

# Covid-19 and Tourism

## Impact on the Canadian/British Columbia Tourism Industries and Recovery Prospects

CABE / APEBC Virtual Presentation

February 8, 2021

Vancouver  
British Columbia

# Tourism suffered the greatest crisis on record in 2020

1 Billion Arrivals

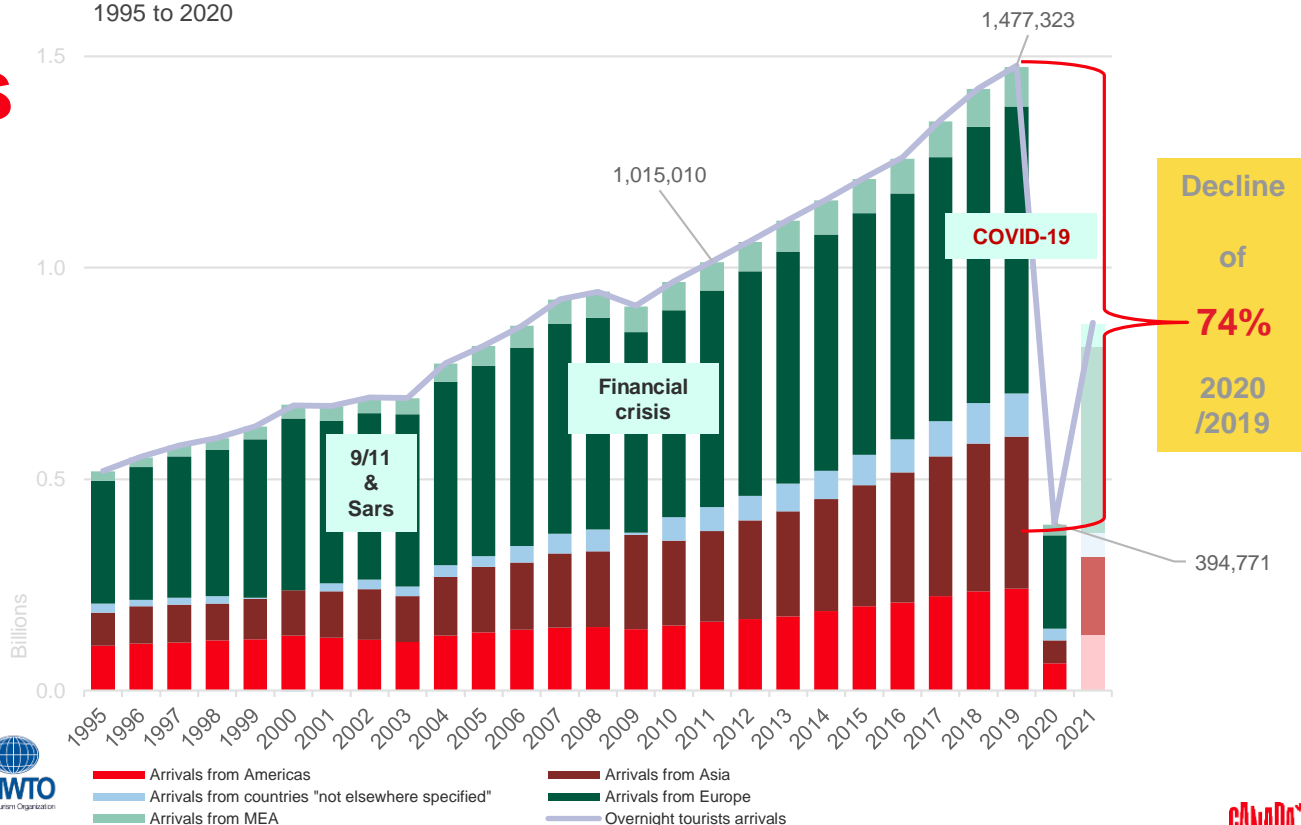


Milestone 1<sup>st</sup> reached in 2011

Totally lost in 2020



Global Tourist Arrivals  
1995 to 2020



Source: Oxford Economics/UNWTO

# What is tourism?



## Defined

**tourism is:**

“the activities of persons travelling to and staying in places **outside their usual environment** **for not more than one consecutive year** for leisure, business and other purposes” and other than to be employed by a resident entity in the country or place visited



## Purpose

### Business

(17% of total overnight spending)

- Business meetings
- Conference, convention, trade shows
- Other business purposes

### Non-Business

(83% of total overnight spending)

- Pleasure, holiday, recreation
- Visiting Friends & Relatives (VFR)
- Other non-business



## Consumption

### Tourism commodities

- Passenger Transportation
- Accommodation
- Food and Beverage Services
- Recreation and Entertainment
- Travel Services
- Single-purpose travel goods

### Other commodities

- Groceries, clothing and other goods or services for receipts from visitors is a small share of total revenue

# Tourism in 2019



## Canadian Tourism

2019	Trips million	Spending \$billion	Nights million
<b>Overnight Tourism Demand</b>	<b>115.7</b>	<b>\$ 53.1</b>	<b>470.9</b>
<b>Domestic</b>	<b>93.6</b>	<b>\$ 31.2</b>	<b>262.7</b>
Intra-provincial (visits)	77.8	\$ 19.7	177.9
Inter-Provincial (visits)	24.9	\$ 11.5	84.8
<b>Inbound International</b>	<b>22.0</b>	<b>\$ 22.0</b>	<b>208.2</b>
United States	15.0	\$ 10.7	75.1
Overseas	7.1	\$ 11.3	133.1
<b>Canadian Outbound</b>	<b>26.6</b>	<b>\$ 38.6</b>	<b>263.8</b>
<b>Canadian Domestic &amp; Outbound</b>	<b>120.2</b>	<b>\$ 69.8</b>	<b>526.5</b>



## Direct Economic Contribution to Canada's Economy

### Value

- Total tourism demand: \$105 Billion (+2.8%)
- Domestic sources: \$82 Billion (+2.4%)
- Tourism Export: \$23 Billion (+4.1%)
- Tax revenues:
- GDP (basic Price): \$43.7 Billion

» **2.0% of Canada's GDP**

### Jobs

- Sustained by tourism: 748,000 jobs
- In tourism dependent industries: 1.9 million jobs
  - » 1 in 10 jobs

### Tourism Establishments in Canada :

- Canada 231,660, 5.6% Canada share
- British Columbia 37,275, 5.7% BC share

# Tourism's impact goes beyond the economy, with significant benefits that improve quality of life for all Canadians



## Developing rural and remote areas

Developing new attractions in less populated parts of the country can **create new economic opportunities and lift entire regions**



## Economic diversification

Provides a **counter-cyclical**, additional industry in areas that are reliant on **other industries or employers**, especially those that are vulnerable to automation



## Upskilling of population

Tourism requires many skilled jobs (e.g., accountants, chefs), which can deliver ancillary benefits through **upskilling**



## Urban revitalization

New tourism flows can **promote urban beautification** and the **revitalization** of declining regions or cities



## International reputation

Developing a reputation as an attractive place to visit can become a crucial element of a **country's identity** and **define its value proposition to the world**

# Outline

- 1 Containing Covid-19
- 2 Covid-19 Impact on the Economy
- 3 Recovery Prospect



# 1

## COVID-19

### containment

## A public health emergency

Focus on reducing  
transmission and importation

# Epidemiological drivers impacting travel

Public health measures implemented in Canada and around the world are seeking to “flatten” the curve and slow the spread of new cases. These measures are in two inter-related areas:

## Reducing Transmission

Measures designed to *slow the spread of virus between community members*

- *Examples:* Hygiene, social distancing, mask wearing, gathering limits

**Implications:** These measures limit mobility and travel behaviors at local, regional and/or national levels.

**This is pre-requisite to relax measures imposed to control importation.**

## Reducing Importation

Measure designed to slow the spread of virus originating from outside the community at local, regional and/or national levels,

- *Examples:* Ban on inbound/outbound non-essential travels, quarantine requirement upon entry into a community.

**Implications:** These regulatory measures limit inter-regional & international mobility. These may impose additional costs to inter-regional & international travels.

**Relaxation importation control measures will require similar levels of control and results between markets**  
(e.g. [European Council's criteria and conditions on lifting of travel restrictions](#) )

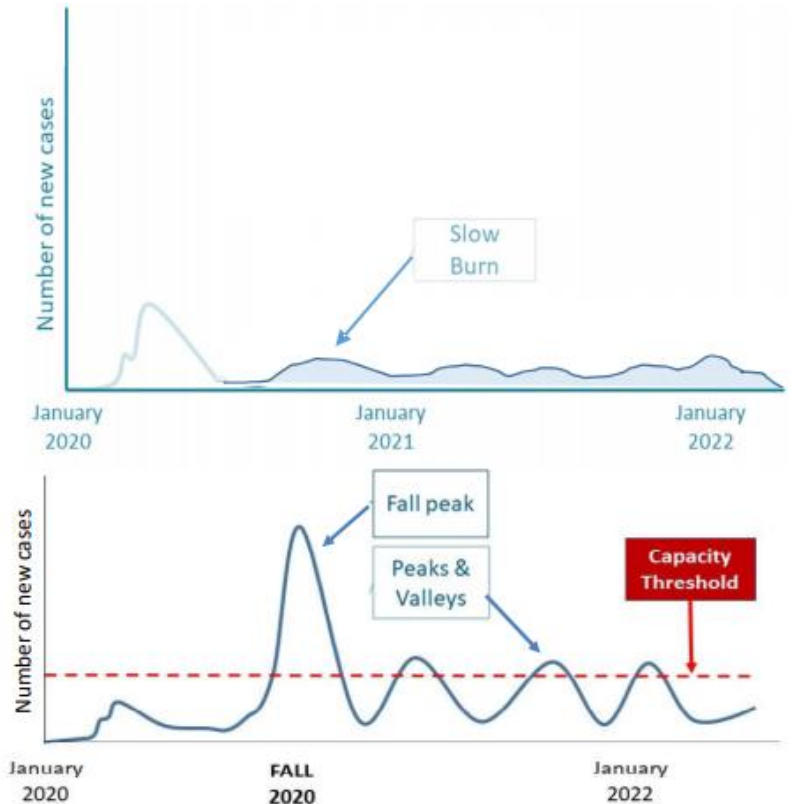




# Public Health Agency of Canada is planning for increased infection rates

Increases in infection rates **are expected** while economic and social activities resume

- **Slow Burn** scenario keeping case rates low and within the health and public health system's capacity to manage
- **worst-case** scenario has a large 'Fall Peak' followed by ongoing 'Peak & Valleys' where demands exceed the health and/or public health system's capacity to manage



Target Outcome

Worst-case outcome

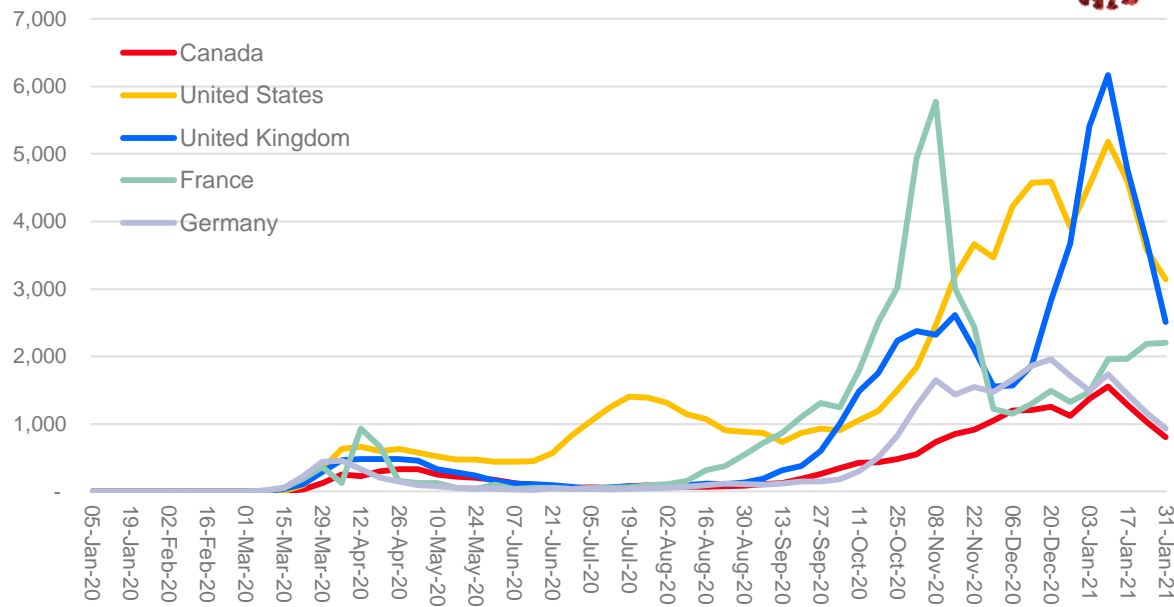
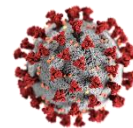
# We are in the midst of a continuing 2nd wave

Positive cases have remained on an increasing trend since September 2020

While constraining regional economic activities, health and safety measures will continue to keep transmission under control in Canada

Covid-19 transmission remains lower in Canada than in the United States and Europe

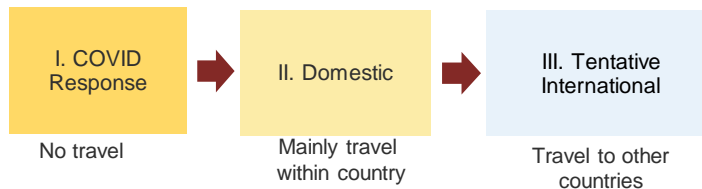
Weekly Covid-19 cases per million to January 31, 2021



# How markets dealt with COVID-19

## Market Recovery Trends

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Australia	n/a	n/a	I	I	I	II	I	I	I	II	II	II
China	n/a	n/a	I	I	II	II	II	II	II	II	II	II
France	n/a	n/a	I	I	I	II	II	II	II	II	I	I
Germany	n/a	n/a	I	I	II	II	II	II	II	II	I	I
India	n/a	n/a	I	I	I	I	I	I	I	I	I	I
Japan	n/a	n/a	I	I	I	I	I	I	I	II	II	II
Mexico	n/a	n/a	I	I	I	I	I	I	I	I	I	I
South Korea	n/a	n/a	I	II	II	II	II	II	II	II	II	II
United Kingdom	n/a	n/a	I	I	I	I	II	II	II	II	I	I
United States	n/a	n/a	I	I	II	II	I	I	II	II	II	II



# 2

## COVID-19

**has hit tourism first & hardest,  
with long-term effects**

### Impact on the Visitor Economy

- Tourism has lost 49% of revenue, YTD Q3 2020
  - Grounded airline revenue
  - Struggling accommodation revenue
  - Stalled Business Events
- More business closures and job losses than the rest of the economy
  - 300,000 direct job losses tied to servicing tourism demand over Q2 and Q3 2020, even with government support

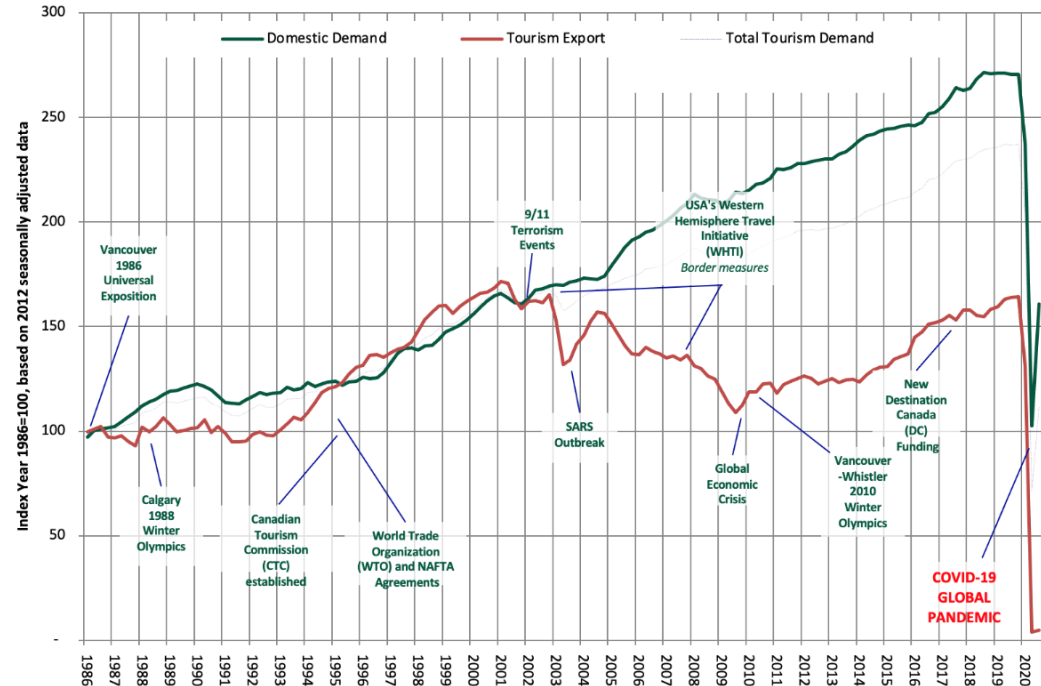
# Tourism's progress has been knocked back an entire generation

After rebounding from an all-time low in Q2 2020, Canadian tourism over Q3 2020 stood at a level last seen in 1992.

This is due to a total collapse in international tourism, and domestic tourism falling back to its 2000 level.

2020/2019	Q1	Q2	Q3	YTD
<b>Total</b>	<b>-12%</b>	<b>-69%</b>	<b>-56%</b>	<b>-49%</b>
Domestic	-11%	-60%	-44%	-40%
Export	-18%	-97%	-96%	-81%

Tourism GDP by Quarter  
1986 -2020 Q3



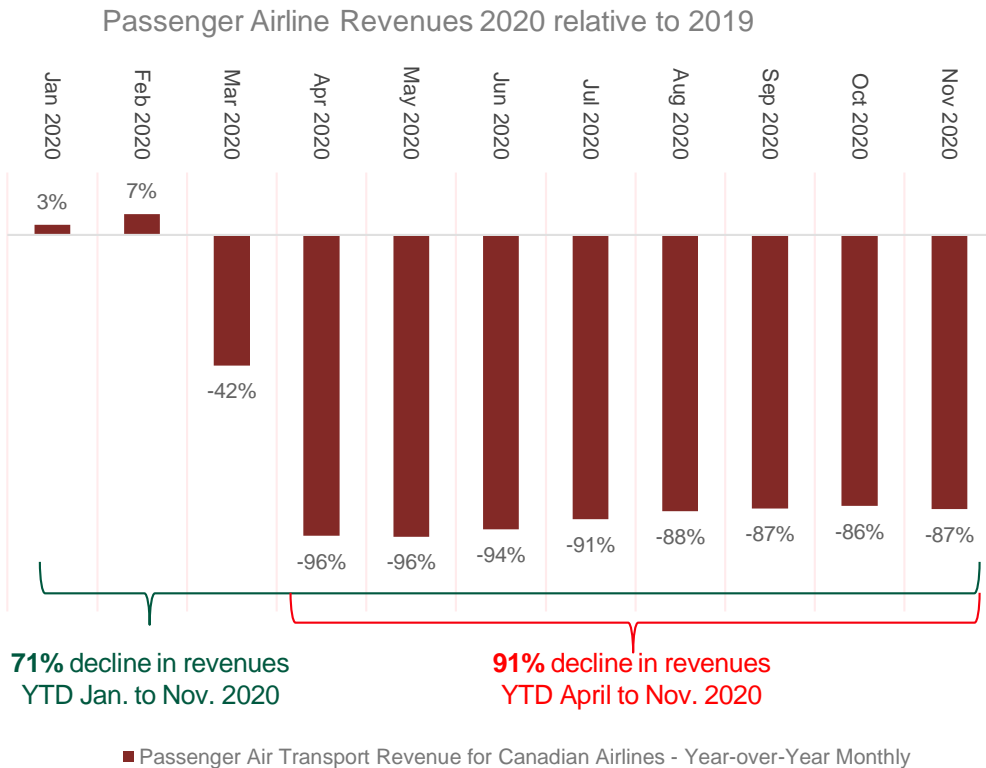
Source: National Tourism Indicators, 2020 Q3

# ...with devastating impact on airline revenues

Significant reductions in passenger numbers have resulted in cancelled flights or planes flying empty between airports.

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, air passenger revenues collapsed by **91%**.



# Hotel performance hit hard

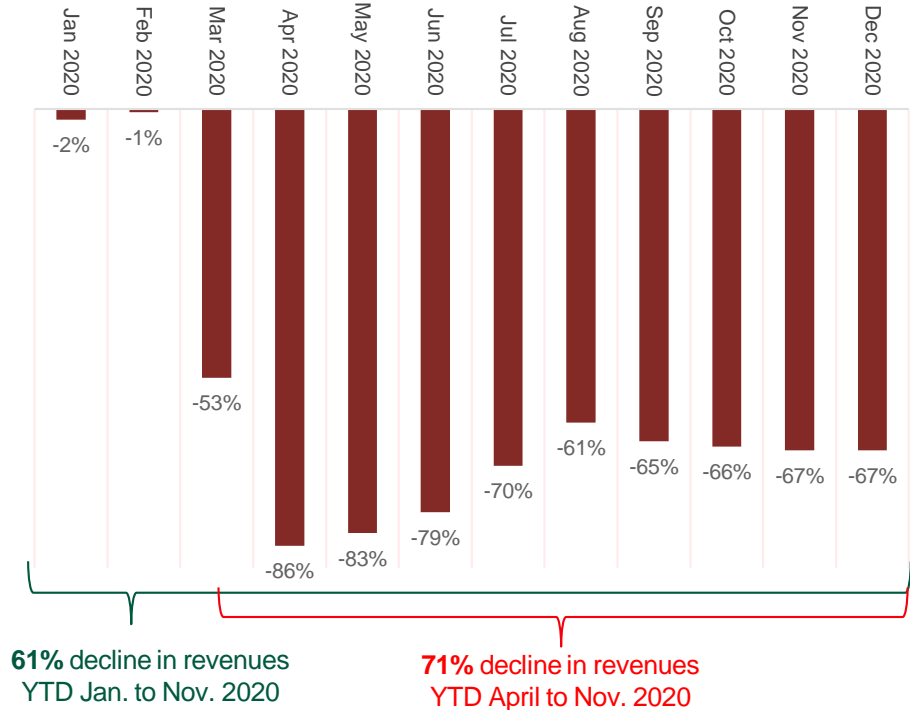
## -61% Revenue

Canadian Commercial  
Accommodation in 2020 <sup>1</sup>

Occupancy among Canadian commercial accommodation 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%.

Canadian Commercial Accommodation  
2020 relative to 2019



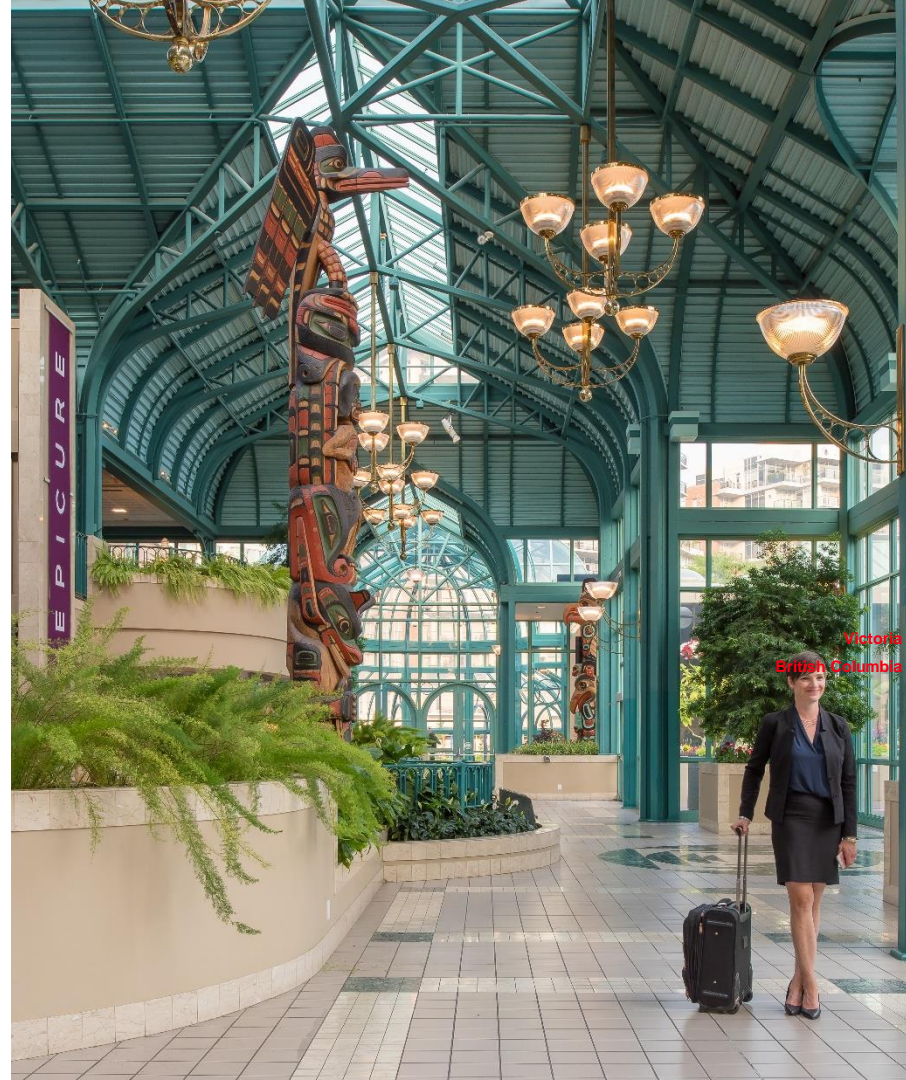
■ Estimated revenues from Commercial Accommodations- Year-over-Year Monthly



# Conventions, conferences & meetings: Cancelled

- 83% of all events cancelled in 2020
- 3,700 business events (conventions, conferences & corporate meetings)
- 1.5 million delegates
- \$1.3B in spending

Source: Destination Canada National Business Events Pace Report and COVID-19 cancellation data reporting, preliminary data as of December 31, 2020



# Core Economic Vitality of Canada's Major Cities Compromised

Montreal, Toronto & Vancouver downtowns hotel revenues **fell an estimated 79% over 2019** a lost of \$2.3 billion across the three cities.

*Post Covid-19*

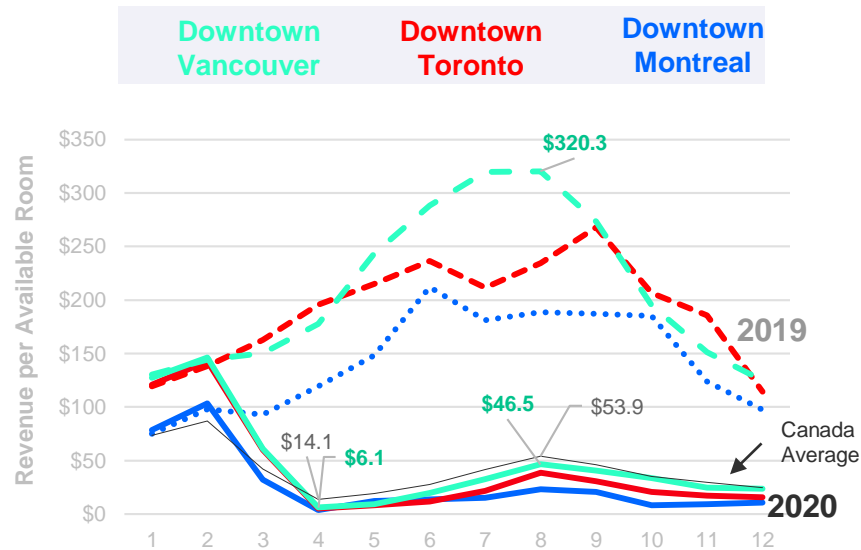
Lowest: April 2020, Revenue Per Room/Night:

- Montreal \$3.60
- Toronto \$5.10
- Vancouver \$6.10

Highest: August 2020

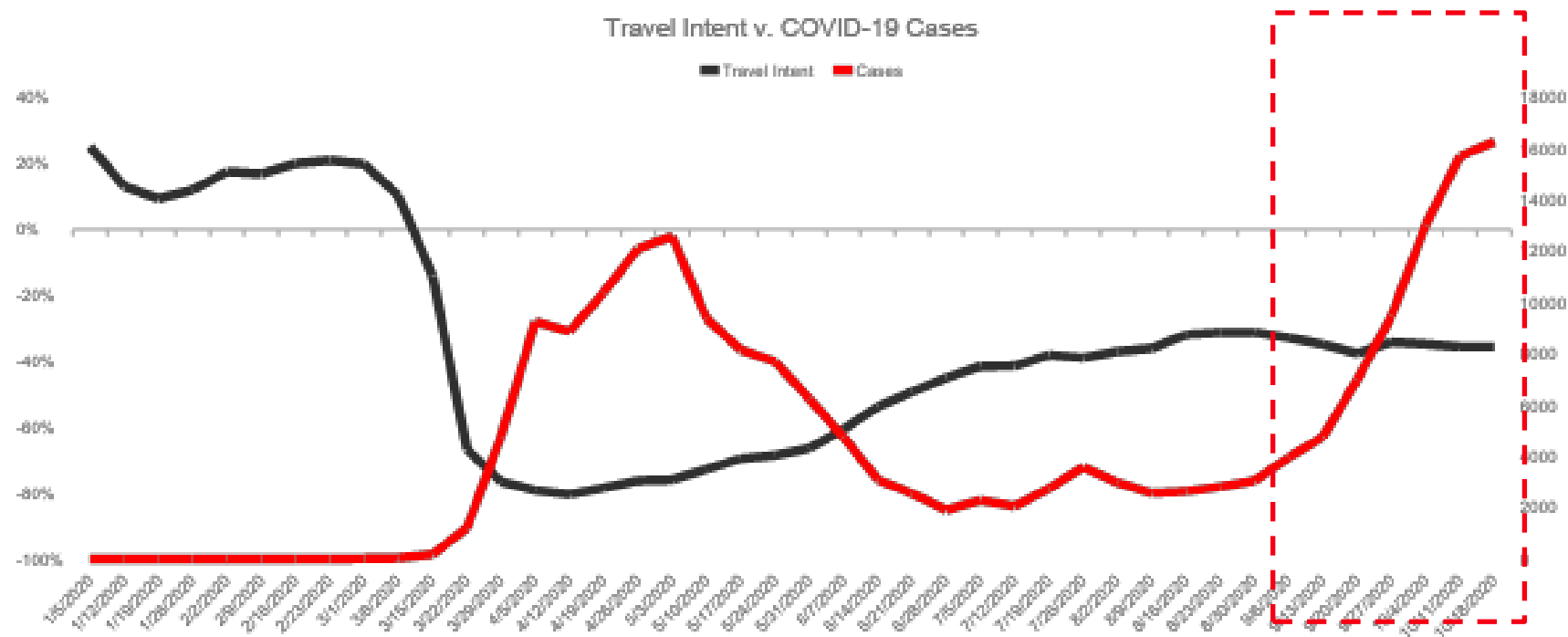
- Montreal \$23.50
- Toronto \$38.70
- Vancouver \$46.50

**Below  
estimated Break  
Even revenue  
threshold of  
\$75**



# Intent to Travel

Despite the outbreak since September, intent to travel remains constant

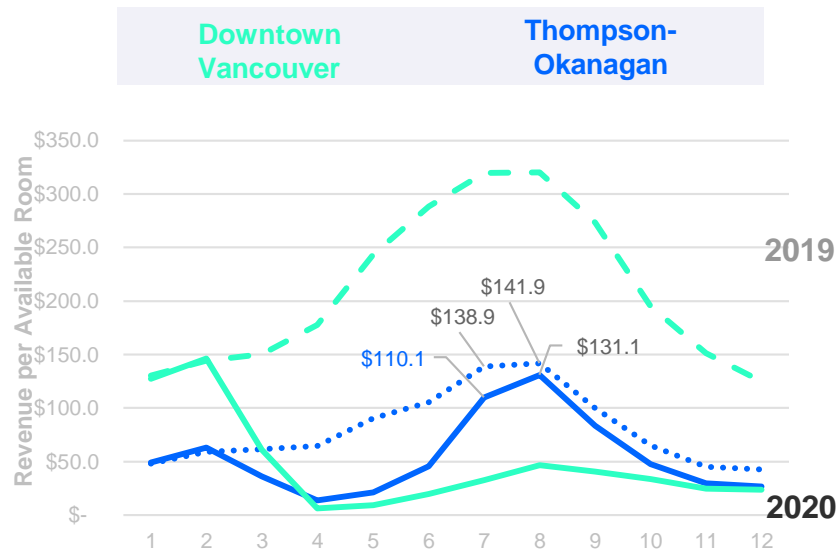


# Canadians flocked to resort areas from July onward

Attracted by fresh air and open spaces, Canadians took to the road to explore parks and resort areas, dampening the impact of COVID-19 on the accommodation providers servicing these regions.

Hotel revenues in the Thompson Okanagan fell an estimated 31% in 2020, representing a loss of \$175 million.

Hotel revenues in resorts across Canada also improved since July 2020, but still sustained a revenue contraction of 54% in 2020.



# Peak tourism spending season hit hard in Q3 2020

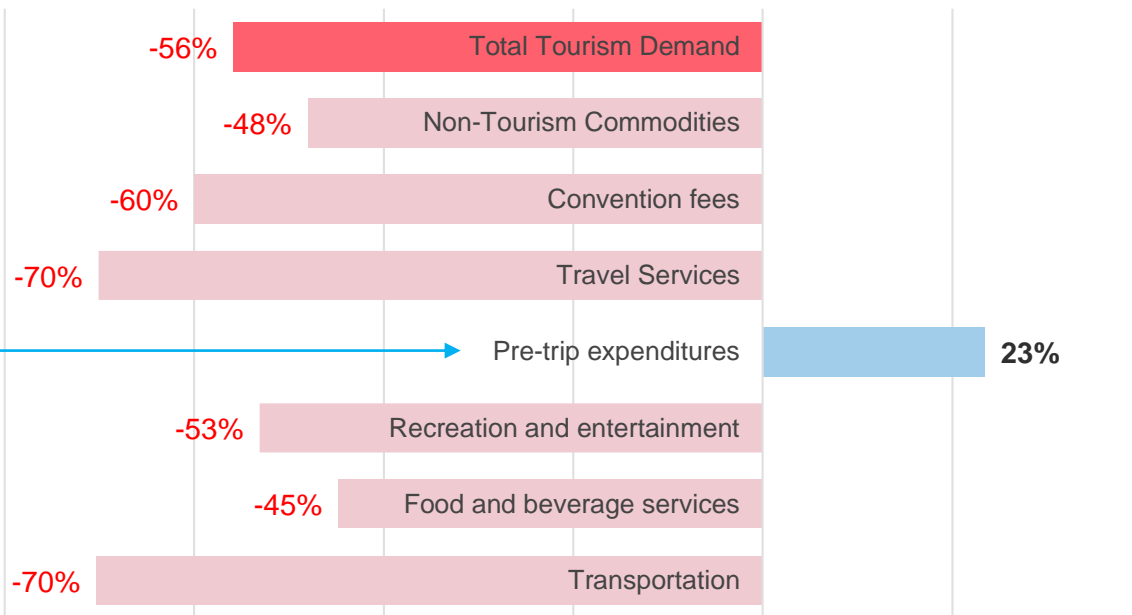
The drop in visitor spending significantly impacted all tourism sectors and commodities...

... except Pre-trip expenditures as Canadians unable to travel to long-haul destinations splurged on

**Tourism single purpose durable goods, including**

- motor homes (RVs),
- travel and tent trailers,
- luggage and travel sets,
- Tents, camping equipment and sleeping bags.

Tourism Expenditures In Canada from Domestic and International Sources over the Third Quarter of 2020



Source: National Tourism Indicators, 2020  
Q3 (non-seasonally adjusted, current dollars)

# Tourism recovery not keeping pace with the stronger rebound in other business sectors

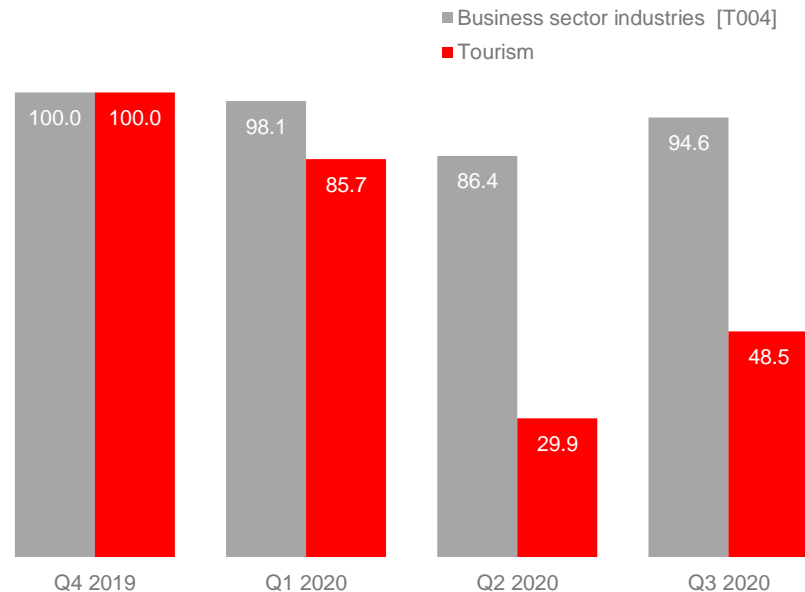
## 2020 Q2:

- Canada's GDP contracted 13.7%
- tourism collapsed 70.4% (y/y),

## 2020 Q3:

- Decline in Canada's GDP declined 3.1%
- Tourism's GDP dropped 54.9% below 2019 Q3.

GDP by Industry (Basic Price)  
Index 100=2019 Q4

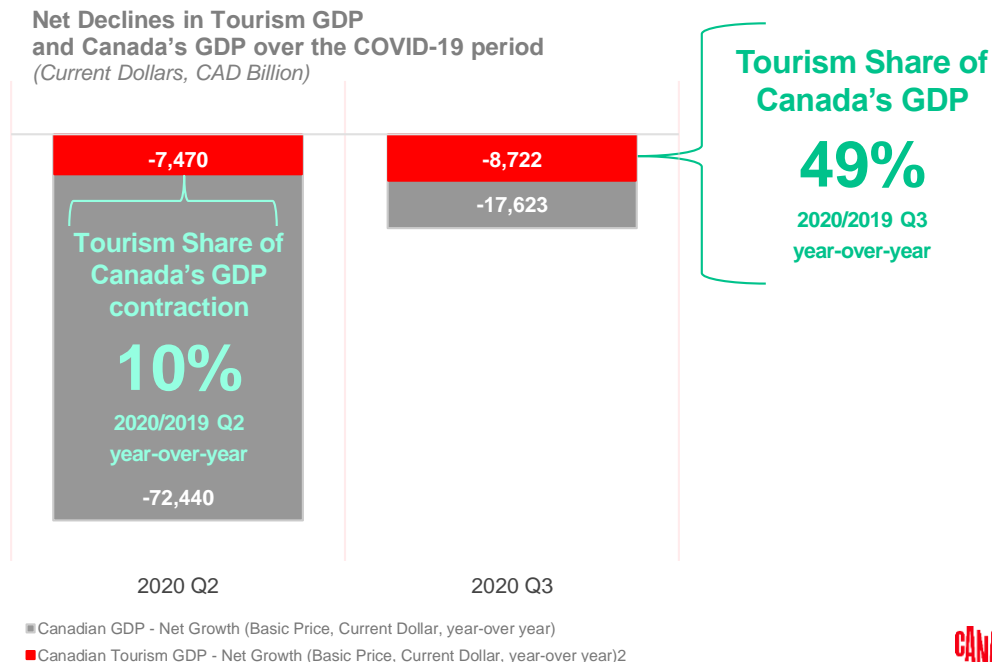


# Over the first three quarters of 2020, tourism accounted for 21% of Canada's GDP decline

Illustrating the economic burden assumed by tourism in Canada, tourism represented a 21% share of the contraction in Canada's GDP over the first three quarters of 2021.

In 2020 Q2, it accounted 10% of Canada's GDP contraction, 5 times its usual contribution to the Canadian economy.

**In 2020 Q3, tourism shouldered a 49% share of Canada's GDP contraction**



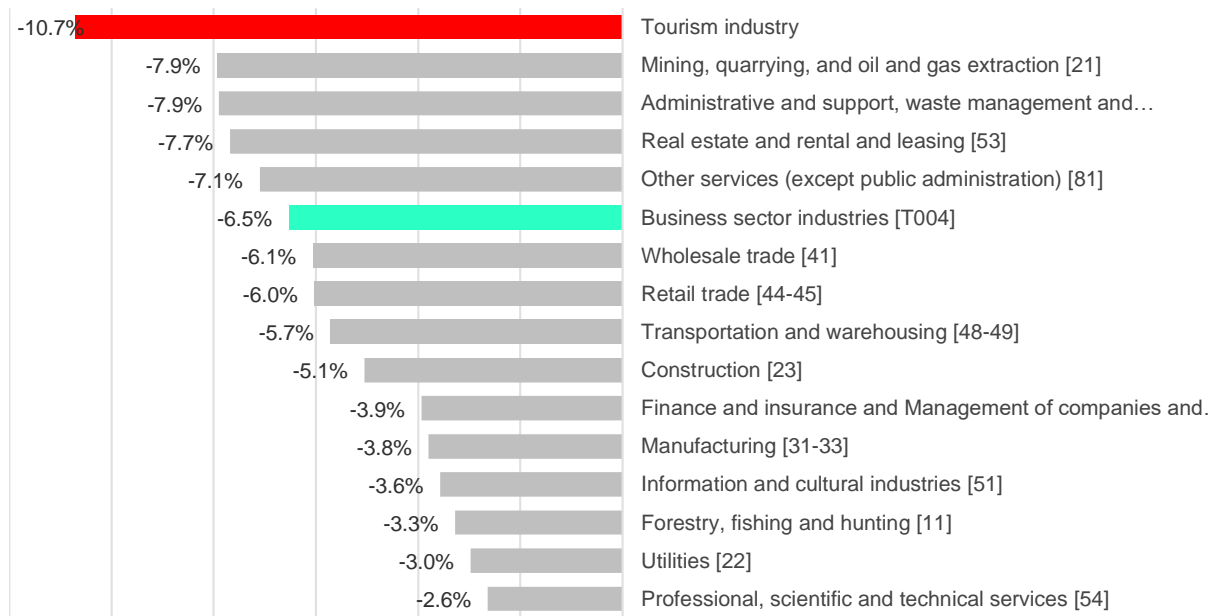


# Tourism SMEs remain the most impacted by the pandemic the Canadian economy

January to October 2020

Tourism has been, and continues to be, the most exposed sector in the Canadian economy to policies and practices designed to limit transmission of COVID-19.

Active businesses by industry in October 2020  
relative to January 2020



Note: An active business are those that reported having one or more employees in that month

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

# Half of closed tourism businesses in May were active in October 2020

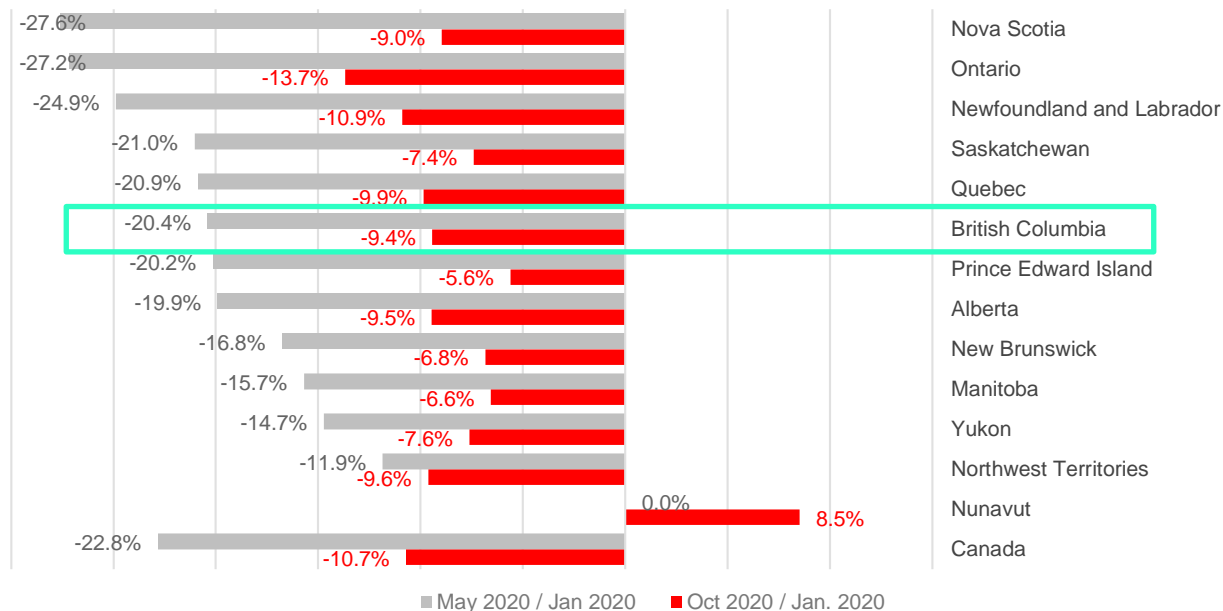
Nearly a quarter of active tourism businesses in January 2021 had stopped all operations in **May 2020**.

This was 1 in 5 businesses in BC.

In **October 2020**, 11% of businesses operating in January remained closed, having not reported any payroll.

This was 1 in 11 tourism businesses in BC.

Changes in active tourism businesses by province/territory in May and October 2020 relative to January 2020



# Hardest hit sectors in BC: Travel services, scenic and air transportations

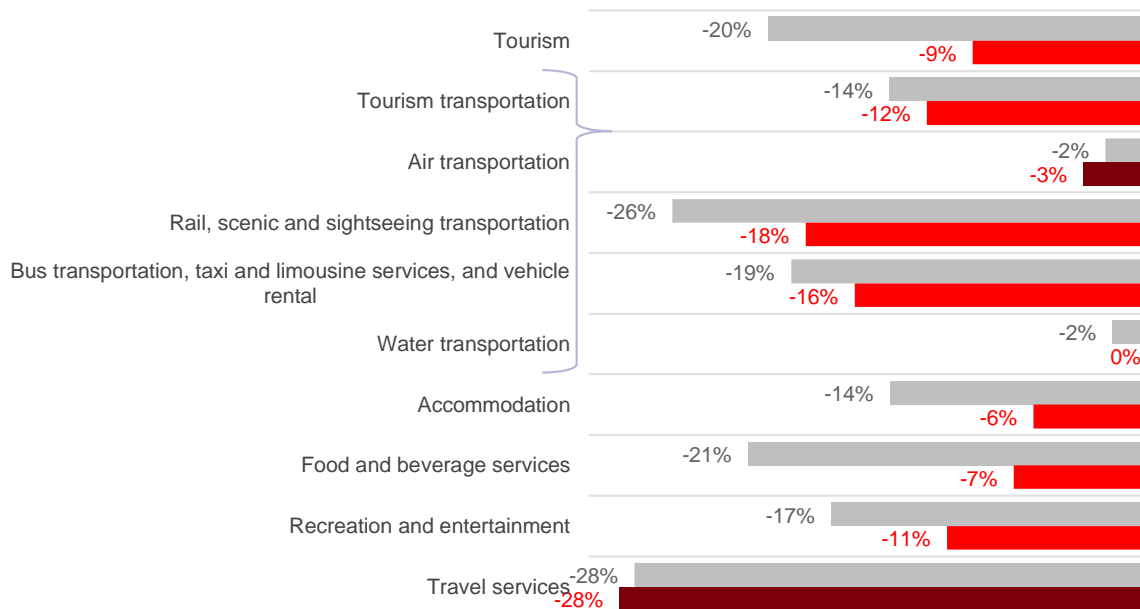
Mirroring a national trends, business closures increased for air transport and travel service between May and October 2020.

In contrast to the Canadian average, business openings for the rail, scenic and sightseeing sector somewhat improved in BC.

Changes in active tourism businesses by province/territory in May and October 2020 relative to January 2020

■ May 2020 / Jan 2020

■ Oct 2020/ Jan 2020

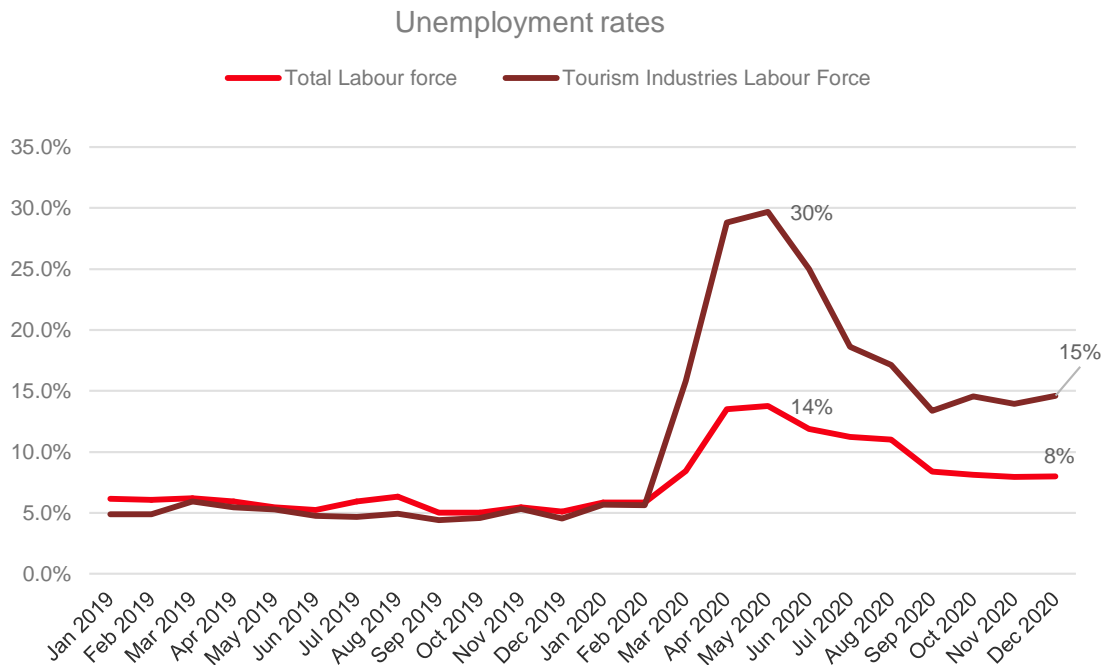


# Unemployment rate in tourism is much higher than the rest of the economy

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

The worsening spread of COVID-19 is only making the situation worse

There is a risk of long term labour shortage to meet tourism requirement as job seekers are currently enticed by opportunities in other economic sectors.



Source: Tourism HR Canada

# 3

## Recovering from Covid-19:

### The not-so-well lit bumpy road ahead

#### Recovery Prospects

- Domestic tourism to lead recovery
  - Outbound conversion key
- Renewing social licensing to operate
- Border re-opening

# Recovery Prospects

Assumption:

The tourism industry will recover to pre-COVID levels – the question is when.

Factors that will determine the speed of recovery include:

- The pace economic recovery in Canada and globally
- State of Tourism supply
- Consumers' desire and willingness to travel
- Canadian residents' willingness to welcome visitors

# Outlook for Tourism

Border re-opening most likely in 2021 Q4

- Assume widespread vaccination in Canada
- International visitors may require proof of immunity
- Health and safety measures (wash your hands, wear a mask, watch you distance, etc.) to remain in place after vaccination

Unknown

- Disruption in the production of vaccine
- Vaccine efficacy in terms of longevity and new mutation of COVID-19
- Economic impact of growing sovereign debts

Known

- Human resiliency and capacity to adapt and to innovate



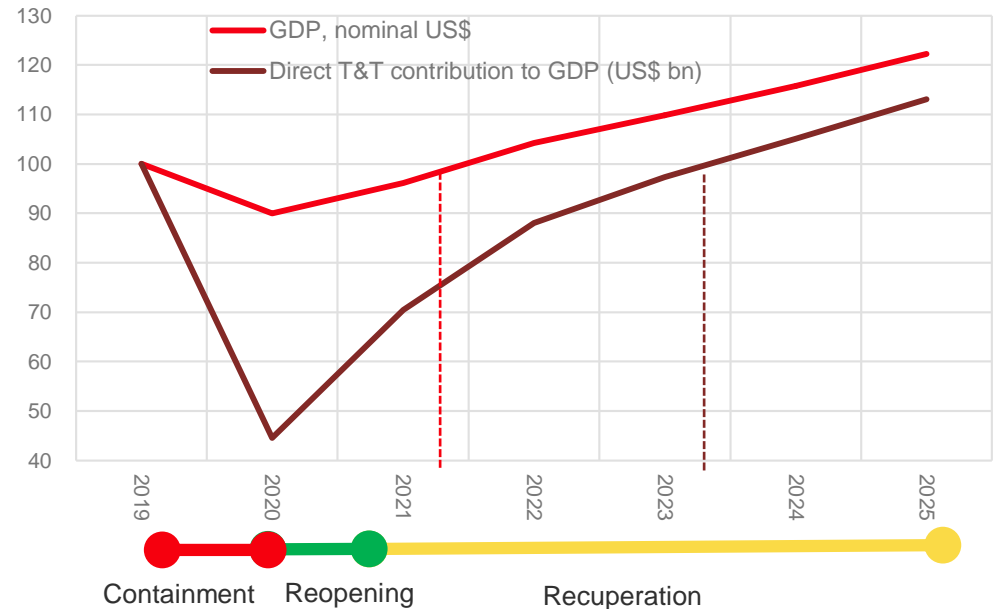
# The tourism sector will take longer to recover

The recovery in economic activity and household spending will follow two phases: reopening and recuperation

Assumptions:

1. Controlled 2<sup>nd</sup> Covid-19 wave
  - Public and safety measures to manage Covid-19 sufficient to prevent a return to full containment phase
2. Pandemic to run its course by Mid-2022
  - Vaccine or effective treatment to be widely available by Mid-2022

Tourism recovery to lag behind other Canadian economic sectors



# Domestic travel to lead the recovery

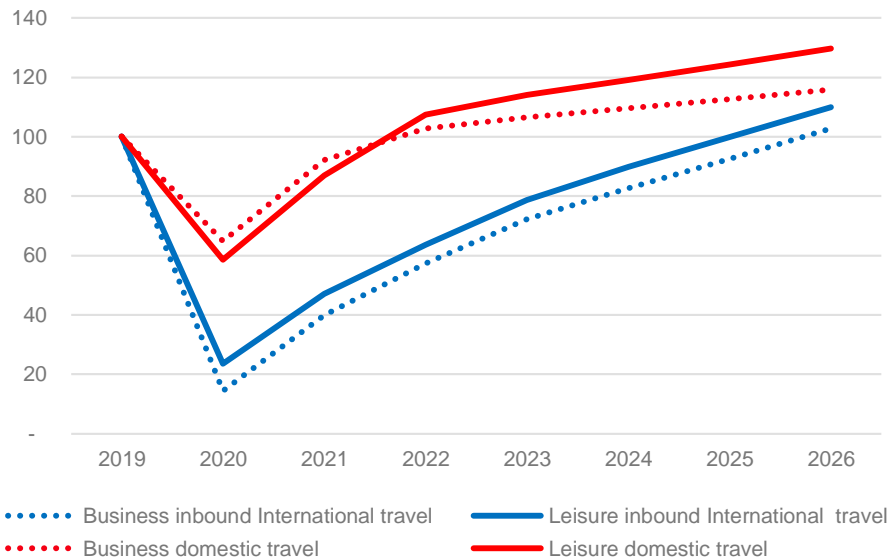
**Domestic expenditures** to reach 2019 level in 2022 at the earliest

Tourism earnings from **international visitors** to gradually gain momentum, reaching 2019 levels between 2024 and 2026

Domestic **business** travel is expected to recover at a faster pace than leisure in 2020 and 2021, with **leisure** expanding faster from 2022 onward.

- The rebound in business travel to be driven by business meetings, sales meetings.
- Business events, conventions or conferences to recover later

Forecasted travel spending by trip purpose  
Indexed to 2019, \$bn CAD



Source: Tourism Economics

# More than ever our residents matter to tourism

We have been tracking the sentiment of residents, from across Canada, every week since May

**I feel safe to travel**

**I would welcome visitors**

**I would support promotion of my community to visitors**

# Canadians are not comfortable past their provincial borders

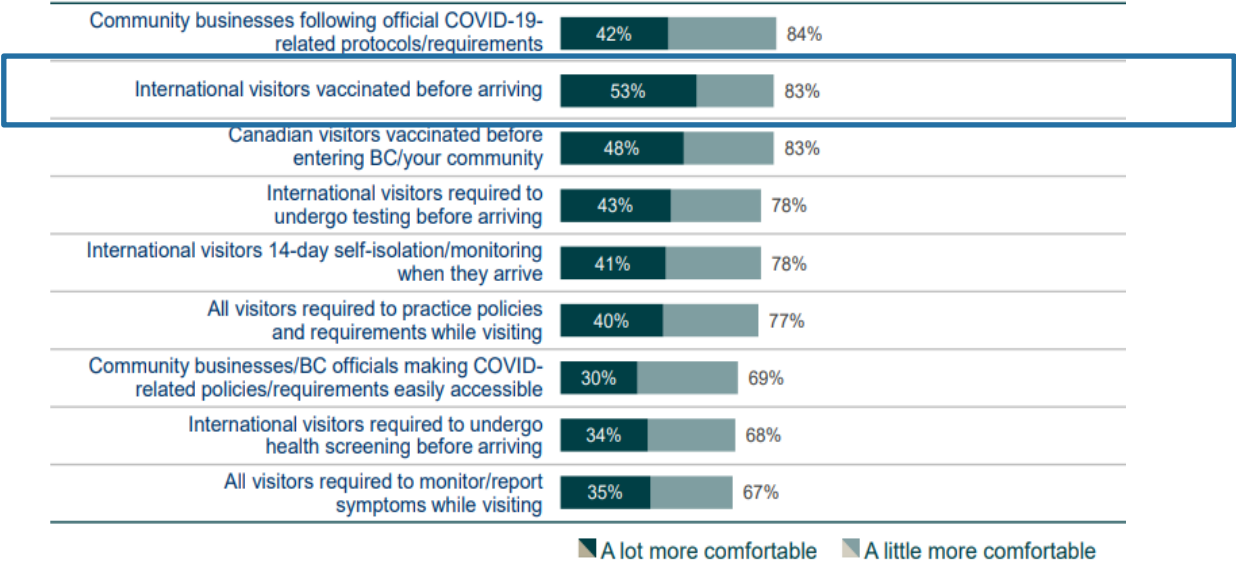
Geography	I feel safe to travel to...	I would welcome visitors from...	Promote my community to...
Other communities near me	✓	✓	✓
Other communities in my province	✓	✓	✓
Communities in other provinces	✗	✗	✗
The US	✗	✗	✗
International	✗	✗	✗

# 2021 – 2025 Scenarios: Secondary Factors



## BC residents' willingness to welcome visitors

### Measures to Increase Comfort with Visitors:



Base: All respondents

# Key recovery scenarios

These scenarios assume the following:

**If the border is reopened**, it will be opened to all of our key international markets, and all domestic travel restrictions are lifted.

**If the border is closed**, **Canadians travelling domestically instead of abroad will be key to offset losses**

Border re-opening	Rev. in 2021 (\$B)	Loss in 2021 vs 2019	Return to 2019 level
Apr 2021	48	-54%	2025
Oct 2021	42	-60%	2026

Source: DC Research, November 2020

# British Columbia's COVID-19 Immunization Plan



## DBC Recovery Scenarios

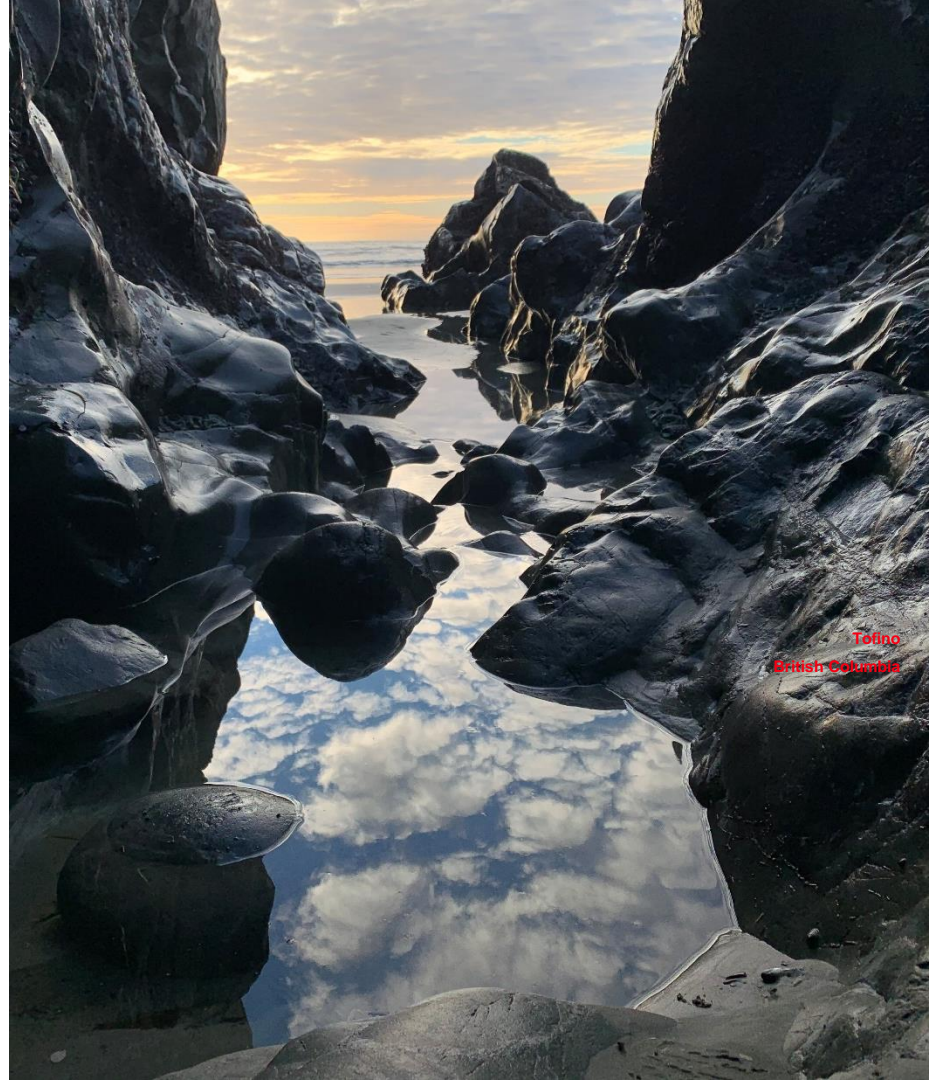
Phase 1 Dec 2020-Feb 2021	Phase 2 Feb-March 2021	Phase 3 April-June 2021	Phase 4 July-Sept 2021
<b>High-risk population</b>		<b>General population</b>	
<ul style="list-style-type: none"> <li>Residents, staff, and essential visitors to long-term care and assisted living</li> <li>Individuals assessed for/awaiting long-term care</li> <li>Hospital health care workers who may provide care for COVID-19 patients</li> <li>Remote and isolated Indigenous communities</li> </ul>	<ul style="list-style-type: none"> <li>Seniors aged 80+ who are not yet immunized</li> <li>Indigenous seniors aged 65+, Elders, and additional communities not yet immunized</li> <li>Hospital staff, community GPs and medical specialists not yet immunized</li> <li>Vulnerable populations in select congregated settings</li> <li>Staff in community home support and nursing services for seniors</li> </ul>	<p>People aged 79 to 60, in five year increments:</p> <ul style="list-style-type: none"> <li>79 to 75</li> <li>74 to 70</li> <li>69 to 65</li> <li>64 to 60</li> </ul> <p>People aged 69 to 16 who are clinically extremely vulnerable</p>	<p>People aged 59 to 18, in five year increments:</p> <ul style="list-style-type: none"> <li>59 to 55</li> <li>54 to 50</li> <li>49 to 45</li> <li>44 to 40</li> <li>39 to 35</li> <li>34 to 30</li> <li>29 to 25</li> <li>24 to 18</li> </ul>
<p>The timeline for BC's COVID-19 Immunization Plan may change based on vaccine availability.</p> <p>Once more vaccines are approved/available, people 64 to 18 yrs who are front-line essential workers or work in specific workplaces/industries may be included later in Phase 3.</p>			
			<b>COVID-19 IN BC</b>

Oct. – Dec.  
2021

<b>Optimistic</b>	No non-essential travel	Travel within BC (April)	Travel within BC	Inter-provincial and international markets	Inter-provincial and international markets
<b>Mid-Range</b>	No non-essential travel	No non-essential travel	Travel within BC	Travel within BC	Inter-provincial and international markets
<b>Pessimistic</b>	No non-essential travel	No non-essential travel	No non-essential travel	Travel within BC	Inter-provincial markets only



# Discussion



# Thank you

# Merci