



March 1, 2021

Canadian Transportation Agency  
15 rue Eddy,  
Gatineau, QC K1A 0N9

Re: Consultation on new refund requirements

The Association of Canadian Travel Agencies (ACTA) is a national member-based trade association that advocates for not only our members, but also the best interests of the retail travel sector and consumers who benefit from enhanced competition and the services provided by travel agencies and travel agents. As an industry led, non-profit organization, we seek to work with governments, regulatory agencies, and travel suppliers to provide effective leadership on behalf of our industry and their clients. ACTA was an active participant in the consultation on the development of the Air Passenger Protection Regulations (APPR) from 2017 to 2019, and we are pleased to continue our involvement by providing feedback on the elements of the new regulation refund requirements.

The backgrounder provided by the Canadian Transportation Agency (CTA) speaks to the fact that the COVID-19 pandemic initiated the global collapse of air travel. The government has committed to funding Canada's regional airlines. ACTA supports this action and the ongoing negotiations underway between the federal government and the national carriers on an airline aid package. Liquidity for the aviation sector is a recommendation in ACTA's **2021 Tourism and Travel Recovery Plan** (*attached*), a 7-Point Plan for Travel Agency & Travel Agent Support and Recovery submitted to the federal government as part of the pre-budget consultations. However, aid is needed not only by airlines. In fact, *all* stakeholders in the travel ecosystem have been devastated by the pandemic including airports, tour operators, cruise lines, hotels and the retail distribution sector – travel agencies, travel agents and independent travel agents (the ticketing agents of airlines).

The COVID-19 pandemic has highlighted a gap in Canada's air passenger protection framework. We are aware that the mandate of the Minister of Transport, Omar Alghabra, is that the government will "ensure Canadians get refunds for air travel cancelled due to the pandemic." This was also the message from former Minister of Transport Marc Garneau who stated in a November 8 press release that an aid package would be conditional on airlines offering refunds. This was the catalyst to the CTA's consultation on new refund requirements currently underway. We understand it is the government's intention to provide the CTA with the authority needed to move ahead with the proposed regulation requiring airlines to provide passengers with refunds when there is a flight cancellation, or a lengthy delay, and it is not possible to complete the passengers' itinerary within a reasonable time.

While ACTA understands the action currently underway by the government as a responsible step to compensate passengers, considering the large-scale event of COVID-19 and the vulnerability of not only an airlines' viability but that of the whole travel eco-system, there are **unintended consequences** to such action that must be considered. Therefore, **greater flexibility** in the requirements must be included. For travel agencies and travel agents, the unintended consequence is the **recall of commission**. ACTA has highlighted this critical travel agent concern within our pre-budget consultation submission, which is also relevant to the CTA's consultation on new refund requirements and the focus of our feedback below.

## Only Industry Subject to Recall of Commissions Earned Prior to the Pandemic

To add to the challenges that some of the hardest hit businesses have experienced during the COVID-19 pandemic, such as a significant decline in revenue while fixed expenses are still in place, travel agency businesses are unique in that we are also subject to a recall of travel supplier commissions. In fact, we are the **only** industry that has to give back last year and 2019 earnings (in the form of commission). Travel agencies, travel agents and independent travel agents are not in a financial position to absorb additional losses of recalled commissions on mass government mandated refunds, on top the devastating losses already realized.

The travel agent's role is to promote and sell travel products and in return they are paid a commission by the airline or other travel suppliers. For many of the travel bookings affected by the COVID-19 crisis, travel agents completed "their work" on these bookings (promoting, selling and ticketing). However with the ongoing changes with travel restrictions, travel agents have continued to work on these bookings, dealing with Future Travel Vouchers (FTVs), re-bookings, cancellations, refunds, insurance matters, etc., and all in a zero revenue situation.

Almost half of the 24,000 travel agents in Canada are independent travel agent entrepreneurs (self-employed workers) with over 75% being women. It is **impossible** for travel agencies and independent travel agents to pay back these commissions on COVID-19 affected bookings as they have already completed the work, and have used or earmarked these commissions to pay mandatory expenses including wages, rent or mortgages, and groceries.

ACTA estimates that the cost to travel agents in recalled commission for the period in time that covers COVID-19 related travel bookings, would be **\$200 Million**. The government has stated that they are aware of the devastating impact mass refunds and the unintended consequence of recall of commissions will have on Canadian travel agencies and independent travel agents. **ACTA strongly recommends** that the government, and the CTA:

- 1) Work with our industry and establish a process that will **cover travel agent recall commission** due to COVID-19 related bookings, and
- 2) Include this **critical industry concern** into any regulations of possible future events.

Question 6a) in the CTA Consultation Paper asks if there should be greater flexibility in the requirements for certain types of airlines, or in certain situations such as if the event is large-scale, or if the event could threaten an airline's financial viability. As we have discovered with COVID-19, a large-scale event and an event that threatens an airline's financial viability both have a direct and devastating impact resulting from the recall of commission due to mass refunds. Therefore, **ACTA strongly recommends that there is greater flexibility in the requirements for these types of events.**

For the balance of questions in CTA's Consultation Paper, ACTA directs the CTA to our last submission dated **February 20, 2019** (*attached*). ACTA acknowledges however, that our responses were submitted pre-COVID-19 and that some questions asked in the current consultation were not addressed in the February 2019 submission. Question 4 is one that certainly needs to be distinguished from ACTA's earlier response. ACTA's recommendation in February 2019, was for compensation to be first in the form of cash or equivalent with the passenger's choice of money or other forms offered by the airline (such as vouchers or rebates). What travel agencies and travel agents quickly realized in the early days of the pandemic, was how important it was for the CTA to have allowed airlines and their tour operations to issue FTVs in lieu of a refund. If the CTA had not made this allowance, and the airlines were mandated to extend refunds, many businesses in the Canadian travel industry eco-system, including travel agencies and independent travel agents would have had to declare bankruptcy in very

short time. In the case of travel agencies and independent travel agents, as a result of recalled commission in a zero revenue environment, with fixed expenses still in place and paying employees to process millions of dollars in refunds, bankruptcy would have been inevitable.

In conclusion, ACTA appreciates the opportunity to provide input to the Canadian Transportation Agency on the new refund requirements. Should you have any questions or concerns to the points our organization has made, please contact Wendy Paradis, ACTA President at [wparadis@acta.ca](mailto:wparadis@acta.ca) / 905-282-9294 ext. 121 or Heather Craig-Peddie, ACTA Vice President Advocacy and Member Relations at [hrcraig-peddie@acta.ca](mailto:hrcraig-peddie@acta.ca) / 905-282-9294 ext. 122.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Paradis', written in a cursive style.

Wendy Paradis, President, ACTA