



CARIBBEAN
HOTEL & TOURISM
ASSOCIATION

Discussion Points to Support National Hotel and Tourism Association and Hotel Outreach to Tour Operators Re Delayed Reimbursements and Modifications to Future Agreements

Background

The Caribbean Hotel and Tourism Association (CHTA) has received a large number of complaints from hotels and local hotel and tourism associations about delays in receiving reimbursements from some tour operators for guest stays during January, February and March.

Payments were made to the tour operators in question by consumers in advance and were to be held in trust for reimbursement to hotels shortly after the delivery of the services.

To better ascertain the extent of the problem, CHTA surveyed members on the matter between April 10-15. The results revealed the following:

- Sixty-Nine percent (69%) of hotels reported that they have not been receiving timely reimbursements from tour operators for services rendered during the first quarter of 2020
- The average amount owed to hotels by tour operators is \$219,000 per hotel, with a number of hotels reporting outstanding amounts in excess of \$1 million
- Hotels were advised to expect reimbursement to take an average of 60 additional days and as long as 120 days based upon feedback they received from tour operators

Hotels have advised CHTA that those tour operators which are holding up reimbursements have cited staff shortages, high demand, and cash flow as primary reasons for delays.

Actions Taken by CHTA

In addition to research undertaken to assess the impact of the delay in reimbursements, CHTA has written to key trade associations representing tour operators to bring the matter to their attention and urge their assistance in expediting resolutions by those members delaying reimbursements. The following trade associations were written to on April 28th:

European Tour Operators Association
Canadian Association of Tour Operators
United States Tour Operators Association
National Tour Operators Association
Association of British Tour Operators Association

CHTA is also encouraging impacted hotels to formally write to those tour operators which are holding up reimbursements, citing the detrimental impact the practice is having on their business and urging an expedited resolution. National Hotel and Tourism Associations should also consider writing to those tour operators which are withholding payments and seek input from their hotel members to determine which operators are at fault, as operator presence may vary by destination. Tour operators most frequently cited as being delayed in making reimbursements have been: Virgin Holidays, TUI, ACB, Air Canada, Sunwing, and Dnata.

Recommended Discussion Points

Your communications to tour operators with outstanding amounts due might consider the following points:

- Outstanding amounts due are for services which were already delivered and paid for by the hotel, with monies which should've been held in trust and should be promptly reimbursed.
- Delay in payments is placing undue hardship on the hotel with the outstanding cash flow impacting already incurred payments to deliver the services to employees, vendors and the Government for tax obligations.
- Delay in reimbursement is also contributing to significant cash shortfalls, particularly for small and mid-sized independent properties, and could be a contributing factor to the permanent suspension of operations by the hotel.
- The Caribbean Hotel and Tourism Association, local associations, DMOs and individual hotels have been a reliable partner and resource for tour operators as they've supported the development of their Caribbean portfolio. Through B2B marketing efforts (Caribbean Travel Marketplace, destination trade shows, travel shows, fam trips, public relations, etc), and advocacy work, we've helped to create an environment which has supported the growth of tour operator's business into the region. Essentially, 'we've been there for you and need for you to be there for us'.
- We understand the dilemma facing all of us in the travel industry, but the reimbursement of funds which were collected from the consumer far in advance and are obligated should take priority.
- The consequences of a tour operator contributing to the demise of some Caribbean hotels may be long-term, affecting their reputation and future relationships with the property, destination and region.
- The ability of tour operators to recover long-term from this crisis is also tied to the viability of the supply chain. As long-term clients are forced to cease operations due to lack of cash, in part contributed to by slow or defaulting reimbursements, this too will affect tour operators' future viability.
- The business relationships which have been developed by tour operators with Caribbean hoteliers over many years has been key to our mutual success. We hope to maintain and build upon those relationships as we come out of this crisis and realize that this will require give and take by all parties.
- We also wish to express our concerns about what we anticipate from some tour operators may be one-sided attempts to revise future contracts as they seek new rate and payment terms, already asking for deep discounts which are difficult to provide in an extremely high cost operating environment.