



Canadian
Chamber of
Commerce

Chambre de
Commerce
du Canada



Support for the Hardest Hit Sectors

As of June 6, 2021

Although the pace of vaccination continues to increase with more Canadians on track to become vaccinated by the Summer, certain sectors of the economy will remain below their pre-pandemic levels of economic activity. This includes the travel, hospitality, and tourism industries, otherwise known as the hardest hit sectors. These industries are heavily interconnected since people travelling will spend dollars on hospitality and tourist activities. The hardest hit sectors have the common thread of being consumer-facing businesses where activity relies on an in-person presence. According to Statistics Canada's May 2021 Canadian Survey on Business Conditions, 22% of businesses in accommodation and food services and 12% of businesses in arts, entertainment, and recreation anticipated laying off staff over the next year due to a continued lack of demand. This compares to only 8% for the economy as a whole.

These sectors will remain unable to reach their full activity for several factors: the likely path of travel restrictions being rolled back in a gradual manner; public health restrictions that limit capacity in venues; and the need to build back confidence amongst citizens after a long-time of reinforced messages to stay home and avoid large gatherings.

Given the critical role these companies have employing Canadians, the economic recovery is incomplete until these sectors can operate at closer to full capacity. While this means ensuring a soft-landing on financial supports, it also means ensuring public health measures support safe business operations.

Government support for the hardest hit sectors

As Canada's economy begins to open up this summer, the reality is that the hardest hit sectors will still require a longer runway for recovery. They were hit first and will be the last to recover.

Families plan their summer holidays, book flights, hotels and make travel plans, in advance. Conventions and trade shows are often planned several years in advance. Businesses in these sectors require lengthy lead times with much of the work being done in advance of payment. In the meantime, wages, rent, and other fixed expenses still need to be paid – and that is before the addition of paying down debt that has been accumulated by businesses since the start of the pandemic.

While some restrictions may ease this summer, many businesses will not see their revenues come back in a meaningful way until 2022 at the earliest. However, in the case of air travel volumes are not predicted to cover to pre-pandemic levels until 2024, which means fewer dollars in the travel ecosystem. Governments need to support the recovery for the hardest hit sectors in a more targeted way.



- **The Canadian Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (CERS) need to be maintained at their current respective 75% and 65% maximum rates through to Fall 2021. CERS also needs to be expanded to work better for medium-sized businesses and for those with locations in high cost of living areas.** According to Statistics Canada's May 2021 Canadian Survey on Business Conditions, businesses in the hardest hit sectors were the highest users of both CEWS (59% of businesses in accommodations and food services, and 52% of businesses in arts, entertainment and recreation) and CERS (41% of businesses in accommodations and food services, and 24% of businesses in arts, entertainment and recreation). These figures compare to 37% of businesses from across all sectors utilizing CEWS, and only 12% of businesses from across all sectors utilizing CERS.
- **From September 2021 onwards, the CEWS and CERS programs need to be retooled so that they continue for the hardest hit sectors through to Spring 2022, while winding down for businesses outside of these sectors that are in recovery.** The April 2021 Labour Force Survey indicated that employment in the food services and accommodations sectors accounted for more than two-thirds (70.9%) of Canada's employment gap since the start of the pandemic (357,000 out of 503,000 jobs lost). These sectors need continued support to help bring back workers and pay fixed expenses, while other industries transition off support programs.
- When first introduced, the December 31, 2022 repayment deadline to qualify for the forgivable portion of Canada Emergency Business Account (CEBA) was a reasonable repayment runway for businesses. But after more than a year of negligible revenues, businesses will struggle to repay the loan by this deadline and qualify for the forgivable portion. **The repayment deadline should be extended to December 31, 2023.**
- Businesses in the hardest hit sectors have taken on a significant debt to cover fixed expenses not covered by the wage and rent subsidy programs. The government's Highly Affected Sectors Credit Availability Program (HASCAP) and CEBA programs have been critical in allowing businesses to access liquidity when they otherwise may not have been able to. However, businesses in the hardest hit sectors will be the last to recover. According to the most recent Canadian Study on Business Conditions in March 2021, half of businesses in the hardest hit sectors reported they are unable to take on any more debt, compared to 34% of businesses from across all sectors. **For these reasons, government should forgive interest payments on all government-backed loans for businesses in the hardest hit sectors under the CEBA and HASCAP programs.**

- As Canadians start to think about travelling once again, we need to incentivize domestic travel in order to help spur economic activity in the businesses that need it most. Just as government and public health officials played an active role in discouraging travel during the pandemic, government and public health officials will actively need to encourage domestic tourism and promote the safety of travel. **To further help spur economic activity and incentivize tourism spending, the government should introduce a point of sale HST rebate for hospitality and entertainment activities for 2021-2023.**

Public health measures

The Canadian Chamber has already released a number of specific recommendations on the measures needed to allow safe workplace operations, as well as the general principles that need to underpin the deployment of health credentials. Public health measures to support the hardest hit sectors should build on those, but they take on an added context of needing to work for consumer-facing venues that involve large numbers of individuals congregating together. Establishing credible public health measures will ultimately instill consumer confidence, increase revenues for businesses, and reduce the need for government financial assistance.

- **Provide clear evidence-based guidance for how consumer-facing venues can safely operate as restrictions on social distancing and capacity are wound down. In particular, provide clear guidance on how business operators can implement consumer-facing rapid testing rules so that they are consistently administered across provinces and territories.** This guidance should take into account a wide variety of crowd sizes that include restaurant settings through to larger sporting events.
- **The federal and provincial governments should make available rapid test kits to consumer facing businesses .** Where public health rules enable and recommend rapid testing, this will help instill confidence in consumers that venues are safe before herd immunity is reached as well as allow businesses to operate and reduce the need to draw on public financial support programs. The federal and provincial governments should supplement the provision of rapid tests with a sustained promotion campaign to encourage business uptake for consumer facing operations. This will enable more economic activity and reduce the need for government financial assistance. As public health guidance evolves, governments can update their approaches to rapid test kit distribution.

- **The federal government should lead in developing a national standard for provinces to implement health credentials that include vaccination status and test results.** This standard needs to be user-centric, secure, and reliable for the consumers and businesses that decide to use them. It also needs to be inclusive in terms of usability for all age and socioeconomic demographics that have varying levels of access to digital technology. It should also provide clarity on what patron admission rules can be so as to provide legal certainty for businesses. It will also make it easier for Canadians to travel internationally.
- **Governments should enforce fines for customers who disregard COVID-19 measures to help companies enforce safety protocols confidently, including mask mandates.**
- **Enhance the COVID-19 Alert App by ensuring all positive cases are loaded into one tracing app by mandating provincial and territorial governments, and private clinics, to upload positive PCR test results onto the Alert App.**
- **Provide a template and set expectations for businesses on reporting positive cases to employees and customers.** Developing a common set of guidelines for companies will empower workers, consumers and travellers to make informed choices with consistent information. Supplement this with a proactive promotion campaign to increase business uptake by promoting the benefits of transparency.
- **Provide a travel restart plan that includes clear metrics and milestones that guide the resumption of international mobility.** Canada remains without a clear plan to safely restart international mobility. Given the lead-in time required, businesses need to be able to plan now when the time comes to resume travel.