

COVID -19 GOVERNMENT SUPPORT PROGRAMS ADDRESSING THE GAPS

A collaboration between NWT Chamber of Commerce & NWT Tourism

May 1, 2020

Northern Business Relief Fund (CanNor)

- NWT businesses have the highest operating cost of anywhere elsewhere in the country. The allocation of this fund should consider this in how funds are allocated.
- The first come – first served approach may mean that those who need relief after May/June may not be able to apply.
- This does not apply to not for profits or businesses with more than 50 employees which may eliminate several sectors such as aviation, mining, manufacturing, construction, etc.
- The hotel sector is critical in our recovery and ability to rebound. In Yellowknife, there are two large hotels that have made significant capital investments in the past three years to grow conference capacity and the ability of the capital city to enjoy the benefits of increased tourism. This included large hotel expansions for rooms, suites and conference /banquet facilities. The only revenue streams for operating hotels are limited contracts to governments for self-isolation, but to do so requires keeping some level of staffing, which could exceed 20 people and they would not qualify. In addition, in trying to keep staff resources in the North, some hotels are housing staff and feeding meals to staff from the restaurants, even though the staff are laid off to help these individuals with the high cost of living. Rates offered to governments for self isolation are at significantly lower than market rates. The current minimal occupancy levels and reduced rates will not sustain revenues at the level needed to pay debt for capital investments already made. Flexibility to help these large private sector investors find relief is important.
- Larger long-term tourism operators can qualify for this program now, only because they have laid off most of their staff. There are concerns about beyond summer when fall aurora season would normally take place. If borders have just opened in late summer or fall, they

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will need to be operating, but it is anticipated visitation will be down so much that they will have minimal revenue until international borders open and flights resume etc. If they staff up to be ready for open borders to host visitors and then incur significant costs for bringing back employees, but face a market that is slower to respond, they will not be eligible for this relief beyond July. If international borders do not open in time for fall aurora, having this program only apply to the end of July is a longer-term concern.

- NWT licensed tour operators that are owned outside of the NWT but that operate inside the NWT are an important part of our tourism industry. Whether they are lodges or fishing or paddling operations, their businesses are key clients for northern airlines during summer months and they incur ongoing costs for facilities and equipment storage and more. We need to ensure that companies who operate from outside of the NWT but who bring visitors into the NWT and who have facilities and services in the NWT and outside of the NWT for their NWT businesses, have access to supports offered in the Northern Business Relief program for all of the parts of their businesses that support NWT operations.
- Small northern businesses that operate out of their homes and that are able to allocate expenses for their homes to their businesses and do so in annual tax filings with the CRA are excluded from this program because they are home based businesses. In many northern communities, the home is the only affordable place or available place from which to operate their tour businesses. Criteria needs to align with how Canada treats these businesses from a tax perspective.

Canada Emergency Business Account

- While there has been some fine tuning that saw the wage requirement adjusted so more businesses could apply, there are a number of northern tour operators that cannot qualify because they cannot demonstrate that they meet the payroll threshold. This is because they are seasonal, small and in many cases their “payroll” has been as contracts for guides or services, rather than as employees on the payroll. This is normal to approach getting seasonal guides and cooks, but now the funds they have paid are not meeting this particular set of eligibility requirements.
- Many northern communities don’t have financial institutions easily accessible and early feedback was then when contacting banks about this, they had little information on this program and tourism was seen as a high risk. This is particularly problematic for many businesses across the NWT and some financial institutions are indicating they do not have the capacity to manage this.

Canada Emergency Response Benefit:

\$2000.00 / month may be deemed appropriate to assist individuals living in southern Canada, but given the NWT has the highest cost of living in Canada, \$2000.00 is not sufficient to help. Below are just a handful of examples.

- As per CMHC, the average residential rent in Yellowknife in 2018 was \$1,451 for a one bedroom and \$1,697.00 for a two bedroom and year over year increases of 1.4%
 - The average rental rate outside out Yellowknife is dictated by the NWT Housing Corporation and can be found at https://www.nwthc.gov.nt.ca/sites/nwthc/files/resources/public_housing.pdf
 - Based on current listings the average commercial rent is \$15/sq ft triple net
 - The average amount for power in the NWT is \$0.64/KW and with 6 weeks of winter still left in the north, individual and businesses are still having to pay significant portions monthly
 - The average cost to fill a tank of heating fuel is \$700/month. Even with the low cost of both heating and automobile fuel, those in the communities are not seeing a “relief” at the pumps as their fuel is purchased by the GNWT annually in bulk and price is determined at the time of purchase.
- We are hearing that people are not sure who to contact to get the clarity or help they need. There is some confusion about eligibility. A northern way finder / contact for NWT Residents to get help in understanding eligibility and access.

Extending the Work-Sharing Program / Temporary Foreign Workers

- The growth of tourism in the aurora sector has resulted in employers investing in recruitment of temporary foreign workers so that they have the Japanese, Korean, Chinese language skills they need in their staff. Some workers have been proceeding with applications for permanent residency, some coming through the Nominee Program. The contracts signed by northern employers with governments to employ workers as they come through programs on track to permanent residence commits northern employers to paying a government agreed wage to these workers for 18 months. These workers are not eligible for work sharing. We need a mechanism for these employers to hang onto valuable skills they need for recovery, and relief for the employers who have contractual commitments to employ and pay, but no work until borders open again.
- A majority of our tour operators and businesses in the hospitality industry rely on foreign workers, once businesses are able to get back up and running some of these employees will no longer be in the NWT and hiring replacement staff will now become more costly.

Canada Emergency Commercial Rent Assistance:

- For some small northern employers whose revenue streams have been shut down, such as airlines that are housing pilots or hotels and tour operators who are providing housing to employees, including employees who are laid off, can we get the criteria in this program such that these employers who are paying for rent and meals for these employees while they have no work can get relief for these costs.
- Concerns raised that property owners in the NWT who have major share of properties have indicated they are not participating.
- Concerns from small business owners that although the landlord gets 75% of the rent from the government and 25% of the rent has to come from the small business owner. The revenue streams are cut off for the small business and they are in effect “donating” the 25% to the landlord who gets 100% of the relief.

Wage Subsidy:

- The wage subsidy is problematic for seasonal businesses and those that hire contractors which is how many small tourism operators operate. For summer operators, employers will not see at least 30% of their revenue drop until the summer season is over. Their immediate need is to ensure there is enough cash to keep their operations afloat. Liquidity remains their most immediate challenge. Bill C-14 which established the wage subsidy can be extended no later than September 30, 2020. This time period is not long enough to get the tourism industry through the crisis and back into recovery. Recommendation is to address the seasonal and contracted employee gaps and extend this program at least to the end of March 2021.
- The YK Chamber has recommended that the Canada Emergency Wage subsidy’s requirement to demonstrate a 30% reduction in gross revenue for any Northwest Territories business that has incurred losses as a result of COVID-19 and government-imposed restrictions be waived. Both the NWT Chamber and NWT Tourism support this recommendation.

Industry Support - Cultural, Heritage and Sports

- Spring, Summer and Winter Festivals, Arts & Crafts and unique northern sporting events are extremely important anchors in the tourism marketing mix that gets visitors to the NWT and out beyond the capital city. While details on this are not available yet, it is going to be extremely important that there is help for events, festivals, cultural organizations. Organizations to get their events up and running again.

- As part of recovery strategy to bring the visitor back, stimulating the economy with investments that showcase and anchor these festivals and events would help. For example – Gwich'in and Inuvialuit anchor products in the western arctic to create platforms for the showcase of their culture to visiting tourists, and that create opportunities for private sector to design, build and operate these attractions.

Health and Social Support & Northern Airline Support for Northern Communities:

- For small airlines like North Wright Air, as an example, the summer paddling and outdoor adventure travel on their planes is what makes winter operation to serve the community affordable. The closure of borders for the summer will cut off this revenue stream.
- The relief announced for the aviation sector is not enough to keep small northern airlines open. These airlines are the lifelines for food supplies and medical supplies and for northern communities that are remote, this is the only access available.