



Pre-budget consultation submission (2022)

Association of Canadian Travel Agencies



Recommendation #1

Using existing authorities pursuant to the *Income Tax Act*, extend the Tourism and Hospitality Recovery Program wage and rent subsidies until July 2022 at maximum levels; seek new parliamentary authority to extend to September 2022.

Recommendation #2

Immediately provide financial support to independent travel agents.

Recommendation #3

Provide full loan forgiveness under the Canada Emergency Business Account (CEBA).

Recommendation #4

Extend the Highly Affected Sector Credit Availability Program (HASCAP) principal postponement period until the end of 2022.

Recommendation #5

Make travel agent commission protection a requirement for all future supplier loan/subsidy programs.

Recommendation #6

Provide business supports to address labour shortages and skill gaps.

Recommendation #7

Invest in public communication and policy programs that rebuild consumer confidence.

Introduction

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

As key players in the tourism value chain, travel agents are "sellers" in Canada's tourism ecosystem. They provide professional and personal service and continue to be crucial in servicing essential travel through the pandemic.

Travel is increasingly complex, and Canadians will further rely on travel agents for trip planning. As Canada's tourism ecosystem recovers, tourism and hospitality businesses will need travel agents at their side, selling travel services domestically and abroad. They will be critical in helping the sector reposition itself to welcome international visitors, selling the best Canadian tourism experiences the country has to offer the world.

Our sector operates with two types of business entities: travel agencies and independent travel agents. Travel agencies are typically incorporated businesses that operate in the traditional sense. In contrast, independent travel agents are usually sole-proprietors who operate their businesses as contractors of a larger travel agency, known as "host agencies."

Independent travel agents are entrepreneurs who use the infrastructure of a host agency, but earn income based on their own business revenue. Due to their business structure, most independent travel agents have been excluded from federal support programs, including wage subsidies.

Travel agencies and independent travel agents will be the last to recover based on their revenue structure. The bulk of revenue is earned from commissions paid by suppliers, which are earned only after travel is complete. As clients cancel and rebook travel in response to COVID-19, travel agencies and independent travel agents continue working without revenue.

Key data

- Before the pandemic, travel agencies and independent travel agents employed over 42,000 Canadians, generating \$1B in wages
- Since the start of the pandemic, our sector lost 42% of jobs, representing the most significant loss of employment among all tourism sectors
- 95% of travel agencies and 93% of independent travel agents report year-to-date revenue losses of over 75%, and nearly 50% of travel agents remain on furlough
- 86% of travel agents identify as women, and 99% are micro or small businesses

Recommendation #1

Using existing authorities pursuant to the Income Tax Act, extend the Tourism and Hospitality Recovery Program wage and rent subsidies until July 2022 at maximum levels; seek new parliamentary authority to extend to September 2022.

The Tourism and Hospitality Recovery Program (THRP) wage and rent subsidies are critically-needed supports for travel agencies. These subsidies have sustained travel agencies and other tourism businesses through this crisis.

We are grateful for the government's recently announced changes to border measures. However, until all border measures and travel advisories are lifted, and COVID-19 caseloads reduce globally, industry cannot have meaningful recovery. Due to the Omicron variant of concern, travel agencies will have lost the winter and spring seasons. While some growth is seen with recent border changes, it remains significantly below pre-pandemic levels.

Should the THRP decline in half as scheduled in March, and end in May, then many businesses will fail and jobs will be lost just months before the summer season where recovery may begin.

We recommend that the federal government use its legislative authority to extend the THRP at maximum levels until July 2022, to allow travel and tourism businesses to earn sufficient revenue from the summer season to sustain operations.

Further, considering the risk of new variants of concern causing further devastation, we recommend that the federal government seek additional parliamentary authority to extend the THRP until September 2022. This would give additional flexibility to support businesses that are struggling with debt and to act in the event of a new wave.

Recommendation #2

Immediately provide financial support to independent travel agents.

Canada's 10,000 independent travel agents represent a "sector within a sector" in the retail travel industry.

Unlike store-front/online/remote travel agencies, independent travel agents are typically sole-operators with various forms of legal organization that operate under a service contract with a host agency.

A host agency provides contracted services to independent travel agents, offering them technical infrastructure and access to preferred-rate suppliers.

Independent travel agents pay their host agency periodic fees and a share of their commissions. They are located across the country and have suffered tremendously during the pandemic, with 93% reporting pandemic revenue losses of more than 75%.

Travel supplier commissions are their primary, and usually sole source of revenue; these are typically paid only 1-2 months after travel is complete. Like travel agencies, these individuals are working to manage trip changes, refunds, cancellations, and interpreting travel restrictions since the start of the pandemic, with the high rate of cancellations resulting in low or even negative annual revenue when an independent travel agent must return pre-paid commission.

Prior to the pandemic, independent travel agents were doing well. Between 2017-2019, they were an increasingly growing segment of the industry. Immediately before the emergence of the Omicron variant of concern, there was notable industry optimism despite lasting devastation in travel demand.

Travel agencies are well-served by the Tourism and Hospitality Recovery Program, and the sector is deeply thankful and grateful to the Government of Canada for this support. It saves businesses and jobs. However, the wage subsidy component of the Tourism and Hospitality Recovery Program requires applicants to have had a payroll account as of March 15, 2020. As is typical with sole-operator businesses, the vast majority do not use payroll to compensate owners, and thus most independent travel agents are ineligible for wage subsidies.

The Government of Canada must provide immediate financial support to independent travel agents.

ACTA has engaged the Ministry of Tourism on a detailed proposal for independent travel agent financial support, the Independent Travel Agent Relief Program (ITARP). We recommend that the Government of Canada to adopt this industry-endorsed proposal to ensure survival.

Recommendation #3

Provide full loan forgiveness under the Canada Emergency Business Account.

The Canada Emergency Business Account (CEBA) was given to businesses facing significant risk due to the pandemic. We appreciate the extension of the repayment deadline, which provides additional flexibility to recipients.

However, as businesses face strains on cashflow, there is significant concern that travel and tourism businesses will be unable to pay their CEBA debts. This causes stress on business operators and risks further job losses as organizations plan resources in anticipation of the repayment deadline.

We recommend that the federal government provide 100% loan forgiveness to CEBA recipients who are hardest-hit from the pandemic.

Recommendation #4

Extend the Highly Affected Sector Credit Availability Program principal postponement period until the end of 2022.

The Highly Affected Sectors Credit Availability Program (HASCAP) is an important lifeline to hardest-hit businesses, including travel agencies. The 12-month postponement of principal payments is a critical tool in support of business continuity through the pandemic. Many businesses are facing the expiry of the postponement this February and March.

While few expected the pandemic to continue this long, the reality for travel and tourism businesses is continued monthly losses as the Omicron variant of concern erases deeply needed revenue from the winter and spring seasons. Further, businesses are struggling with significant debt loads, and upcoming principal payments on HASCAP stresses business cash flow.

In response to the timing of the Omicron variant of concern clashing with the expiry of the HASCAP 12-month period, ACTA recommends that the federal government grant an extension to the principal postponement period until the end of 2022.

Should this extension not be granted, businesses that are struggling to survive today will be further at risk of closure and job losses as they face one of the more dire periods of this crisis. Additional financial obligations will jeopardize their ability to repay the HASCAP as they face greater risk of bankruptcy. By extending the principal postponement period, businesses are given the opportunity to rebuild following the fifth wave in order to afford future repayments.

Recommendation #5

Make travel agent commission protection a requirement for all future supplier loan/subsidy programs.

Travel agencies and independent travel agents make the bulk of revenue from commission paid by suppliers after travel. As travel is rescheduled or cancelled, suppliers will often cancel commission payments or ask for commission paid to be returned. This has caused immense financial pressure on operators, many facing commission debts exceeding revenue.

Early in the pandemic, the federal government took the bold step requiring airline suppliers to pay commission on reservations cancelled due to COVID-19 as a condition to receiving government funding/loan facilities.

We recommend that the federal government make commission protection a requirement for all supplier funding and loan programs. This will ensure that travel agencies and independent travel agents do not face devastating losses for travel already booked.

Recommendation #6

Provide business supports to address labour shortages and skill gaps.

Labour shortages are impacting nearly all sectors, and the retail travel industry is no exception. Travel agencies lost the most employees of all tourism sectors, at -42%. Further, nearly half of employees are currently on furlough.

Once recovery begins, there will be two key labour issues: shortages and recalled employees who have been out of the industry for two years who require retraining.

We recommend that the federal government develop programs that support businesses in the hiring and training of employees and ensuring that travel agencies are included. This will support industry when recovery occurs and supports good jobs throughout Canada.

Recommendation #7

Invest in public communication and policy programs that rebuild consumer confidence.

Canada's travel and tourism industry is a key driver of the economy. Unfortunately, the impact of travel restrictions and advisories have negatively impacted consumer confidence in travel.

Rebuilding consumer confidence in the safety of travel and tourism is a prerequisite to recovery.

We recommend that the federal government provide funding to Destination Canada and other organizations to rebuild consumer confidence in travel and tourism through public communications and policy programs.