

October 29, 2020

The Honourable Travis Toews
President of Treasury Board and Minister of Finance
Government of Alberta
10800 97 Ave
Edmonton, Alberta

Dear Minister:

The Alberta Hotel & Lodging Association appreciates your government's genuine efforts to help hotels survive the global pandemic. The devastating impacts of COVID-19 on tourism have compounded the financial difficulties Alberta hotels were experiencing as a result of reduced activity in the oil & gas sector.

The AHLA estimates that at the peak of the lockdown, over 20% of hotels in the province were closed, and over 85% of employees in the industry were left out of work. The decisions your government has taken for hotels are creating the desired effect of maintaining liquidity for these businesses when they need it most, including:

- Designating hotels as essential services during the lockdown, enabling them to remain open.
- Supporting deferrals for utility payments and property taxes.
- Making available the \$5,000 Small and Medium Enterprise Relaunch Grant.
- Extending the duration of temporary layoffs to the end of 2020 for AHLA members, allowing them to maintain employment relationships with their staff and avoid potentially devastating termination costs at a time when they can least afford them.

Without question, the most impactful liquidity measure your government has taken to support hotels is the abatement of the 4% Tourism Levy. This automatically increased hotel revenues by 4% of room revenue at a time when hotel occupancy and revenue per available room (RevPAR) are at record lows. The abatement of the Tourism Levy has injected funds into hotels in every city and town in Alberta in a way that is direct, immediate, and measurable, with no administrative burden for government or hotels.

The effect of this cash injection on Alberta hotels cannot be overstated. One AHLA member told us: *"Keeping the Tourism Levy has had a large impact on our two hotels. Our average daily rate is down, and our occupancies are almost negligible, but that 4% allows us to keep employees on our payroll, keep our doors open, and be confident in letting our team know that they will have jobs to come to. Every penny helps to pay our team. Our current focus is keeping our team as intact as we can, making it through this disaster together, and coming out on the other side. Keeping the Tourism Levy allows our teams to work, to be together safely working, and watch each other's mental health and family situations. It has a larger social and psychological impact than most realize."* I wanted to share this feedback with you to ensure you know the real difference that decisions like this make to job creators that are struggling to stay afloat.

The province is now in Stage 2 of Alberta's Relaunch Strategy, and we are pleased to see other sectors of the economy starting to recover. However, the ability for people to travel and gather, which drives the hotel business, is still restricted. Alberta hotels are still effectively locked down, and are struggling to survive:

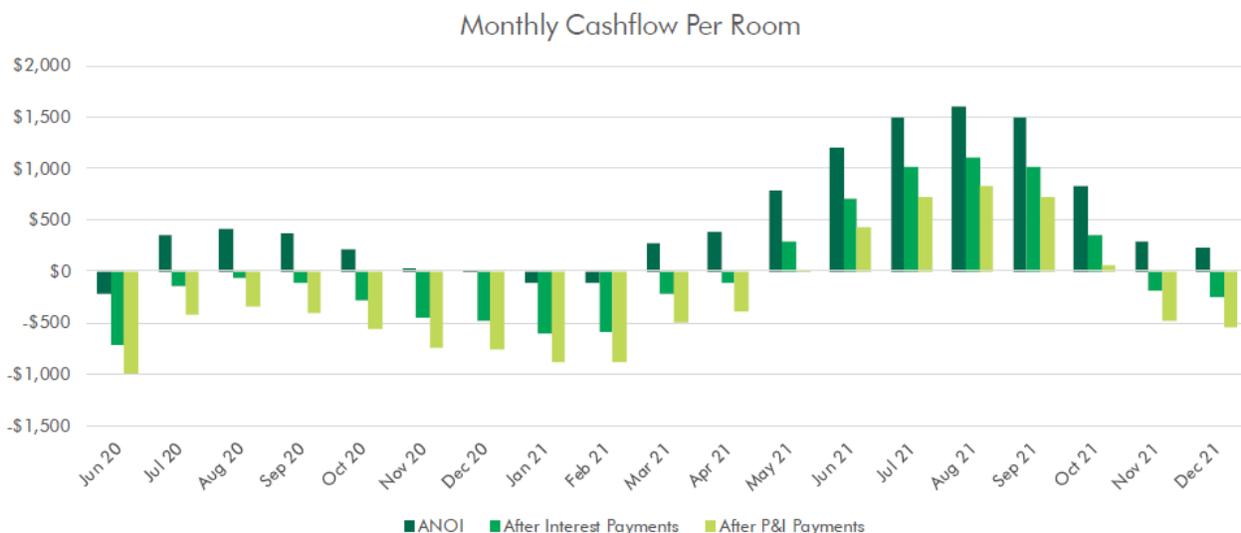
- Interprovincial travel is discouraged at this time, and restrictions on international travel and the closure of the Canada – U.S. border have drastically reduced leisure travel.

- Business from meetings, events, weddings, and sports has collapsed since mid-March and is unlikely to recover until sometime after there is a vaccine for COVID-19.
- Corporate travel has all but evaporated as a result of the pandemic.
- Leisure travel by Albertans will be constrained by consumer confidence and perceived risk of disease transmission.
- Insurance premiums for hotels are skyrocketing and many hotels are unable to find coverage.

At the AHLA's **Ascend** hotel investor conference last month, CBRE presented research on the impact of the pandemic on the hotel industry across Canada and Alberta. Among their findings was that monthly cash flow per room in Canada would be negative until Q2-2021. Given the state of the industry prior to COVID-19 and the collapse of the energy sector, cash flow projections for Alberta hotels will be even lower, and for longer.

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The World's Leading Hotel Experts



Source: CBRE Hotels

At the same event, Travel Alberta shared research indicating that visitor spending in our province is not expected to recover to 2019 levels until 2023.

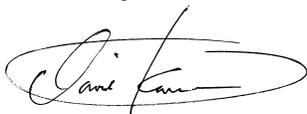
Alberta Finance's 2020 – 2021 First Quarter Report acknowledges that *“The service sector, which is typically resilient and has acted as a buffer to the economy in prior recessions, has been hit particularly hard during the pandemic. This sector accounts for nearly 75% of employment in the province. Travel restrictions and economic weakness in the U.S., Canada and elsewhere have pummeled activity in tourism-related industries such as accommodation and food services, entertainment, and air travel. Ongoing social distancing and restrictions on large gatherings also continue to limit the ability of businesses in some service industries to operate at full capacity.”* Leaving Tourism Levy dollars in the hands of hotel operators can make the difference between Albertans keeping and losing their jobs.

Until federal and provincial public health restrictions are lifted, and consumer confidence and desire to travel recovers, Alberta hotels will continue to face unprecedented hardship. It is clear that accommodation, hospitality, and travel will be among the sectors hardest hit, and will take the longest to recover. For this reason, on behalf of the 1,170 hotels, motels and inns operating in our province, **the AHLA asks that your government extend the abatement of the Tourism Levy to March 31, 2022.**

Hotels are an important part of the social fabric of their communities and our province, and we remain committed to working with you and your government to create jobs and drive investment in Alberta. We were pleased to see Alberta's Recovery Plan and the government's recent investment and growth strategy recognize the role of tourism and hospitality in rebuilding the provincial economy. The AHLA strongly supports the \$10 billion investment in infrastructure your government committed to in this plan. This investment will drive economic activity in hotels in every corner of the province.

We would appreciate the opportunity to meet with you to discuss our request and how the AHLA can support your government's efforts to stimulate economic recovery in our province.

Yours truly,



Dave Kaiser, CHA
President & CEO

- cc. Hon. Doug Schweitzer, Minister of Jobs, Economy, and Innovation
Hon. Grant Hunter, Associate Minister of Red Tape Reduction
Mr. Martin Long, Parliamentary Secretary for Small Business and Tourism
Ms. Michele Evans, Assistant Deputy Minister, Tourism and Economic Development Division,
Alberta Jobs, Economy and Innovation