January 25, 2024

The Honourable Chrystia Freeland
Deputy Prime Minister
Minister of Finance
Member of Parliament, University—Rosedale, Ontario
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario
K1A 0G5

Sent via email

Subject: Tourism and Hospitality Businesses Call for New Federal Loan Program

Dear Deputy Prime Minister Freeland:

We are writing to request the urgent implementation of a new federal loan program specifically to assist tourism and hospitality businesses. These operators are experiencing significant financial stress, right across the country. Businesses are struggling to stay afloat as owners aspire to rebuild their operations to better position themselves for the future. The new program being proposed would provide for full repayment of CEBA and be restricted to businesses that were eligible for the highly targeted Tourism Hospitality Recovery Program.

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Firstly, we express our deep gratitude to you and your Cabinet colleagues for your announcement this past September which modified the CEBA loan program. It provided an additional year for term loan repayment and provided additional flexibility for loan holders looking to benefit from partial loan forgiveness. For many businesses, this was welcomed news. However, the recent modifications fall short in alleviating the financial distress experienced by thousands of tourism and hospitality operators – a sector, as you know, that has experienced considerable financial strain over the last few years and remains an important economic motor for our country.

In our correspondence to you last summer, we highlighted that a great number of tourism and hospitality businesses across Canada accessed the CEBA loan facility as a lifeline to avoid insolvency during the pandemic. Our research on the tourism sector undertaken in early 2023 revealed 73 per cent of respondents had a debt-to-income ratio considered problematic. Another survey we commissioned from NANOS this past summer found 45 per cent of tourism businesses said they are likely or somewhat likely to close within the next three years without further intervention to address the mounting debt load. Fifty-five per cent said they are not fully confident they will be able to make debt payments that are due over the next two years.[1]

In its November 2023 release[2], Statistics Canada reported, of the businesses or organizations in the accommodation and food services sectors that had not fully paid back their CEBA loan, more than 54 per cent believed they will not have, or are not sure to have, the liquidity available or the access to credit to repay the CEBA loan by December 31, 2026.

Now, a significant number of tourism and hospitality operators are at risk of insolvency. The accommodation and food services sectors are among the highest of all industries currently having outstanding CEBA loans (80%)[3]. And lastly, survey responses clearly demonstrate the smaller the company the lower its ability to take on more business debt.

In reviewing these data and speaking with operators across the country, it has become clear further federal investment is required. Business failures will result in loan write-offs, the direct cost of which will be borne by the public treasury. Such bankruptcies or abandonment of businesses will also lead to job losses, a decrease in tourism-related economic activity, and a drop in revenue for the federal government. In short, it will become increasingly difficult for the sector to achieve the objectives set out in the new Federal Tourism Growth Strategy. Having kept the tourism and hospitality sector afloat through the pandemic, it would be a shame to idly stand by and let them drown 20 feet from shore.

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[1] This survey are now being reissued nationwide, and the updated results will be shared as soon as possible.
[2] Statistics Canada Table: 33-10-0745-01
[3] Ibid

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We believe there is a considerable public interest in developing a financially responsible and viable solution for operators that are under financial distress. It is critical that said measure be put in place as soon as possible, and certainly before the new CEBA deadline of March 28, 2024.

As such, in what follows, we are proposing a basic design for a new federal loan program to support tourism and hospitality operators in financial distress.

The overall objective of this new program would be to stave off insolvencies and avoid the direct negative consequences to both the private and public sectors. It would inherently help foster more manageable cash flow and contribute to economic development. The result would yield increased ability to weather the difficult economic situation in which many tourism and hospitality operators now find themselves.

We propose the implementation of a new Federal Tourism and Hospitality Loan Program (FTHLP). This program could be targeted only to operators in the tourism and hospitality sector and only to those holding a CEBA loan with an outstanding balance as of March 29, 2024.

Further, we propose the FTHLP be structured as a five-year term loan, bearing variable interest locked to the Bank of Canada's Prime Rate.

Basic eligibility could be limited to operators who qualified for and participated in the previous Tourism and Hospitality Recovery Program (THRP), a program that was designed to target support where it was needed most. Definitions related to eligible tourism and hospitality operators were clearly defined under the THRP and so the basic scope of eligibility criteria is already well established.

To ensure the new Program is targeted only to smaller companies – which data indicate are at the greatest risk – other criteria could include limiting eligibility to operators that had less than an average $10 million in total annual revenue over the 5 years before the pandemic.

Federal investment specifically targeted to companies in financial distress in the tourism and hospitality sector, as described above, would lead to many positive outcomes. It would:

- provide eligible operators that were the hardest of the hardest hit by the pandemic with more time to regain their financial footing by extending the loan period five years out, locking interest rates to Prime and ultimately helping with monthly cash flow;

- help minimize insolvencies in the near term, mitigating fiscal exposure due to CEBA write-offs, and increasing revenue for governments as operators and their retained employees continue to pay corporate, income and sales tax;

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- protect and even enhance employment opportunities, particularly for under-represented groups and in smaller communities; and,

- contribute to the overall objectives set out in the new Federal Tourism Growth Strategy announced in July 2023.

As this matter is urgent, we would welcome the opportunity to meet with you or your officials at your earliest convenience to further expand on our proposal and to answer any questions you may have. Marc Seguin, Senior Vice President, Policy and Government of Affairs, would be pleased to help facilitate the scheduling of a meeting. He may be reached at mseguin@tiac-aitc.ca or (613) 697-4057.

Sincerely,



Beth Potter
President and CEO
Tourism Industry Association of Canada

And on behalf of:

Darren Reeder, President and CEO, Tourism Industry Association of Alberta
Walt Judas, CEO, Tourism Industry Association of British Columbia
Luis Cardoso, Acting CEO, Tourism Industry Association of New Brunswick
Craig Foley, CEO, Hospitality Newfoundland and Labrador
Kevin Kelly, CEO, Travel Nunavut Industry Association
Andrew Siegwart, President and CEO, Tourism Industry Association of Ontario
Corryn Clemence, CEO, Tourism Industry Association of Prince Edward Island
Sébastien Benedict, Vice-président, Affaires publiques et communications, Alliance de l'industrie touristique du Québec
DonnaLee Demarcke, CEO, Northwest Territories Tourism
Jim Bence, President and CEO, Hospitality Saskatchewan
Dylan Soo, Executive Director, Tourism Industry Association of the Yukon

c.c.:
The Right Honourable Justin Trudeau, Prime Minister of Canada
The Honourable François-Phillippe Champagne, Minister of Innovation, Science and Industry
The Honourable Soraya Martinez Ferrada, Minister of Tourism and Minister responsible for the Economic Development Agency of Canada for the Regions of Quebec
The Honourable Mary Ng, Minister of Export Promotion, International Trade and Economic Development
The Honourable Pablo Rodriguez, Minister of Transport and Quebec Lieutenant
The Honourable Randy Boissonnault, Minister of Employment, Workforce Development and Official Languages
The Honourable Marc Miller, Minister of Immigration, Refugees and Citizenship
The Honourable Anita Anand, President of the Treasury Board
Chris Forbes, Deputy Minister Department of Finance
Kelly Higginson, President and CEO, Restaurants Canada