GREATER TORONTO HOTEL ASSOCIATION

SERVING THE HOTEL INDUSTRY SINCE 1925

PRESENTATION TO THE STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

JUNE 4TH, 2020

TERRY MUNDELL, PRESIDENT AND CEO

(CHECK AGAINST DELIVERY)

Good afternoon

My name is Terry Mundell and I am the President and CEO of the Greater Toronto Hotel Association (GTHA). Let me begin by offering congratulations to Members of the Committee who have facilitated this deputation despite these extraordinary circumstances. I also offer my thanks to Minister Lisa MacLeod and Premier Doug Ford for their support thus far.

Given the limitations on our time today, I am going to offer a brief snapshot of the current situation facing the hotel industry and offer recommendations on how Ontario must assist with an immediate infusion of direct funding and through removal of regulatory barriers that impede moving forward.

For context, in 2019, the Ontario hotel industry enjoyed revenue of $8.54 Billion from operations comprised of $5.54 Billion in guest room sales and $3.3 Billion in ancillary revenue from food and beverage, meetings and other services. The industry directly employed 200,000 plus individuals and supported businesses in many sectors through the purchase of supplies and services essential to their operation.

It is often said that at times of global uncertainty, be it pandemics or recessions, the first industry to experience hardship is the hospitality industry and it's always the last to recover.

The pandemic declaration of March 11th, 2020 has been catastrophic for our industry. Half of Ontario's hotels are closed due to lack of business with 65 closures in our GTA catchment area alone.… impacting approximately 80% of our employees.

Despite being declared an essential service, operating revenues are down a staggering 94%. Hotels that are operating are doing so at a loss in order to provide shelter for health care professionals, first responders and other essential service workers who require self isolation in order to avoid exposing their family to risk. I am very proud of our sector for doing their small part to support these front-line heroes.

Oxford Research and CBRE forecasts that the industry will not experience demand recovery in the sector for 24 to 30 months or until the end of 2022. Economic recovery for the hotel industry will not be experienced until 2025 or later.

These sobering statistics underscore the need for immediate action by government.

Restoring public confidence in the tourism sector will be vitally important if people are to stay at hotels, attend meetings and events, visit attractions and partake in all Ontario has to offer.

Hotels have embraced <u>all</u> protocols and guidelines issued by the Province, and have complemented these measures by preparing enhanced safety procedures.

These additional controls will demonstrate the readiness of hotels to accommodate guests, host events, welcome international and domestic travellers and support businesses who rely upon hotels each day. However, these enhanced safety measures will take additional resources to implement.

An infusion of government resources is essential to support this undertaking.

We recommend the government immediately permit hotels to host meetings in our safe and controlled environments enabling hotels to begin restoring financial viability while driving local and provincial economic recovery and supporting a return to work for many hotel employees.

Moreover, supporting hotels in this way allows for their continued service and support of Ontario's health care system.

A significant barrier for recovery of the hotel industry is the payment of property taxes. The Ontario Municipal Act prohibits municipalities from operating deficits which forces them to take a hard line on collecting taxes by the end of each fiscal year. This is compounded by MPAC which sets the taxation value of Ontario businesses based on their building and land value plus an assessment based largely on revenue.

While mindful of municipal constraints, government action to support the short-term liquidity of hotels is requested. Therefore, we recommend that 2020 property tax obligations be deferred and remitted over a number of years. To offset this action, we understand that support for the municipal sector will be required.

Further, we request that MPAC be required to consider depressed 2020 business revenues when determining municipal taxation valuations and that discussions commence immediately with the GTHA about future valuations to help level the playing field following the pandemic.

Supporting our employees as part of the recovery effort is vitally important. Until such time as the industry fully recovers, we anticipate a period of transition and disruption.

To support those returning to vastly changed workplaces with enhanced safety protocols, and to support those employees who may be seeking employment elsewhere, a consistent approach will be required.

We request the government provide the GTHA with funding to be used towards delivery of programs that upgrade the skills of returning employees and supports the transition of others.

The hotel industry cannot recover without government funding.

Hotels are not, and will not, be in a position to attract domestic and international events which in turn, drives hotel stays. It is not unusual for customers to request that hotels offer incentives to secure their business.

If we are to distinguish Ontario and Toronto from every other jurisdiction that competes for the exact same business, incentives will be required if we are to drive hotel demand. To be clear, this cannot be addressed through a marketing campaign alone.

The time is now to create a hotel specific recovery plan that restores public confidence and drives economic recovery. We will fall further behind other competing marketplaces if we fail to act immediately.

The GTHA stands ready to provide advice to government.

Thank you. I look forward to answering your questions.