

Written Submission for the Standing
Committee on Transport

Submitted By:



Written Submission for the Standing Committee on Finance
Submitted by the Association of Canadian Independent Travel Advisors

- **Recommendation:** That any financial assistance packages the airlines receive from the Federal Government also include stipulations to protect Travel Advisors from commission recalls.
- **Recommendation 2:** That the government takes steps to reduce the current 14 day mandatory quarantine upon return to Canada through expanded airport and border testing programs.

Background:

The retail travel sector is comprised of Travel Advisors who are salaried employees, and **Independent Contractors**, whose sole income is from commissions earned, many of whom work from a home office.

Independent Travel Advisors face unique challenges as a result of the COVID-19 pandemic.

Over 40% of Travel Advisors in Canada, a number estimated to be over 12,000, are home-based, independent contractors who rely completely on commissions as their sole source of income. As many store-front agencies are now closing permanently due to the financial strain of the pandemic, this number will inevitably grow as these owners and employees make the decision to continue selling travel as an independent contractor. The ***Association of Canadian Independent Travel Advisors*** has been formed to assist Independent Professional Travel Advisors, advocating for much-needed support during this difficult time.

Many Canadian businesses have been adversely affected by the COVID-19 pandemic. However, it is well-documented that **the Travel Industry was the first to be shut down and will be one of the slowest to recover**. Not only are consumers reluctant to book travel, but many countries that consumers would normally visit will not be allowing tourists, nor will the airlines be flying to many

destinations. Calin Rovinescu, CEO of Air Canada has estimated that it will take up to 3 years for the airline to get back to the level of flying they did pre-COVID19. The International Air Transport Association (IATA) has predicted global air traffic will not recover until 2024.

Ongoing border closures along with the Canadian Government's Level 3 "Avoid All Non-Essential Travel" advisory have resulted in minimal new business being generated by Independent Travel Advisors since March of 2020. When travel sales resume, it will take **5 to 12** months before we will receive any commissions, **which are our sole source of income**. The Association of Canadian Travel Agencies (ACTA) further estimates the economic loss to the travel industry in Canada could be up to \$30 billion in sales and \$3 billion in revenue.

How Independent Travel Advisors Earn Revenue:

Respectfully, many in the Federal Government may not be fully aware that compounding this issue is the timeline it can take a Retail Travel Advisor to actually *receive* their revenue on a travel booking.

Commission is paid by the supplier **on average 139-317 days after the consumer has booked**. This is largely different from the timeline of other small businesses receiving revenue (e.g. restaurants, hair salons, gas stations, etc.) as most of these businesses are paid when the service is provided.

As Travel Professionals, **we generate \$30 Billion annually for hotels, airlines, tour operators and cruise lines; yet we are often NOT included in any aid packages because we are small companies, not large corporations.**

Negative Revenue:

From the outset of the shutdown in March 2020, Independent Travel Advisors have continued to serve our clients; first with help to repatriate those who were out of country; then to process cancellations and future travel credits; also to assist with insurance claims; now to help clients with applying for refunds. During this time, we have also spent countless hours reviewing the ever-changing cancellation policies of the airlines and tour operators whose products we have sold.

Despite this, over the past 8 months, Travel Advisors have been facing the unique challenge of “**recalled commissions**”. Essentially, travel suppliers send an invoice asking for the commissions that Advisors previously earned to be paid back. This happens in cases where clients are receiving refunds for cancelled travel, or have launched a successful chargeback through their credit card company.

There has been increasing demand on the government to give financial assistance to the airlines, and the Minister of Transport has announced that any bailouts will be contingent on consumer refunds, and that ongoing discussions between the government and the air sector are taking place.

Consumer groups and MPs have been calling on the airlines to refund passengers for cancelled flights, rather than continuing with the practice of issuing travel credits in lieu of refunds. **Travel Advisors support the option of Consumer Refunds.** Airlines such as WestJet and Transat have already announced and/or have started issuing refunds, and it is anticipated that other travel operators will follow suit.

Although Independent Travel Advisors are fully in favor of the government requiring consumer refunds as part of a financial aid package to the air sector, **it is imperative that the government be aware that under current airline policies, when an airline or tour operator refunds a passenger, they first notify the travel agent who booked the trip that any commission paid on that trip must be returned in order for the consumer to receive a refund.**

Even in cases where the Travel Agency or Independent Travel Advisor refuses to return the commission, airlines have direct access to remove funds from a Travel Agency’s bank account; and if the agency tries to circumvent this process, it can be blocked from making future bookings on any airline worldwide.

Travel Advisors worked on the trip, sold the airline’s product to the consumer and received a commission for the sale. They later did the work of cancelling the trip and dealing with travel credits and changing terms and conditions – all with no further compensation. Now, with airlines making the decision to issue retroactive refunds, not only will Travel Advisors have to work on these trips once more – again, with no additional compensation – but we will have to return all monies earned on those trips.

According to ACTA, the estimate for a recall of commissions of all Canadian Travel Agencies and Independent Travel Advisors would total \$200 million, and would result in the bankruptcy of most travel agencies.

Independent Travel Advisors, who are largely depending on the CRB to meet their household expenses are being forced, instead, to use that money to make recalled commission payments to the airlines.

- **Recommendation 1:** *That any financial assistance packages the airlines receive from the Federal Government also include stipulations to protect Travel Advisors from commission recalls.*

The Need to Reduce Mandatory Quarantines:

We are grateful for the assistance we have received from government programs, including the CERB and CRB. However, **our primary goal is to resume selling travel and begin rebuilding our businesses, while keeping in mind the health of Canadians.** The biggest challenges to business growth and generating new revenue include the ongoing Level 3 travel advisories and mandatory 14 day quarantine requirements for returning travellers, resulting in low consumer confidence.

We have seen other countries be very cautious, but innovative, in allowing their borders to reopen for travel **to those countries that have COVID-19 under control, and are taking measures for the safety of their residents as well as the travellers choosing to visit.**

We would like to see our government be proactive with these measures, and with strict protocols in place, even should it involve pre-arrival COVID testing, or on-arrival testing and screening, that we be the innovators in the world, in this regard.

We would also like to see a reduction or removal of the 14 day quarantine upon return to Canada; to be replaced with a COVID test upon arrival which, with presentation of a negative result, would allow Canadians the chance to be exempt

from that 14 day mandatory quarantine. Although the Alberta COVID-19 Border Testing Pilot Program is an encouraging start, if the decision to expand it to other provinces is delayed until the end of the estimated 26 week test period, it could be March of 2021 before travellers from outside Alberta can take advantage of airport testing and reduced quarantine times.

We would like the government to consider expanding that test program to other provinces as soon as possible. This will not only ensure that all returning travellers are screened to prevent further spread of COVID-19, but will allow Canadians from across the country to confidently resume planning future travel, knowing they will not necessarily need to take three weeks of vacation for a one week holiday, which most can ill afford.

- **Recommendation 2:** *That the government revises restrictions on travel, allowing for the possibility of travel between destinations deemed safe, and take steps to reduce the current 14 day mandatory quarantine upon return to Canada through expanded airport and border testing programs.*

Conclusion:

Independent Travel Advisors have, from the beginning of the COVID lockdown, been working diligently and tirelessly to repatriate travellers back to Canada, facilitate and process refunds or future travel credits, and rebook travel for 2021, all the while keeping up-to-date with changing travel guidelines, policies and advisories.

In addition, we are constantly brainstorming ideas on how we can help to restart the economy in our industry, while maintaining strong health protections, as we feel Canada has done a great job of controlling the spread of COVID-19, and believe we can continue to do so while reopening the economy in our industry. We welcome any actions by the Federal Government which will reverse the shutdown of the travel industry.

We thank you for your time and attention, and look forward to the opportunity to present these concerns directly to the Standing Committee on Transport, to discuss the unique set of circumstances that we as Independent Travel Advisors face.