Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

By the Association of Canadian Travel Agencies

October 2022

- **Recommendation #1:** That the government increase allocated funding for travel and tourism labour support
- **Recommendation #2:** That the government improve access for visitors to and within Canada, including additional investments in airports, security, passport, and NEXUS services
- **Recommendation #3:** Tie any future government border restrictions with financial subsidies for hard-hit travel and tourism businesses, including travel agencies and independent travel agents
- **Recommendation #4:** Defer and forgive federal emergency loan programs for hard-hit travel and tourism businesses
- **Recommendation #5:** Establish a federal policy that protects travel agent commission for any future airline support programs
- **Recommendation #6:** Increase investments in Statistics Canada and Tourism HR Canada to improve sector-specific travel and tourism research programs
- **Recommendation #7:** Build a regenerative and inclusive travel and tourism industry

INTRODUCTION

Founded in 1977, the Association of Canadian Travel Agencies (ACTA) is a non-profit national member-based association that represents Canada's travel agencies and independent travel agents.

TRAVEL AGENCY AND INDEPENDENT TRAVEL AGENT IMPACT

Canada's travel agencies and independent travel agents are key players in the travel and tourism value chain, generating over $1.1B in domestic wages annually, adding $2.5B to Canada's GDP, and supporting over 42,000 jobs.

Travel agents are the "sellers" in Canada's travel and tourism economy, promoting Canada as a destination globally and managing the increasingly complex nature of the travel experience.

Travel agencies and independent travel agents were the "hardest hit of the hardest hit" impacted by COVID-19, with the most reported job losses of any travel and tourism industry, and at the height of border restrictions, 93% of members reporting revenue losses of 75%.

Now that border restrictions have fully lifted, travel agencies and independent travel agents can finally recover. However, challenges remain, including travel experience delays, labour issues, and significant debt loads. The Government of Canada can support industry recovery by implementing the recommendations in this submission.

Recommendation #1: That the government increase allocated funding for travel and tourism labour support

Canada's travel and tourism sector is short 400,000 workers and reputational damage from COVID-19 shutdowns hinders industry's ability to restaff. Labour shortages and skill gaps are acutely impacting travel agencies, where many workers have left the industry during the pandemic and college programs have shuttered.

As part of the 2022 federal budget, the Government of Canada announced support for a yet-published Tourism Growth Strategy. ACTA and peer industry associations provided comprehensive submissions on the strategy, addressing labour shortages and skill gaps. These recommendations include:

- $25M three-year investment to launch a national travel and tourism bridging program
- $10M/year in a three-year program for domestic recruitment campaigns
- $2M in a two-year investment for tourism and hospitality high school programs and to update and expand the Canadian Academy of Travel and Tourism

- $2M/year in a three-year program to modernize post-secondary travel and tourism programs, including expanding workplace integrated learning
- $2M/year in a three-year skills development and training program
- Investments in worker mobility programs such as creating tax credits for job seekers
- Grants for employer-offered programs such as transportation and childcare
- Changes to Employment Insurance to encourage worker participation
- New programs to enable student work experiences

However, the combined $25M allocated in the last federal budget in support for Canada's travel and tourism sector is insufficient to address labour shortages and skill gaps.

We recommend that the Government of Canada increase allocated funding for travel and tourism labour support, specifically with reference to the recommendations made in ACTA's Tourism Growth Strategy submission.

Recommendation #2: That the government improve access for travellers to and within Canada, including additional investments in airports, security, passport, and NEXUS services

As government services resume following over two years of travel restrictions, significant challenges with the travel experience are emerging. These include airport, security, and passport services, and the shuttering of Canada's NEXUS offices.

Government service delays are impacting public confidence, and business travellers are deferring and cancelling travel and events as a result. This is significantly impacting Canada's visitor economy. In addition to reduced demand for travel and tourism services, for travel agencies and independent travel agents, delays with government services increases workload as flight changes and cancellations impact travellers, ultimately resulting in significant losses for the industry.

We recommend that the Government of Canada improve access for travellers to and within Canada, including additional investments in airports, security, passport, and NEXUS services to revitalize the high-quality government services that travellers deserve and expect.

Recommendation #3: Tie any future government border restrictions with financial subsidies for hard-hit travel and tourism businesses, including travel agencies and independent travel agents

Pandemic travel restrictions were devastating to travel agencies and independent travel agents, with 42% of workers experiencing job loss. Following the lifting of all border restrictions on October 1, 2022, travel and tourism businesses are finally in the position to recover.

[Evidence shows that border measures are not effective in reducing the spread of COVID-19 in Canada.] Despite the evidence, should new border measures be introduced, they must be accompanied by financial support for hard-hit travel and tourism businesses, such as renewed wage, rent, and sole-proprietor subsidies for travel agencies and independent travel agents.

Recommendation #4: Defer and forgive federal emergency loan programs for hard-hit travel and tourism businesses

Critical loan programs during the pandemic, including the Regional Relief and Recovery Fund (RRRF), Canada Emergency Business Account (CEBA), and the Highly Affected Sectors Credit Availability Program (HASCAP) were critical for survival for many travel and tourism businesses.

However, travel agencies and independent travel agents are only given the opportunity to recovery in October 2022 following the removal of remaining border restrictions. Businesses specializing in foreign markets with continued travel restrictions remain hindered in their ability to recover, and many travel agencies and independent travel agents face cash-flow constraints following pandemic debt accumulation. Regardless, loan repayments remain due, severely straining cash flow.

We recommend that the Government of Canada offer federal emergency loan payment deferrals and forgiveness for hard-hit travel and tourism businesses who required loan support due to impacts of government border restrictions outside their control.

Recommendation #5: Establish a federal policy that protects travel agent commission for any future airline support programs

Over the pandemic, the Government of Canada ensured that work completed by travel agencies and independent travel agents was compensated by guaranteeing travel agent commission as a condition in airline loan programs. This supports business stability and ensures fairness in the value chain.

We recommend that the Government of Canada establish a federal policy that protects travel agent commission by making it a condition of all future airline support programs.

Recommendation #6: Increase investments in Statistics Canada and Tourism HR Canada to improve sector-specific travel and tourism research programs

Statistical research is critical to travel and tourism businesses who rely on high-quality data for business planning. However, there is limited data on Canada's travel agencies, and in particular, independent travel agents, which creates challenges in business planning and investment.

Statistics Canada and Tourism HR Canada are critical service providers for travel and tourism research. Specifically, we recommend an additional $3.5M/year investment for five years in Tourism HR Canada to provide vital sector research, and to expand research services for self-employed workers in Canada's travel and tourism economy.

Recommendation #7: Build a regenerative and inclusive travel and tourism industry

To enhance sustainability efforts while generating wealth for Canadians, we recommend $50B in public and private travel and tourism infrastructure and product investment by 2030, including:

- Establishing pools of lending capital from the Business Development Bank of Canada and the Canada Infrastructure Bank targeted to travel and tourism businesses
- Provide strategic investments for projects that need patient capital through Regional Development Agencies
- Establishing a federal Tourism Infrastructure Fund for major projects
- Incentivizing investments in new assets or retrofits through programs like Research and Development tax credits
- Allow for immediate capital cost allowance write-off of investments in new hard assets
- Provide dedicated federal mortgage insurance on travel and tourism assets to reduce the risk of private sector lending from Canadian financial institutions
- Invest in travel an tourism industry sub-sector assets and products through government grants and contributions
- Support major events of all sizes with industry specific funding programs
- Renew stable, five-year funding for Destination Canada at an internationally competitive level, including a $40M boost to current US marketing campaigns, $12M/year additional support for Destination Canada's Business Events sales team, and a $120M eight-year business events fund