

SECOND PRESENTATION TO ONTARIO MIN.OF FINANCE

Aug. 21/20

Thank you for allowing me to make a Second presentation today on behalf of our Resource Based Tourism businesses. I apologize if some of you on this call previously heard our family history but feel I must again give an outline of our companies. 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 locally and provincially 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 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 for the balance of the year. This fact is replicated across the resource- based tourism industry in Northern Ontario – so we are all impacted.

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. As we had anticipated, Ontario residents are not replacing this major loss of business – especially on short notice. Most of our reservations are booked 6 months to a year in advance.

Because of the situation this summer, we did not even open any of our cottages until the 1st of July and then we only opened our housekeeping which represents about 1/3 of our lodge capacity. This we planned on a rotation basis to meet the Corvid restrictions and safety. We could

not afford to hire any of our planned seasonal staff and have been operating with management only. To date, our Gross Revenues total \$82,628.00, whereas this time last year, our Gross income was \$1,646,650.00. Our pre-booked guest reservations for 2020 were over 1,200 people; to date we have hosted a total of 65 guests. Our seasonal lodge payroll is zero dollars - for 2019 we would have spent \$183,940.00 on staff payroll.

The HST our company has paid for this time period in 2020 is \$4,765.00 when we had paid \$179,852.00 for same time period in 2019. Payroll for our seasonal staff to date in 2019 was \$183,940.00 with \$65,344.00.00 in P/R taxes – this year it is zero for seasonal staff.

These numbers and losses are only repeated by our air charter company as well. Our Gross income for our Watson's Skyways to date for 2020 is \$55,561.00 and in the same time period in 2019 represented \$702,907.00.

We have taken advantage of the programs that the Federal government has offered with wage subsidy for our five fulltime employees, as well as the \$40,000.00 loan. It must be very apparent that although appreciated, these dollars cannot begin to replace the losses we face. To just bring our lodge into full operations on the American plan with full staff would require more than the \$40,000.00.

For our Watson's Skyways, we had just taken on a million dollars in loans to have two new turbine engines put into our planes last fall – not knowing we would be faced with this Corvid situation this spring. One month's payments for this loan is more than the \$40,000.00 provided in government loan. We have been fortunate in that we have a very

good working relationship with our Credit Union, and they have agreed to allow us to make interest payments only until next spring.

However, these interest payments will still represent more \$90,000.00 over this time period – which is more than our gross income!!

It cannot be stressed strongly enough that more loans will NOT help companies such as mine here in the north. We basically have 35 days of operating season left for 2020, and any further revenue will not begin to cover the costs of operations for get us to the spring of 2021. Like many of the RBT industry, we have existing loans and financial commitments, etc. needed for general operations and cannot take on more debt. I am sorry to say that any “marketing dollars” the Ontario government spends now will NOT help us get through the winter months ahead. They will not pay payrolls, electric bills, heating costs, taxes, rent etc. I have repeatedly stated over the many years I have dealt with government ministries that represent tourism – especially the RBT industry – “Marketing” is ONE LINE on a financial statement or business plan. My company spent over \$50,000.00 in 2019 for marketing of our business – that is about 3% of our gross income. What we and many others in our industry here in the north need now – is gov’t support to ensure that we are still in operation for 2021. Marketing dollars will NOT get us there so please do not use this Provincial “bandaid ” solution – again - to try and address the drastic situation the RBT industry is facing here in the north now....

I would hope that all of you are currently aware of the dollars the Tourism Industry in Northern Ontario represents to the Provincial coffers each year, and we have never been subsidized in any manner

similar to what has been done in past to address losses to the Mining and Forest industries. Now is the time to step up to the plate to support the Third Resource Industry here in Northern Ontario – **Resource Based Tourism.**

Respectfully Submitted

Betty McGie, CEO/Owner

Watson's Algoma Vacations Ltd.

Watson's Skyways Ltd.