



Monday, April 6<sup>th</sup>, 2020

### **ITAC Challenge – Stimulus Solutions**

The following document presents a summary of key Federal Government support for small businesses as this appears to be one of ITAC's greatest threats to our survival of our industry with our members. There are no major issues with Employment Insurance system access for our eligible business raised yet however, the current mechanisms to provide support for the Indigenous small businesses will not "save" our industry in the view of ITAC management for three main reasons:

1. Government Small Business Stimulus is to flow directly through Export Development Canada (EDC), Business Development Canada (BDC), Regional Development Agencies, and Major Banks.
2. There remains no direct support yet for Indigenous tourism small businesses (either our Stimulus Development Grant request of \$16- \$20 million or Stimulus Fund of \$557 million)
3. There is a lack of understanding by Federal policy makers about how to quickly reach our estimated 1900 businesses.

Based on the current situation ITAC has identified key solutions/conclusions on page 9 to address short- and long-term recommendations to ensure Indigenous tourism can rebuild effectively post COVID-19.

### **What has the Federal Government Announced for Small Businesses**

The Federal Government has announced key small business supports with billions of dollars to assist small businesses, not just tourism and certainly not just Indigenous tourism. This has resulted in several tax incentives, etc. including these key program ideas:

Business Credit Availability Programming (BCAP):

BDC

1. Canada Small Business Emergency Account – Up to \$40,000.00 with 25% potential forgiveness and administered through major banks. To qualify, these companies will need to demonstrate they paid between \$50,000 to \$1 million in total payroll in 2019.
2. SME Loan and Guarantee Program – Up to \$6.25 million at commercial lending rates at major banks



## EDC

3. Effective March 24, 2020, EDC is stepping up to support all exporting companies by offering their bank a guarantee on loans of up to \$5M so that companies can access more cash immediately. For more details, contact your financial institution.

## Canada Emergency Wage Subsidy Program

4. Government of Canada has created the new Canada Emergency Wage Subsidy that would cover 75 per cent of salaries for qualifying businesses, for up to 3 months, retroactive to March 15, 2020. Employers of all sizes and across all sectors of the economy would be eligible with the exception of public sector entities. This program is designed to help employers hardest hit by the COVID-19 pandemic to keep and retain workers. Organizations that do not qualify for the Canada Emergency Wage Subsidy may qualify for the previously announced [wage subsidy of 10 per cent of remuneration](#) paid from March 18 to before June 20, 2020. Eligible employers would be able to access the Canada Emergency Wage Subsidy by applying through a Canada Revenue Agency online portal. More details on how to apply will follow soon.

I have been addressing the challenges I see for many of our small businesses accessing these tools such as:

- Many of our Indigenous tourism businesses do not work with major banks and institutions that are targeted to implement these specific programs.
- Obtaining loans for the Indigenous tourism businesses on reserves requires other legal steps such as Band Council Resolutions which will be a significant barrier.
- Our Indigenous tourism business must be assessed by applications as follows:
  - All credit-worthy businesses with viable business models whose activities fall within the mandate of either BDC and/or EDC are eligible to benefit from BCAP.
    - Most of our businesses are still developing “viable” businesses
- Wage subsidy could assist employees for some of our Indigenous tourism businesses, but many do not have a payroll of \$50K as they are sole proprietors or only have some seasonal staff
- Some of the policy language requires showing a 30% loss of revenue which many of our businesses cannot yet show as their seasons are ramping up in April and May.

ITAC is working with the proposed delivery partners and has held calls with Export Development Canada, Business Development Canada, and the Regional Development Agencies to try to make these specific COVID-19 measures work for our members. We have posted the links on our website, but these measures will not be effective.

They are reasonable in design, but the delivery mechanisms have not worked in the past and certainly will not work effectively in a time of crisis.



## What are ITAC Members Saying? Key Themes: Outreach Summary

Over the last two weeks the ITAC team has been conducting one on one-member outreach over the phone. Our goal is to connect with each member across Canada to determine 3 main things:

1. How their wellbeing is
2. How their business is being impacted by COVID-19
3. What funding sources are they accesses and aware of

### #1 Key Theme: Detrimental Impact on Indigenous Tourism Operators

There is a geographic element to what we are hearing across Canada. Some P/Ts are not seeing as much impact yet, as the infection rate of the virus evolves across the country. We can assume there is a correlation between what we are hearing from our members depending on whether they live in a larger centre or a more remote one. Members who live in a more remote location and have a smaller population density are not necessarily experiencing the same impacts as our members who live in larger centres with a larger population density. This however does not mean that over time our members will eventually experience the same impacts due to COVID-19. This simple suggests that there could be a delay in businesses experiencing impacts.

Some of the feedback recorded focused on uncertainty about what the months ahead look like and some are optimistic that they will be able to salvage some of the season. Others understand the severity of the situation and are concerned for the well-being of their business and being able to operate in 2021.

Depending on when business operates, we are hearing that operators are reporting loss of bookings, employee layoffs and risk of closing their doors - feeling like there is nowhere to turn for support. Many of the businesses are within days of shutting their doors as cash reserves run low.

“Losses for the month of March alone are upwards of \$15,000 and growing daily. Cancellations continue with no end in sight. At this pace, we may lose not only our business but our homes and livelihood. We realize that we are a small business in a large sector. It is the small businesses owners that are on the frontline of the tourism industry. We form relationships, put a face to the industry and build the tourism sector. WE CANNOT LAY OFF STAFF... BECAUSE WE ARE THE STAFF.

We ask the Federal and Provincial Governments, along with industry organizations, to prioritize small sized tourism businesses first and foremost to ensure we do not get left behind or forgotten when this pandemic is over. “

**- Greg Hopf & Frank Antoine, Owners, Moccasin Trails**



“We know the devastations of closing during the wildfire evacuations of 2017 and the impacts of the smoke and floods of 2018; we managed for 2019, and received a grant to replace our large and two small teepees, we were also able to replace some of our cultural infrastructure with this funding. We still need to replace two teepees and rebuild our look-out and repair our signage...which we have scheduled for this spring... we are preparing for our 25th Anniversary 2021, we will be open, however we'll need help.

Unfortunately, we will have no school groups this year, daycares, grades K-12 or Post-Secondary, they have already closed all local schools and daycares, and our Thompson Rivers University Group has cancelled as well, these groups make up our income for May and June.

Concerned about our Mountain Bikers as it looks like they are at least postponing their beginning of season visit. Wondering about the Williams Lake Stampede and Pow-Wow, which would bring day visitors to us as well. Rivershed Society is planning to be with us in July, but we will see; we also have our regular crafty weekends for our local community and any visitors that are with us when these happen. Our Save-the-Salmon Gathering in August is now in question, this brings over 200 people to the heritage village for three days. Also worried about the Gold Rush/Spirit Trail visitors, on their way to/from Barkerville...

I haven't received any cancellations for our campsite yet, but if the current situation continues or gets worse, we will see the cancellation of our tree planters' group that is scheduled for April and May; 4 weeks at \$1,000/week, which sets us up for our staff for the rest of the season. What we have determined is that seasonality is also a factor in the experienced and perceived impacts.”

**- Cheryl Chapman, Xatsull Heritage Village**

“Losses are based on last year's numbers which, before this hit, we were on the way to beating month after month. So that would be a conservative/accurate number considering all the marketing and changes we've been implementing. We've also seen a consistent increase in spend per customer over the last couple of years and I'm sure this would have continued next season, but I based it on last fiscal year's numbers.

Spring loss in revenue: February, March, April and events already booked in May, June, July -\$1,200,000 and Fall/Winter season: August-December inclusive \$5,000,000”

**- Mike Morin, Aurora Village**

“At this point, we have lost 40% of our general bookings and anticipate losing a lot more as summer approaches. We also anticipate losing 100% of the business from the great lakes cruise industry.”



**- Luke Wassegijig, Wikwemikong Tourism, Wikwemikong, Ontario.**

“We have lost 100% of our revenue for this summer have already utilized all of our savings just to stay afloat to this point. We are looking forward to some relief from the ITAC Stimulus Fund and from the Indigenous Tourism Ontario (ITO) Business Support program. We are also exploring how to best incorporate Virtual tours and Virtual Reality tours into our product offerings in partnership with ITO. Although we are struggling right now, we have to start thinking about how to come out of this.”

**- Art Trudeau, Mukwa Adventures, Sagamok, Ontario**

“I like to think we are an extremely resilient businesses and industry - but in all of my 22 years in Indigenous tourism, I have never seen or experienced anything as devastating as this. While we were the first Indigenous Signature Experience in Canada, we have also had to overcome fires, floods and a forced relocation after 18 years on Victoria Island. This was our year to recover and rebound - and to be honest our 2020 season looked better than ever! Even established businesses, like mine are in grave danger. I really don't know if we'll come out on the other side of this one. It would be devastating to lose our business and such an important source of revenue and employment for so many of our Indigenous community in the National Capital Region.”

**- Trina Mather-Simard, Indigenous Experiences, Ottawa, Ontario**

**#2 Key Theme: Loan Programming Structures are not Effective**

For most Indigenous tourism businesses, they do not want to apply for loans. They are coming to the end of the low season and taking on the risk of a loan that would have to be paid back before the start of 2021 season is high risk.

Interest rates of the AFIs are not competitive compared to traditional banks however, there are limitations for applying for loans if the business operators on reserve. This is seen to be not understood by existing federal support being offered.

“The government is getting more resources to banks like BDC (business development Canada), these banks won't lend money to bars (Nuna Golf) or to small business that's been in business for only one year (Kuujuuaq Tours).”

**- Dennis Lock - Nunavik (Nuna Golf and Kuujuuaq Tours)**

“In the short-term, we have received a loan deferral for one of our vessels with payments pushed back to July 31, 2020. While the current government grant programs offer wage subsidy our biggest problem moving forward will be covering payments.”



James has not had success applying for government funding in the past, which has affected his confidence applying for these types of funding now and if they do apply, they are not very hopeful at all.

***James D Cowpar - On behalf of Haida Style Expeditions***

“We are going to be dramatically affected by this. We are small and rely on the summer work to get through the winter. As a family owned business, we don't have staff and the programs available are difficult to navigate for us as we don't fit into a lot of mainstream boxes.”

***- Tim & Amelia McGregor, Manjuno Designs***

**#3 Key Theme: There is Too Much Information Out There**

The businesses are unsure if they should apply for the assistance that is available because they feel like they are too small. Many supports have been offered for businesses across Canada, however there is not an easy way to determine which supports Indigenous tourism businesses qualify for. Additionally, navigating and keeping up with the daily updates and announcements for relief has become overwhelming for members. During these times we are hearing that it is emotionally stressful and taxing - the last thing that our members want to be doing is mining through multiple websites and resources to determine which programs they are eligible for.

Furthermore, time constraints have been identified among our members. Not only have businesses closed their doors but so have many other systems across Canada. Our members are juggling more than one priority at home (kids, family etc) this relates to the amount of time they have to complete application forms.

“At the moment, I feel overwhelmed by all the information that the government and associations are sending us by way of their newsletters (Regional Tourism Associations, ITQ, ITAC, Camping Québec, Tourisme Mégantic, Alliance de l'industrie touristique du Qc, etc.). Web links to government sites where more information is given on possible financial help are very broad and it is difficult to find your way around, especially for the tourism industry.’

***- Paule Rochette, Aux Cinq Sens***

**#4 Key Theme: Indigenous Tourism is Still in Development**

ITAC has been working with Indigenous tourism businesses to grow capacity over the past 5 years, however there are gaps in knowledge, business planning and financial forecasting. This



work had been identified ahead of the COVID-19 pandemic and was to be addressed through Project Rise, an accreditation program to insure business excellence.

Some businesses do not have their CRA tax information completed and ready for applications.

Key messaging that coordinators are hearing from our members is that they do not understand the differences in financial reporting requirements (on or off reserve), how to demonstrate financial stability, and highlighting assets and capital that may not traditionally be included.

In addition, businesses are being impacted on their existing plans for growth:

“We are now in the process of restoring our next building, we got a contractor in place and a deposit (\$30,000) has been made to start this spring 2020. And got loan from ACOA and payments starts this July. I have been working with ITAC to develop my programs / experiences and was hoping to start summer 2020. We got boats coming as well and training.

Our plan was to get our heritage building finished with the funding in place this year and have ShaMaSha site complete by spring 2021 with great products to sell at the shows.”

*- Daphne Marche, ShaMaSha*

## **#5 Key Theme: Eligibility and Potential for Accessing Funds**

Businesses are concerned about if their business will be prioritized. This is because the businesses have been declined for grants and loans in the past with minimal information being provided to the business owner why they were denied.

There is also concern that frontline officers are not aware of the details of the support being offered, despite announcements.

There are challenges with qualifying for loans as well. Many loan programs are not culturally appropriate, therefore many of these programs have barriers to applying and qualifying - most operators are small and aside from not qualifying for a loan, they do not want to incur additional debt.

Quote: “Quite frankly, Brigitte and I were very surprised that we did not qualify for any funding within this program. The CEF program was designed to support projects that will enhance the tourism sector in Western Canada. Projects must fall under one or more of the five CEF focus categories: expanding winter and shoulder-season tourism; growing tourism in rural and remote communities; increasing indigenous tourism;



promoting LGBTQ2+ communities; and/or boosting culinary and farm-to-table experiences.

Here's our concern; not only did we address all of the categories but also the priority list of demonstrating an economic impact on more than one community, 50% or more in leveraged funding from other sources, job creation and an increase in international tourists as a result of the project. If this isn't enough to get their attention, what does one have to do to get noticed and qualified?!?!"

**- Roger Lamoureux, Owner/Operator of Tatawaw Kanata Glamping & Wellness Ltd**

"Many may not realize that operating on reserve is very discriminating when it comes to equity financing as federal land can't be leveraged. Interest rates may be higher than a regular bank. Nuu-chah-nulth Economic Development Corporation has financed Secluded Wellness Centre and Chims Guest House and will offer payment deferral and is advocating on behalf of Indigenous small business".

**-Naomi Nicholson - Chims Guest House**

Ahead of COVID-19, businesses were indicated that they had had successful seasons in 2019. Due to requirements of the Canada Emergency Wage Subsidy program that a business demonstrate 30% loss and that the tourism season has not yet started, this makes most businesses ineligible to apply

As a small operator, she used most of her line of credit to purchase crafts and equipment to prepare for the peak season. As a result, she no longer has any financial resources and her 2 businesses are closed (Quebec City and Uashat) and her 14 employees are unemployed. She has requested a deferral of payment of her loans from all her financial institutions. This request was accepted by 2/3 of the financial institutions.

However, the CDEM (Corporation de Développement Économique Montagnaise) refused. Because of their refusal, the other two must follow the decision of the third. Therefore, if this decision is not reversed, it will go bankrupt. Then, her Desjardins lender offered her a loan at 3.3% interest repayable in 24 months. However, her line of credit is already maximized and she doesn't know when tourism will resume to buy her goods and services. Before the crisis, it was a flourishing business that has been featured at dragon's den and now she will close doors if nothing happens.

**-Josée Leblanc, Atikuss - Quebec**





## #6 Key Theme: Indigenous tourism Businesses Trust ITAC

ITAC knows the intimate challenges that our Indigenous business owners are experiencing, we know this through previous dialogue, engagement, research, and multiple social media platforms that share direct Indigenous tourism impacts and ‘boots to the ground’ knowledge of what’s going on.

“I think that the ideal would be for tourism associations representing their members to be able to manage funds that will be made available to help the tourism sector as best they can and according to their knowledge of the business.

It would be important for each tourism business to be able to receive prompt assistance based on its reality (needs assessment by means of a survey, form for obtaining financial help). This economic sector is very diversified and has specific features specific to each business.

The government must delegate the management of emergency funds through tourism associations so that the funding can be quickly and intelligently redistributed to its tourism members. The vast majority of us are self-employed, with no income and no union works for us.”

**- Paule Rochette, Aux Cinq Sens**

### ITAC Solutions/Conclusion

ITAC maintains that the most effective way to save our industry is as follows:

1. Invest \$25K in no less than 640 Indigenous tourism businesses utilizing the Stimulus Development Grant with ITAC to address immediate short-term cash flow needs, to ensure that the core capacity of Indigenous tourism businesses built over the last several years can recover from the pandemic downturn and rebuild quickly.
2. Ensure that an estimated \$557 million in BCAP loans is available to Indigenous tourism through equitable and fair assessment, and flexible application of eligibility criteria, including:
  - a. Indigenous tourism business is incentivized with 35% forgiveness if the loans are repaid over the agreed 10-year amortization.
  - b. Defer initial payments until September 1<sup>st</sup>, 2021.
  - c. Interest rates must be commercially competitive at prime.



3. There is significant apprehension by Indigenous tourism businesses to secure loans through the major banks, EDC, or BDC programming given the lack of equitable access over the years. This is further stressed given the reality of an uncertain domestic and international visitor economy for the next few years. Therefore, it is our belief that Indigenous tourism businesses will be well served by AFIs, and full consideration should be given to incremental funding for Indigenous business through the AFIs.

ITAC is completing an economic assessment with the Conference Board of Canada as the impacts to direct GDP in 2020 will be no less than \$900 million which will have catastrophic impacts to every single Indigenous tourism business in Canada.

We are confident that without these actions Indigenous tourism will see a permanent loss of 5-600 business minimally from the current estimated 1900. There will also be overall negative limited ability for recovery for a decade to 2019 financial targets of \$1.9 billion in direct GDP due to the overall loss of confidence in Indigenous tourism as well as significant loss in authentic Indigenous tourism experiences throughout Canada,