



Canadian Association of Tour Operators (CATO) & L'Association des tours opérateurs du Québec (ATOQ)

Economic Impact Analysis of the Canadian Tour Operators

June 4, 2021



Association des tours
opérateurs du Québec
Association of Tour
Operators of Quebec





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EXECUTIVE SUMMARY

The Canadian Association of Tour Operators (CATO) is a not-for-profit organization representing highly respected tour operators with offices across Canada. In response to COVID-19 related impacts, CATO, with support from L'Association des tours opérateurs du Québec (ATOQ), has undertaken an Economic Impact Analysis to measure the economic impact of the pandemic on CATO and ATOQ members and the loss of economic contributions to the Canadian economy. This report found that between the years of 2019 to 2020, tour operators experienced a loss of \$3.714 billion in total economic output, \$517 million in total labour income, and 8,717 total full-time equivalent positions. These losses are a direct result of decreased demand for travel and tour packages following the Canadian government's implementation of travel restrictions and related consumer concerns. Additionally, full-time employment supported directly by tour operators fell by 15% between the years of 2019 and 2020. The magnitude of direct full-time employment loss is less than total full-time employment loss as a result of 84% of tour operators availing Canadian wage subsidy programs. These programs allowed those employed directly by tour operators to remain in their positions supporting non-revenue generating activities. Without an extension of the wage subsidy programs further employment loss will occur. In 2019, 73% of the tour operators' workforce consisted of female employees, increasing the risk of placing further impacts on women during the pandemic.

INTRODUCTION

The Canadian Association of Tour Operators (CATO) is a not-for-profit organization representing highly respected tour operators with offices across Canada. CATO's members include organizations offering tour programs and travel packages originating from Canada to international destinations, trans-border as well as inbound to Canada and intra-Canada.

In March 2020, the Canadian federal government declared a state of emergency in response to the COVID-19 pandemic, impacting Canadians' ability and desire to travel locally, regionally, nationally and internationally. The travel and tourism industry was one of the hardest hit given the significant decline in consumers, greatly reducing the industry's overall economic activity within Canada.

In response to the impacts experienced by tour operators, CATO, with support from L'Association des tours opérateurs du Québec (ATOQ), has undertaken an Economic Impact Assessment to measure the economic impact of the pandemic on CATO and ATOQ members and the Canadian economy. This analysis is intended to support CATO in advocating to the Canadian federal government for continuous financial support throughout 2021, or until the tourism industry can be begin to operate closer to normal capacity.

This report provides an estimate of the economic impact of COVID-19 of tour operators on the Canadian Economy. Economic impacts result from a change in economic activity caused by business operations of organizations within an industry, such as tour operators. These changes are measured through direct and indirect economic impacts. Direct impacts are caused by initial spending and employment by tour operators. Indirect impacts are measured by estimating the amount of economic activity stimulated in other industries as a result of tour operators' initial spending and employment. Such impacts have been measured by using an Input-Output model supported by data collected from CATO and ATOQ members through a survey as well as statistical data from Statistics Canada.

METHODOLOGY

Data Collection

To support the Economic Impact Assessment, a survey was administered to 14 CATO members and 17 ATOQ members. A response rate of 100% was received from CATO members and 63% from ATOQ members. The survey consisted of 30 questions that focused on four categories; General Information, Economic Impact, The Tour Operator Customer, and Hot Topics. The survey requested data for the years 2018, 2019 and 2020 to highlight the operating levels of tour operators before the sudden decline in operations experienced in 2020 due to COVID-19. The survey, including results, can be found in Appendix B.

The data collected represents a statistically significant sample of tour operators, however this does not mean the data collected represents all tour operators. Missing data was accounted for by conducting an extrapolation, which is a statistical estimation based on existing trends and known data. As a result, the data provides a more complete estimation of the tour operators' economic contributions to the Canadian economy.

Input-Output Model

The framework selected to estimate economic impacts of Canadian tour operators is the Input-Output Model. The model is used to simulate how an expenditure, increase in demand, or investment by one, or several, industries subsequently triggers other economic activities on other areas of the economy. The outputs estimated by the model are direct and indirect impacts on employment, labour income, and social and economic contributions. The model is supported by data collected through the survey and national level multipliers from Statistics Canada from the year 2017¹.

ECONOMIC IMPACT ANALYSIS

Economic Contributions

Initially between 2018 and 2019, employment and labour costs directly supported by tour operators increased. However, as of 2020 all impact categories, including employment, labour costs and economic output, experienced a significant decline due to COVID-19 related travel restrictions and risks. In total, \$2.34 billion dollars of direct economic output was lost to the Canadian economy, representing a 62% decline between the years 2019 to 2020. Tour operators expect economic output to continue to remain low in 2021, at least 82% below 2019 levels. 730 full time, 45 part-time, and 159 contract jobs were lost, despite 84% of tour operators taking advantage of the Canada Enhanced Wage Subsidy (CEWS) or le Subvention salariale d'urgence du Canada (SSUC). Of the full time positions that were lost, 65% were held by women. In 2019, 2,082 women were employed by Canadian tour operators. In 2020, 440 of these women were no longer employed, decreasing the total direct female employment to 1,642. The total decrease in direct employment resulted in a 28% decrease of direct labour income from 2019 to 2020, totaling a loss of \$60 million. In comparison, tour operators' direct employment fell by 18% between the years of 2019 to 2020. This indicates that those who were able to keep their jobs may have experienced decreased wages or reduced hours.

Indirect impacts are measured by estimating the economic activity stimulated from the demand of goods and services tour operators generate in supplier industries. These impacts were also greatly impacted due to COVID-19. All indirect impacts decreased by 62% between 2019 to 2020, resulting in

¹ 2017 is the most recent year of multipliers available. This approach is aligned to standard economic impact analysis methodology.

a loss of 7,987 full time equivalent² jobs, \$456 million in labour income, and \$1.37 billion in Economic Output.

The total decrease in economic contributions across all impact areas resulted in a 50% reduction in full-time equivalent³ employment, 54% reduction in labour income, and 62% reduction in economic output between the years of 2019 to 2020, as seen in Tables 1 & 2, below.

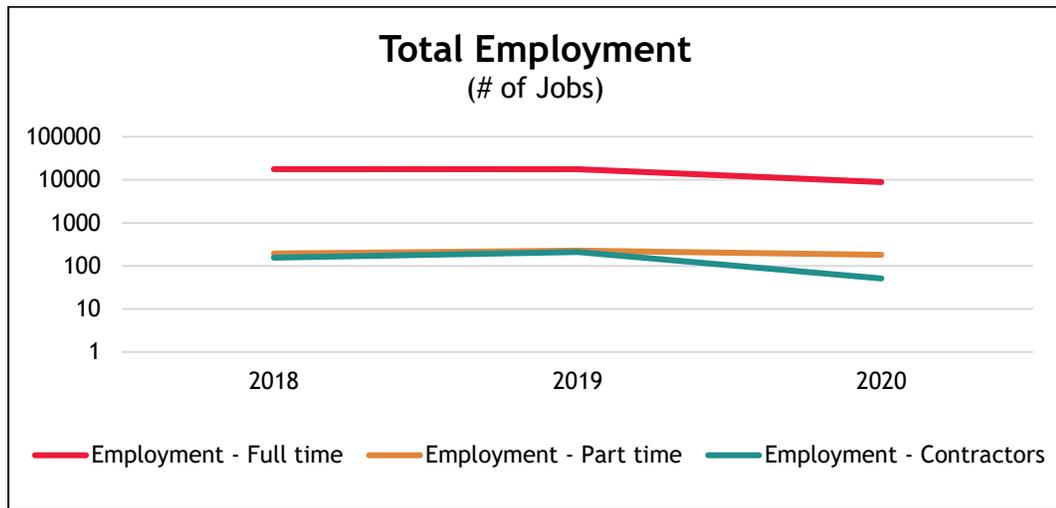


Table 1: Estimates of total full-time, part-time and contract employment supported by the travel and tourism industry

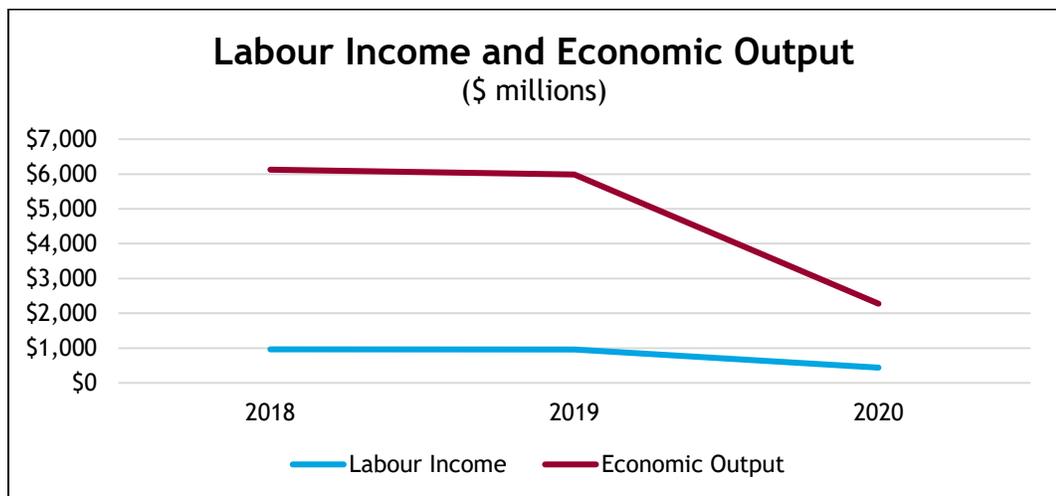


Table 2: Estimates of labour income and economic output generated by the travel and tourism industry

² Indirect employment is not separated by full-time, part-time and contractor specific jobs types given the estimation does not account for job type, rather for the annual duration per position. Indirect employment is thus estimated as full time equivalents.

³ Total full-time equivalent employment includes data from direct full-time, employment and indirect full-time equivalent employment. Data is not available to determine the duration of part-time or contractor employment to confidently estimate how many full-time equivalent positions these equal

Tax Contributions

In 2018, tour operators contributed an estimated \$148 million in taxes paid on purchases of Canadian goods and services. In 2019, tour operators' total contribution increased by 26% to \$187 million, however it ultimately decreased in 2020 by 57% to \$81 million. The drastic decrease was due to COVID-19 restrictions limiting business operations of tour operators, reducing overall demand for inputs. As detailed in the section above, tour operators experienced a significant decrease in employment, contributing to decreased labour income paid. As a result, direct employee-related taxes decreased from 2019 to 2020 by 25% resulting in a loss of \$5 million, including an estimated loss of \$15 million of employee paid income tax.

Indirectly, additional taxes are generated through the process of producing or consuming outputs. For example, sales taxes are paid when purchasing tour or travel package from a tour operator. In 2019, \$81 million in taxes were indirectly paid on purchases of goods and services. However, due to a decrease in demand for tour and travel packages, taxes paid on purchases of goods and services decreased in 2020 by 57%, equally a loss of \$46 million. Subsequently, labour required to support demand of supplier goods and services induced payroll related taxes of \$14 million and \$15 million in 2018 and 2019 respectively. Given the decline in demand of supplier produced goods and services in 2020, payroll related taxes decreased by 27% to \$11 million. Employee paid income taxes also fell by 28% from 2019 to 2020, resulting in a loss of \$11 million. Overall, total taxes paid on purchases of goods and services decreased by 56% in 2020, while payroll taxes decreased by 26% and employee paid income taxes fell by 35%, due to COVID-19 related restrictions and risks reducing tour operators' demand for inputs to support business operations.

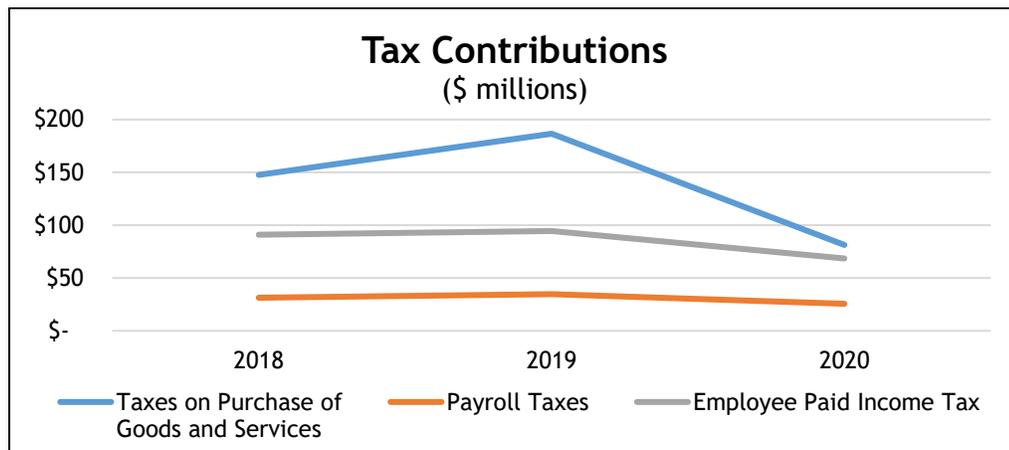


Table 3: Estimates of taxes paid on purchases on goods and services as well as payroll costs generated by the travel and tourism industry

CONCLUSION

Given the restrictions enacted by the Canadian government and consumer concerns related to COVID-19, travel and tour related activities halted for most Canadians. The reduction in demand for such

activities greatly impacted tour operators' business operations. Government subsidies were utilized by 84% of tour operators to support existing employee wages, however most staff activities were involved with helping customers with queries or refunds, or support for repatriation and claims, all of which are non-revenue producing tasks. As a result, if the Canadian government does not continue to provide support to subsidise wages for tour operators, additional loss of employment will occur, impacting all economic and tax contribution categories. As the pandemic progresses and administration of vaccines continue, travel and tourism will begin to increase, however it is unknown when tour operators will reach similar operating levels to those experienced in 2019. In 2021, tour operators expect revenue to remain at an extreme low, 82% below levels experienced in 2019. As a result, tour operators require continued public support to ensure businesses are able to survive the pandemic and continue providing economic activity, employment and service for Canadians once restrictions are lifted and market demand returns.