



March 9, 2017

The Hon. Tracy MacCharles  
Minister of Government & Consumer Relations  
Mowat Block 6<sup>th</sup> Floor  
900 Bay Street  
Toronto ON M7A 1L2

VIA E-MAIL: [TravelIndustryAct@ontario.ca](mailto:TravelIndustryAct@ontario.ca)

**RE: Ministry Review of the *Travel Industry Act***

Dear Minister,

On behalf of the Ontario Restaurant Hotel and Motel Association (ORHMA) members I am writing to provide you and your ministry with feedback regarding your review of the *Travel Industry Act*.

Today, ORHMA is Canada's largest provincial non-profit industry association that represents the interests of Ontario's foodservice and accommodation sectors. ORHMA is dedicated to fostering a positive business environment for Ontario's hospitality and tourism industry, while providing value-added services to its members.

As it has been pointed out in the ministry guidelines on the consultation significant changes have occurred in the travel business since the Act's last review held in 2002. I would highlight that the "on line" distribution channels have changed the industry and created a shift of how travellers are now reserving various travel needs.

Furthermore, the emerging sharing economy (Airbnb) has now been established and showing dramatic growth. These evolutions have brought forward efficiencies and are earning consumers appeal while operating under unfair and in some cases illegal business practices. The electronic e-commerce age is new and governments around the world are wrestling to tackle this phenomenon by setting rules without halting innovation.

**On Line Travel Agencies (OTA's):** Online Travel Agencies (OTAs) have changed the way guests research their travel and book their accommodation. The provincial government does not capture corporate and excise taxes on the OTA mark up as they buy hotel rooms at a wholesale rate and resell them to consumers at a higher retail price. The difference in the two room rates is an amount that is not taxed.

The total estimated taxes lost to OTA's in 2013 from Ontario hotels reservations is \$44,772,194 as the following chart illustrates.

Ontario: Estimated Taxes Lost to OTA's in 2013	
Indirect tax revenue lost:	
Federal corporate tax	\$17,002,099
Provincial corporate tax	\$13,034,943
Total Indirect tax revenue	\$30,037,042
Direct tax revenue lost:	
GST/HST	\$14,735,152
Total Direct tax revenue	\$14,735,152
<b>Total Direct and Indirect Tax</b>	<b>\$44,772,194</b>

**Accommodation Sharing Economy:** The Accommodation Sharing Economy has been a global emerging and growing commerce accepted for its innovative and unique model. In the Province Ontario it is operating in an unregulated framework to protect the health and safety of their guests and does not contribute taxes to government.

The sharing economy needs to operate within a fair playing field. It's not about trying to stop competition but is about ensuring a fair playing field in regulation and in paying taxes. There are a number of regulation references that require all three levels of government to be involved:

### Accommodation Sharing Economy - Terms of Reference

Ownership of rental unit listings:

- The rental unit must be the principal residence.
- The owners must be sharing and residing in the rental unit.
- There must be only one listing per rental unit owner. No multi rental units allowed.
- The cap on maximum number of rooms sold annually must be defined.
- Rental unit owners must register and obtain a licence and other applicable transient or vocation rental permits.

Zoning issues:

- Similar to other business a requirement to meet zoning, noise, parking and other bylaws of a municipality.

Taxation:

- All taxes to be paid
- Municipalities to review the opportunity to apply commercial property assessment.

Safety and security:

- Requirements of the fire code must be met, specifically fire alarm detectors, carbon monoxide detectors, exit routes etc.
- Insurance requirements must be met, specifically insurance that covers the rental of the facility.

Platform accountability:

- Distribution channel host responsible of indicating that all provincial and municipal licenses, permits and regulations are being fulfilled, all taxes paid, zoning laws are followed, insurance paid and room limits adhered to.
- Distribution channel host accountable for listing only one rental listing from each unit owner on the channel sites.
- Distribution channel host accountable for owners of listings adhering to regulations.

**ORHMA's Recommendation:** While the Travel Industry Act focuses on consumer protection it has an obligation to ensure those doing business under this Act work under a set of guidelines and procedures that provide a fair field for all players. An opportunity exists to update and modernize the framework to achieve these goals and be more responsive to the current marketplace.

On Line Travel Agencies (OTA's) must pay taxes on all revenue earned. The Sharing Economy participants must pay their taxes and operate under a regulatory framework as listed in this letter.

Thank you for your time and consideration. I look forward to working with you and your Ministry on this review.

Yours truly,



Tony Elenis  
President & CEO  
Ontario Restaurant Hotel & Motel Association

**cc:** Minister McMahon, Minister of Tourism Culture & Sport