario decreased by 13.7% between January and October 2020, the only region to fall significantly below the tourism sector average of 10.7%.

Active Businesses by Region

% change from January 2020 to October 2020

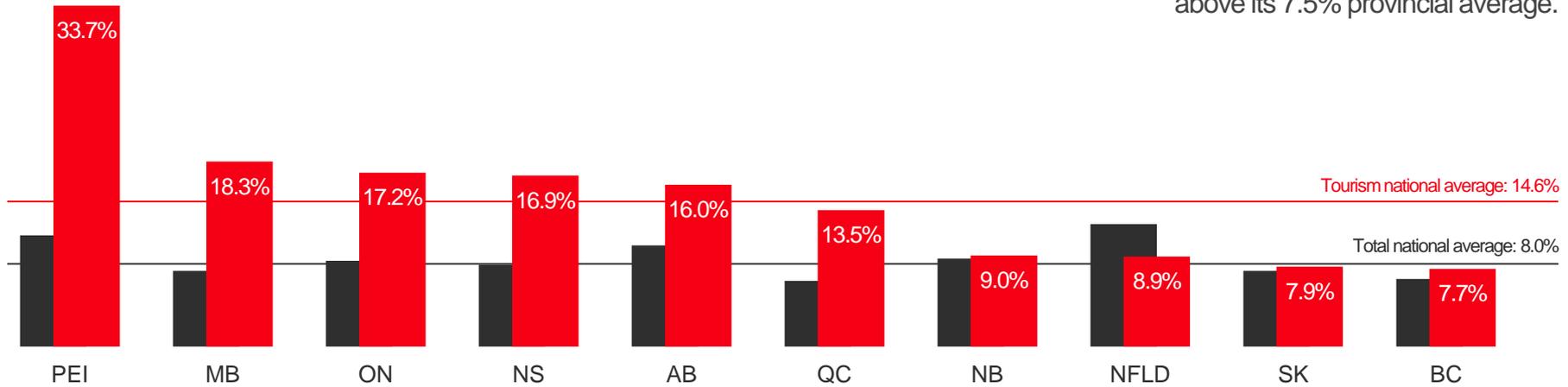


Unemployment within the tourism sector is disproportionately high in PEI

Unemployment Rates by Region

as of December 2020

- Total Unemployment
- Tourism Unemployment



As of December 2020, the PEI unemployment rate within the tourism sector was 23 percentage points higher than the provincial average of 11.0%.

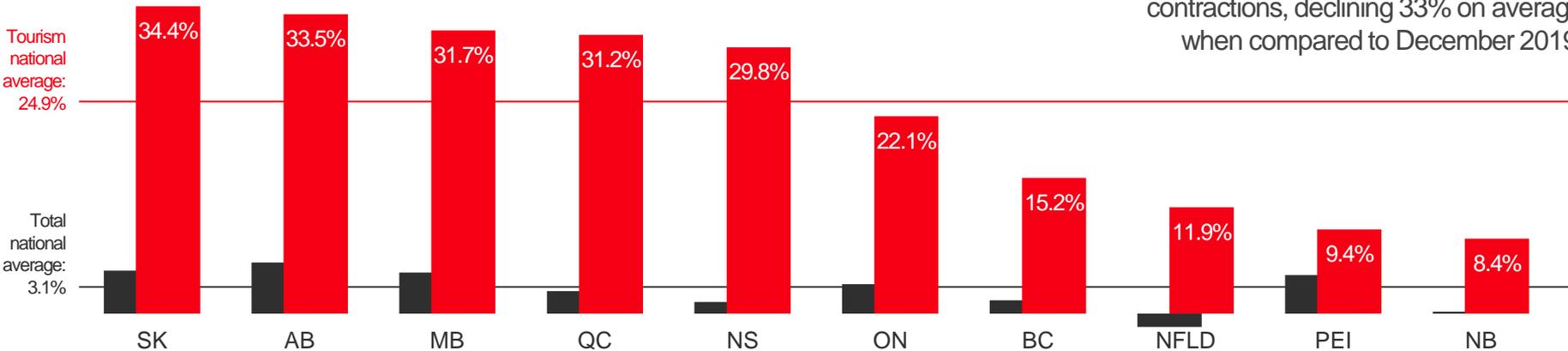
Manitoba experienced the next largest gap within tourism unemployment, at 11 percentage points above its 7.5% provincial average.

Employment losses within the tourism sector are disproportionately high in the Prairies

Employment Declines by Region

as of December 2020 (compared to Dec 2019)

- Decline in total employment
- Decline in tourism employment



As of December 2020, tourism employment levels across all provinces declined by an average of almost 22 percentage points more than the contraction in employment across the total economy.

The Prairies experienced some of the largest contractions, declining 33% on average when compared to December 2019.



Canada's cruise ship ban means loss of revenue, jobs and wages in British Columbia, Quebec and Atlantic Canada

The cruise ship industry has a significant economic impact across Canada.

Based on 2016 data, revenues from the international cruise ship industry are centered mainly in **British Columbia** (69%), **Quebec** (16%) and **Atlantic Canada** (7%).

Canada's ban on cruise ships until 2022 means that economic repercussions will disproportionately impact these regions.

In 2019, international cruise ships contributed

\$4.2 billion
in revenues
across Canada

29,000
Canadian
jobs

\$1.4 billion
in wages for
Canadians

Note: Cruise ships' economic contributions include both direct and indirect economic impacts

CANADA 
FOR
GLOWING
HEARTS

 **DESTINATION
CANADA**

GAN