

Written Submission for the Standing
Committee on Finance in Advance of the
Upcoming Federal Budget

Submitted By:



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The retail travel sector in Canada is comprised of approximately 25,000 travel Advisors; some are salaried employees working in store-front agencies, and the remainder are **Independent Contractors**, whose **sole income is from commissions earned**, many of whom operate their small businesses from home offices. It is estimated that the number of these Independent Travel Advisors in Canada is over 12,000, and this number is climbing as store-front agencies close and their salaried-employees transition to the home-based agency model.

It is well-documented **that the travel industry was the first to shut down due to the COVID-19 pandemic, and that it will be the last to recover**. The impacts of the pandemic on Independent Travel Advisors include:

- A year of zero revenue
- Ongoing Level three travel advisories resulting in no new bookings/future revenue
- Government-mandated quarantine and testing requirements resulting in low consumer confidence in new and future bookings
- Airline and tour operator refunds, resulting in previously earned commissions being clawed back from travel advisors
- A delayed roll-out of vaccines and lack of usage of approved rapid-testing, further delaying an industry recovery

An additional challenge we face as commission-based Independent Travel Advisors is that we operate on a **delayed revenue stream**. Commissions are paid by the supplier an average of 139-317 days after the consumer has booked their travel. This is different from the timeline of other small businesses, which receive their revenue when the service or product is provided. **Even after travel resumes, we will be 4-11 months before we start to see income on those bookings.**

Although we have benefitted from the CERB/CRB, most independent travel advisors do not qualify, under current regulations, for any other assistance programs, such as the wage subsidy or loan programs, as we are self-employed, sole proprietors. Even those who do have a CRA Business Number do not qualify

for Canada Emergency Business Account loans, as we do not meet the threshold for non-deferrable expenses.

The Regional Relief Recovery Fund, which was designed to assist small businesses which were otherwise falling through the cracks in funding, has also not been available to most of our membership, as it is being administered regionally and each region has its own rules on qualification; for instance, in rural areas, sole proprietors qualify, however in urban centres, businesses must be incorporated, leaving many of our businesses unable to qualify.

Nor do we qualify for many of the provincial grants/assistance being offered, as there is no category for Travel Advisors in these programs. This is a matter of extreme concern to our Association and Members, as we collect 100% of our income through supplier commissions.

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've 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 year, 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.

Now with the Government clearly indicating that any Airline sector assistance will be contingent on consumer refunds, Independent travel advisors are faced with thousands of dollars of commission recalls. After a year without income, this is money we simply do not have.

As such, we are calling on the government of Canada to implement the following as part of the 2021 Budget:

- Continued access to the Canadian Recovery Benefit, or another sector-specific aid program, which would be in place until at least 6 months after the lifting of the Level Three travel advisory and quarantine requirements.

- Establish a fund in the amount of \$200 million (based on \$8.5 billion in trips cancelled due to COVID-19), which would protect travel agencies and travel advisors from mandatory recall of commissions by airlines, their subsidiary tour companies, and other Canadian travel suppliers, retroactive to March 2020. Any airline bailout should provide for protection against commission recalls, either through this fund, or through regulation.
- Funding for wide-spread use of Health Canada approved rapid PCR tests, to be used at all airports and land border crossings, which are federal jurisdiction.
- Revising the current Canadian Emergency Business Assistance loan program to allow for lower expense thresholds for qualification.

The Association of Canadian Independent Travel Advisors would very much like to be included in any discussions the Government has with the travel industry regarding a plan for recovery.