

ONLINE TRAVEL AGENCIES (OTAs)

The Alberta Hotel & Lodging Association (AHLA) is a non-profit industry association founded in 1919. With hotels, motels, inns, resorts, and lodges all over the province, our members own or operate approximately 95% of all the guest rooms in Alberta. The AHLA is committed to strengthening Alberta's tourism and hospitality industry.

THE ISSUE

Online Travel Agencies (OTAs) are third party intermediaries that specialize in the sale of travel products to consumers through the Internet. Some of the lesser known impacts of OTAs include:

- Lost revenue through the Tourism Levy,
- Reduced industry profitability and corporate tax revenue as travel that could be booked directly is sold at a higher commission through OTAs,
- Disintermediation of service providers like hotels and marketing organizations like Travel Alberta from the traveller. OTAs 'own' the customers who book through them, as well as the massive amounts of data and marketing intelligence these consumers generate. OTAs use this data to sell multiple travel destinations to that same consumer.

BACKGROUND

The tourism industry has been transformed by the evolution of digital technology. OTAs have changed the way guests research their travel and book their accommodation. While they seemed like an ideal way to sell excess hotel rooms, the reach of OTAs now goes far beyond last minute hotel bookings.

OTAs dominate the global tourism environment. While there are many brands and websites, the OTA landscape is essentially a duopoly controlled by Expedia, which owns its own website as well as Trivago, Hotels.com, Hotwire, Travelocity, and TripAdvisor; and Priceline, which owns Booking.com, OpenTable, and Kayak.



The AHLA estimates that in 2015 alone, OTAs generated over \$77 million in commissions in Alberta, and over \$400 million in Canada.

ALBERTA HOTEL & LODGING ASSOCIATION

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LOST REVENUE

OTAs sell rooms at a retail price, which includes bundled ‘fees and taxes.’ However OTAs only remit these fees and taxes on the wholesale rate paid to the hotel, retaining the difference in addition to their commissions of anywhere from 15 – 25%. This means lost revenue for the province and reduced transparency about the real costs to the consumer.

	Room Sold Through OTA	Room Sold Directly by Hotel
Room Rate	\$100.00	\$100.00
18% Commission	\$18.00	N/A
Effective Room Rate	\$82.00	\$100.00
Tourism Levy paid	\$3.28	\$4.00
GST paid	\$4.10	\$5.00
Corporate tax paid	By hotel on \$82.00 , less inputs	By hotel on \$100.00 , less inputs

The AHLA estimates that in 2015 OTAs retained \$3.6 million in Tourism Levy as a result of this differential.

RATE PARITY

When a hotel sells its rooms through an OTA, it is generally required to maintain the same rates for the same product in all online distribution channels - **rate parity**. This means the hotel cannot offer rates lower than those displayed on OTA websites. OTAs can exert tremendous power by reducing their prices below minimum contracted margins by reducing their commission, forcing hotels to match their rates.

Numerous jurisdictions including Germany and France have made rate parity clauses illegal.

RECOMMENDATION

The AHLA recommends that the Government of Alberta:

- Require OTAs to remit the Tourism Levy based on the total price paid by the consumer for accommodation, not just on the wholesale rates paid to hotels by third party intermediaries like OTAs.
- Prohibit rate parity clauses in contracts between hotels in Alberta and third party intermediaries like OTAs.
- Take steps to maximize direct bookings through its own procurement policies and through Travel Alberta’s marketing initiatives.