

The Corporation of the Municipality of Sioux Lookout
BRIEFING NOTE to:

Ontario Provincial Standing Committee on Finance

Presented by: Mayor Doug Lawrance and CAO Michelle Larose
August 2020 via Video-Conference

INTRODUCTION:

Sioux Lookout is located in relatively remote Northwestern Ontario. Often when we are communicating with the Provincial Government it is about our unique role as the HUB community for 30 First Nation communities. Those First Nations generally lie to our north. We are also a hub community for American tourists who are attracted by our remoteness, natural beauty, quality of life and stay at any of approximately 25 tourism businesses operating out of Sioux Lookout.

Please see Figure 1 showing the proximity and populations of markets within reasonable distance of our area. The map emphasizes the dependence of the Sioux Lookout businesses on the huge American market. The tourist industry in Sioux Lookout is largely dependent on the U.S. market for their operations to succeed and be profitable. Tourists from Southern Ontario rarely travel to Sioux Lookout for the Northern experience as they traditionally travel as far north to what is known as the “Muskoka’s”. Southern Ontario tourists travelling to more northern communities will do so by travelling to Northeastern Ontario rather than Northwestern Ontario due to travel distance.

In order to inform you of the impact of the closure of the American border on the businesses and people – both in tourism and support businesses – we have chosen to focus on one typical business so you can see the individual impact. The math for the overall impact on people, business, and our community can be done using this example.

The Example:

Anderson’s Lodge is one of approximately 250 resource-based tourism businesses in Northwestern Ontario and one of approximately 25 in the Sioux Lookout District that is suffering tremendously during the COVID-19 crisis. Ninety-five percent (95%) of the market associated with these businesses is from the U.S. Although the industry has marketed aggressively domestically for years and have had some success in doing so, however, in 2020 this has had very little impact to make any significant difference or gains economically.

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Anderson's Lodge main base in Sioux Lookout houses a retail and tackle shop along with a dining room. These facilities are also open to the local public. The main base has 13 cabins that house a total capacity of 60 people. Anderson's also operates four fly-in outpost camps on the northeast end of Lac Seul which consist of 30 beds.

In 2019 Anderson's employed 52 staff and this year have only 16 on payroll – mostly part-time.

As of June 30, 2020 (this is 1/3 of the season) Anderson's was down in stays by 3,000 person days or down 95% compared to 2019 for the same period. This equated to approximately \$2 million in revenue loss compared to 2019.

The following information should help put the devastation into perspective. These statistics are as of June 30th, 2020 (only 1/3 of the season); compared to 2019:

1. Expenses are down by \$304,205 which means this money, normally spent through 58 area businesses, is missing from the community of Sioux Lookout and other area communities. These businesses supply fuel, propane, bait, groceries, bar, hotel rooms for guest to overnight prior to flying, tackle for resale, clothing for resale, boat engine purchases/leases, purchases on behalf of our guests, furniture, supplies and equipment from hardware stores, cleaning supplies, office and stationary supplies to name only a few.
2. Fixed operating costs must still be paid, such as: insurance, property taxes, hydro, telephone, bank fees, automobile loans, long term debt and more - with no leniency given.
3. During the winter months- October to December 2019 marketing expenses of \$42,283.49 were incurred, and from January to March 2020 another \$31,827.84 was spent in marketing and advertising. These values include but are not limited to: the printing and mailing of 20,000 copies of a 28-page Brochure, Sport Shows (2 in the US and 1 in Toronto), advertising in the Fishing Regulations, TV show expense, Internet marketing, telephone and postage expenses. These marketing expenses will be required again this coming fall and during the winter of 2021. So with almost no revenues from this season, how is Anderson's Lodge and other similar businesses expected to market and support these expenses? Additionally, anticipating that revenues from the 2020 season would cover the expenses, from January to March this year Anderson's Lodge spent \$54,421 to do upgrades to the cabins and lodge facilities and an additional \$15,000 in boat and

motor/equipment upgrades. They anticipated revenues from the 2020 season to cover these expenses, but this did not happen due to the pandemic and border closure.

Not being open to the U.S. marketplace has decimated any revenues that Anderson's Lodge would have derived from operating under normal conditions in 2020. Anderson's is only one lodge of many resource-based businesses that create significant employment to the region, and are a significant source of revenues for supporting businesses in our communities.

Our Municipal Staff met with Lodge and Outfitter owners in Sioux Lookout to gain a perspective on how the COVID-19 pandemic has affected their livelihoods. From that meeting the following was noted:

1. Some of the Lodges/Outfitters are new owners that have substantial loans from financial institutions and are fearful that they may lose their investments to the bank if unable to continue to make debt payments, not to mention the fixed costs of utilities, insurance, property taxes, etc.
2. Many American Tourists are not willing to give up their reservations in hopes of the borders opening for Fall hunting season, leaving Tourist Operators in a situation whereby they are afraid to lose their secured and repeat clientele from the U.S. in favour of getting the odd reservation from a Canadian first time client that may not come back. Businesses feel obligated to honour deposits they have received and are hesitant to make long-range decisions without knowing the border status.
3. Our Lodge and Outfitters have advised that some of their clientele from the U.S. have indicated that if and when the borders open, they are not sure if they would be willing to travel due to health insurance coverage if they were to contract the virus. In addition, some of the U.S. clientele have indicated that they may be required to self-isolate upon return which would put a burden on their allotted vacation time.
4. They have indicated that they may not be able to ensure property tax payments as a result of the impact that COVID has had on their businesses.

Additional Information:

We have polled 23 Lodges/Outfitters within our catchment area with 15 of them responding to our survey.

Of the 15 respondents, they can accommodate a total of 764 person beds a night with a guaranteed occupancy of approximately 95%. Of the respondents, they also have 237 outpost person beds that also have the same occupancy throughout their tourist season.

On average, the typical lodge/outfitter loss in revenues, from May – July 10, 2020 as compared to 2019 is approximately \$525,000 in revenues.

Floating Lodges (House boats) – They have lost 93% of their business from June 2020 to present.

In addition to this, the local economy has lost over \$280,000 in sales due to the reduction in purchases of fuel, food and general goods and services. Over an 18-week season, one operator purchases 10,000 litres of fuel per week. Sioux Lookout has two companies that operate floating lodges.

Conclusion:

Although, Sioux Lookout is a small piece of the overall fabric of what makes our economy of Ontario vibrant and a place of envy, our economy is largely impacted by the tourism industry and the economic spin-offs that boost our local businesses as well. The almost non-existent tourism in 2020 due to COVID-19 has had a devastating impact to our Community.

Even if the borders between the United States and Canada open in the near future or later, we want the Province to realize that based on the information presented to the Standing Committee on Finance, this will be an industry that take some time to rebound from the pandemic and will require ongoing resources and financial support from the Province.

Figure 1:

