June 5, 2020

Presentation to Standing Committee on Finance and Economics

Thank you for allowing me to make a presentation today on behalf of our Resource Based Tourism businesses. Our company Watson' Algoma Vacations Ltd. owns and operates a fly-in hunting/fishing resort that has had the privilege of being in business here in Northern Ontario for the past 74 years located on Kabinakagami Lake, 70 miles by air north of Wawa. Pine Portage Lodge was started by my father in 1946 after he returned from serving in the RCAF in the second world war as a fighter pilot. He was a true northern Born in a log cabin in the railroad town of Oba, 20 miles up- river from our lodge's location. My grandparents immigrated to Canada from England after the first World War and settled in the north in 1919.

I was born into this industry and have spent my entire life working for the Resource Based Tourism Industry here in the North – both for our own family businesses, but also in numerous other capacities representing the needs and issues that have faced our industry. I have always believed that there are three Resource Industries supporting the Economy of Northern Ontario – Mining, Forestry and Resource Based Tourism. Sadly, the RBT industry has always been the loser when it comes to policies and planning even though we are the MOST sustainable of the industries here in the north. As my father before me, we have seen the destruction and demise of our natural resources under the guise of progress – REMOTENESS is a value unto itself, and in today's world, the peace and tranquility of our wilderness will become even more valuable. Ensuring the sustainability of all of our natural resource must be a priority of the Provincial government and should not be exploited for the short- term gain of a few.

We also own and operate a charter float plane air service based out of the town of Wawa, On. which services our lodge and other remote businesses in the area. We have operated Watson's Skyways since 1986. We have a business office located in the town of Wawa and employ 5 full time staff year-round, and an additional 15 plus staff during our operating season – which normally starts at the beginning of the fishing season mid-May each year until about the 20th of October in the moose hunt season. Our lodge can accommodate 95 guests, mainly on the American plan with meals, and the balance in our housekeeping cottages. During the 110 to 120 days of our operating season, we generate the income necessary to operate the balance of the year.

The quality of our lodge accommodations, food and guest services is our main attraction in our remote location, but we are fortunate to have a very good fisheries due to the restricted access that has been maintained through all the years of our operations. We have always practiced "Conservation" of our fisheries as well as our hunting for moose and bear. Over the many years of operations, our reputation has maintained our business with better than a 70% repeat clientele which is 95% from the U.S.A. The current situation in the United States and the closure of the border has basically caused a 100% loss of income to our companies. Ontario residents are not going to fill this gap – especially on short notice. Most of our reservations are booked 6 months to a year in advance.

The months of May and June each season represents 45 to 50% of our gross income, and the current financial support provided by the Federal gov't, although appreciated, provides little if any support to us or other RBT operators. Personally, our businesses had a loss for May of approximate $280,000.00 for this season, and that loss will climb to more than ¾ of a million by the end of June. Our two businesses collected more than $300,000.00 in HST last year alone, and with more the 1,200 RBT businesses in the north, I am sure we have an impact on the tax coffers.

One day's notice to be allowed to open for business is not even realistic – especially when we were not prepared because the Premier had just extended the State of Emergency for the province. We cannot just turn a switch at a remote location and open our doors. Normal operations in any spring take 1 to 2 weeks to do all the work necessary to open.

Our staff come from various parts of the Country in any given year, and this year 5 of my key staff are coming from Newfoundland and New Brunswick. With Air Canada currently not even flying to Sault Ste. Marie I can't even get them here. Two others are coming from out west.

Although we have been trying to follow all the announcements, we still don't know what the protocol is going to really be for the numbers of passengers we will be allowed to put on the float planes to fly in. To be cost effective, the capacity of the air craft must be met – who is going to compensate for the additional costs of flying if the air service is not allowed to put passengers in each seat? Once at the lodge, what is going to be the requirement to meet the Health and Safety standards for both our staff and guests. All of our staff must live on site and we work 7 days per week now as seasonal business. As a remote location we must be totally self-sufficient providing all the services required to operate a first-class lodge.

Normal operations would have passengers arriving on a plane at the lodge occupying the same cottages that the passengers leaving vacate.

Of course, normal cleaning of these cottages would take place during the day. The additional work required to meet future cleaning of the cottages will increase the payroll costs and hours of work for the staff.

Our current payroll costs represent 30% of our operating costs. With zero income for May and now June, we have to even determine when we can bring any staff back and at a reduced number depending upon the numbers of guests we will be allowed to accommodate. The 15 staff we had tentatively hired for this season, have been “on hold” hoping that there would be a job for them this season. What will be the protocol for our staff coming from a distance to work here in Northern Ontario is even a question.

We put two new turbine engines into our air craft this past winter to a cost of $1.1 million dollars – we did this to meet the safety requirements of the operation of our air service, but did not anticipate the Corvid virus when financing. More Gov’t “loans” will not address the immediate needs of my companies or the majority of the RBT industry.

In the 1980’s the Provincial gov’t provided funding program through Northern Ontario Development Corp. in partnership with Fednor which proved to be a great impetus to our industry, and I know that the default on many of the funds was minimal, but the benefit was maximized. This was a combination of loans and grants.

There is opportunity to again have the Provincial government show their support for the Resource Based Tourism Industry today – but it must be **immediate** if we are not going to lose a great percentage of our RBT businesses. Marketing dollars, although useful, are ONLY ONE LINE on a business plan, and will NOT address the immediate losses our businesses are facing. Sadly, Marketing has always been the Min. of Tourism's band aide for all our industry needs – we need some of the dollars currently available because of this "new world situation", redirected to the individual operators with New guidelines that will serve OUR purposes – not some marketing idea!

Because of the loss of employment for our many seasonal employees, consideration will have to be given to them when our operating season is shortened and they may not qualify for the current E.I. requirements to face the off season ahead.

More loans are not what businesses such as mine need now, but something has to be there to ensure we can continue to operate and employ the people that we do every year. Fortunately, we have developed a good working relationship with our financial institution over the years to be able to build and improve on our business's capital expenditures. Because of the nature of the RBT industry, we have always had to self- finance all of our expenditures for constructions and equipment purchases. We currently had $50,000.00 in boats on order and had planned about another $50,000.00 plus in upgrades to our property. These plans are now on hold because of the loss of income. I am sure that many others are in the "same boat" so to speak which will directly impact the local community businesses which service our needs. Granted, this would have been a good time for many businesses to carry out capital expenditures and improvements, but realistically we can't. We now must plan a budget to just survive the season ahead in whatever capacity we may be able to operate. However, if we do not see the return of our U.S. clientele, our operations will be a minimal.

Our costs of operations are basically the same except for the numbers of staff we may not have this season, and we cannot reduce the price of our packages to accommodate Ontario residents that may be looking for a "bargain".

Respectfully submitted

Betty McGie, CEO/Owner

Watson's Algoma Vacations Ltd.

Watson's Skyways Ltd.