A Study to Determine the Cost of Issuing Airline Tickets

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A Study to Determine the Cost of Issuing Airline Tickets

Prepared by

KPMG

For the

Canadian Tourism Commission and ACTA

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Executive Summary

KPMG LLP was engaged by The Association of Canadian Travel Agents ("ACTA") to conduct a study to determine the cost of issuing airline tickets. This study was supported by Industry Canada and the Canadian Tourism Commission, who are also members of the Steering Committee established to oversee the entire cost study process.

KPMG has worked closely with members of the Steering Committee and the Travel Agency Committee since May 2000 (start of this project). Each of the above committees were established and responsible for monitoring different aspects of the study.

The primary objectives of the study were:

- to determine the industry average cost to issue an airline ticket,

- to identify sample attributes such as agency size and location that may affect the costs, and

- to collect data to report other information such as average salaries of an agent, the time to process a ticket, activities performed by an agent, and the break down of corporate and leisure costs.

The results are based on a total sample size of actual responses tabulated for 26 agencies. Our sampling unit is defined as one establishment (i.e. storefront location). Our survey frame consisted of the published book, known as "Fall/Winter 2000 Personnel Guide To Canada's Travel Industry" listing individual agencies in Canada.

As a result of the significantly lower than anticipated response rate, the reader should be cautioned that our findings may not be representative of the population and use of this information may not be appropriate for all purposes.

The cost results are as follows:

- The weighted average industry cost of issuing airline tickets is: $45.82.

- The weighted average industry cost of issuing airline tickets is: $36.30 (Total weighted average cost of all sample items, including call centres).

The following paragraphs highlight some of the more significant aspects of this study.

The study approach was conducted in three phases.

Phase I involved planning and preparation through eight distinct tasks. These tasks are summarized below:

STEP #	DESCRIPTION
1	Preliminary planning and meetings to finalize work plan, reasons and objectives of the study, the anticipated sampling approach, and expected outputs.
2	Identifying cost factors in order to design the industry average survey.
3	Developing the cost theory and models.
4	Developing the survey Questionnaire including pre testing of the structure and sequencing of questions to improve efficiency and ease of usage.
5	Developing the sample design through statistical sampling techniques.
6	Developing the Questionnaire Guide.
7	Obtaining approval on the Questionnaire, Questionnaire Guide, and sampling design from ACTA and the Travel Agency Committee.
8	Selecting the sample and notifying the travel agencies of the survey requirements by sending the Questionnaire, Questionnaire Guide, and cover letter explaining the process.

Phase II involved data collection. This involved contacting the travel agencies selected to ensure that they understood the requirements of the survey and to determine when the responses would be ready. In addition, validation and follow up of the results was performed in this phase.

Phase III involved analysis and reporting. This included downloading the survey results into a statistical analysis package, analyzing the costs and any unusual results, and then reporting our findings to ACTA.

The initial sampling design process began in early May 2000 and was refined in September 2000. The primary sampling design specification was that the relative survey error should not exceed plus/minus 5 per cent for the industry average cost. We presented our initial sampling design and conducted the pilot sample. A pilot sample approach was taken to test the methodology on a limited number of agencies in order to determine any key issues that could impact the completion of the full study. We refined our sample design and then conducted the full study. The final approach to the refined sample design involved a sample strategy that treated provincial groupings as a separate stratum. That is, British Columbia, Ontario and Quebec were a separate strata on their own and Alberta, Saskatchewan and Manitoba were part of a stratum known as the Prairie provinces. The four Atlantic provinces (Nova Scotia, New Brunswick, P.E.I., and Newfoundland) were also grouped into one stratum known as the Atlantic provinces. Call centre operations were included as part of our sample size; however, due to their specific nature, call centres were considered a separate stratum.

As the survey process evolved, the responses received were minimal compared to our planned sample size and assumed response rate. Thus, in order to ensure that this study would provide meaningful results, we made changes to the sampling plan. We did this by obtaining a supplemental sample of agencies through voluntary participation as a result of informing travel agencies of this study in the ACTA newsletter and during industry-related meetings or conferences.

Our total final sample size including the pilot study, total study, and the supplemental sample, was 117 agencies. We had 91 total refusals; thus, actual responses tabulated and included in this study are 26 agencies, as discussed above. A detailed discussion of the sampling design, approach, and non-response issues is found in Chapter III.

Our cost results are analyzed based on the location of the agency and the agency size in terms of revenues. It is important to note that for all sample results, the costs reported represent the pure costs; there are no profit elements included in the costs. In addition, the revenues reported represent airline ticket revenues. A brief summary of the cost results follows:

The overall review of the costs indicate that based on location, the Atlantic provinces had the highest cost of issuing airline tickets of $70.45. The remaining provincial costs ranged between $32.89 and $48.62. In considering these points, the reader needs to be aware that the results for Atlantic Canada are based on a small sample of only two agencies that are not regionally dispersed throughout the Atlantic provinces. The smaller agencies ($0 - $500,000 revenue range) had lower costs than medium sized agencies. Although these agencies are small, low volume agencies, the nature of their operations appears to have a dramatic impact on their costs related to ticket processing. The nature of these agencies is such that they are generally owner-managed situations with a higher level of "hands on" operation. In addition, agencies in the greater than $2,000,000 revenue range had the lowest cost among the group of $33.75. This revenue category includes call centre operations among the results (see Chapter I for a definition of call centre operations).

We conducted a distribution of the average cost by revenues and by the number of tickets. The distribution by revenue indicates that the costs for the smaller agencies are within a similar range; this is the same conclusion for the distribution by the number of tickets. As revenues increase and the number of tickets increase, the costs are not as uniform and there are more outliers. In general, the outlier costs corresponded to agencies that performed more functions than issuing airline tickets; these agencies were also tour operators.

We compared leisure travel costs to corporate travel costs. The costs to issue a leisure ticket are higher than the costs to issue a corporate ticket. The average cost to issue a ticket for leisure is $43.25 compared to $29.42 for corporate. We compared these results to another Canadian study performed, which also supported this conclusion. In addition, it also takes longer to process a leisure ticket versus a corporate ticket.

We compared salary costs across employee classes by revenues and location and also compared salary costs as a percentage of total costs with other international studies. The results indicate that the average weekly salary costs, for the most part, increase for all class levels as the agency revenues increase. In addition, British Columbia, Quebec, and Ontario have the highest salary costs. Our comparison with the international studies indicates that salaries as a percentage of total cost is fairly consistent; however, Canada's results are the second highest compared to four other studies.

KPMG also obtained from ACTA similar cost studies performed by other countries. As discussed in the report, KPMG was not able to obtain permission from the authors of these studies; thus, the respective studies are referred to as Countries A, B, and C. The average costs (translated into Canadian dollars) ranged from a low of $14.04 to a high of $48.47 with a simple average of all costs being $30.90 (see note on page 36).

We compared the time (in minutes) it took to process corporate and leisure tickets both by location and revenue. The results indicate that it takes longer to process a leisure ticket than it does to process a corporate ticket. This is true for both location and revenue classes.

We assessed the extent of use of technology among revenue classes and by location. Generally, although the smaller agencies used technological tools, they used less of the tools compared to the remainder of the group. The higher the revenues of an agency, the higher the use of reservation interface tools. All locations and all revenue sizes use email and e-ticketing functions quite heavily. In a comparison of internet usage from 1996 to the date of this study, it revealed that the industry has advanced in its use of e-based type technology for booking and issuing tickets.

KPMG would like to thank ACTA, the members of the Steering Committee, the members of the Travel Agency Committee, and all representatives from the industry who provided valuable assistance and support during the study process.

I. Objectives of the Study

Background

The Association of Canadian Travel Agents ("ACTA") commissioned KPMG to conduct a study to determine the cost of issuing airline tickets. The purpose of the study was to determine the "industry average" cost that the retail travel agency has in producing and delivering airline tickets to consumers.

The Canadian Tourism Commission ("CTC") and Industry Canada ("IC") supported ACTA in this endeavour and were involved in the process from the onset of this project. Both IC and CTC are interested in the activities and special studies undertaken by ACTA, given the commonalities that all three organizations have in their mandates and responsibilities. A background of these organizations is outlined below to further explain their roles and interest in this study.

ACTA, established in 1977, is an industry-led, non-profit national trade association representing the retail travel sector of Canada's tourism industry. ACTA's members include travel agencies, tour operators, travel wholesalers, and suppliers such as airlines, hotels, destination marketing organizations, cruise and rail lines, and automobile rental companies. ACTA's Mission Statement is:

> *"Ensure consumers have professional and meaningful travel counselling by providing effective leadership in advocacy, public relations, research and education on behalf of the retail travel industry in Canada."*

ACTA member organizations get involved in the future direction and strategies of ACTA and the overall industry through committees, task forces and councils that are established on an as required basis. Given ACTA's recent efforts in lobbying for the right to negotiate fair compensation with Air Canada, the contribution and value that member organizations were able to provide in this study was critical.

Industry Canada is a federal government department that works with Canadians throughout the economy and in all parts of the country to improve conditions for investment, improve Canada's innovation performance, increase Canada's share of global trade and build a fair, efficient and competitive marketplace. One of the many program areas that Industry Canada is responsible for is promoting tourism and small business development. Program areas and initiatives are handled under the "Industry Portfolio", which is made up of fifteen federal departments and agencies. Industry Canada works in partnership with the members of the Industry Portfolio. Industry Canada's Mission is:

> *"To foster a growing competitive, knowledge-based Canadian economy. To help make Canadians more productive and competitive in the knowledge-based economy and thus improve the quality of life in Canada."*

Industry Canada's interest in this study is in analyzing the cost results for Canada and comparing these results to that of other countries in order to determine Canada's experience and performance in this industry.

The Canadian Tourism Commission ("CTC") became a Crown corporation on January 2, 2001, when the *Canadian Tourism Commission Act* came into force. The Commission reports to Parliament through the Minister of Industry.

According to section 5 of the legislation, the Commission is charged with the object of sustaining "a vibrant and profitable tourism industry." Stemming from this goal, the Commission's objects are to:

- Market Canada as a desirable tourist destination;

- Support a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories with respect to Canadian tourism; and

- Provide information about Canadian tourism to the private sector and to the governments of Canada, the provinces and the territories.

In support of the objects, the CTC has two main lines of business – marketing and sales, and information – with partnership undertakings playing a key role in each. Each business line is integral to the pursuit of improved industry profitability through increased productivity.

The goal of the marketing arm is to increase demand for Canadian tourism products, which leads to increased industry revenues. The information arm aims to improve tourism-industry performance by helping the industry identify opportunities, understand costs, and measure health and performance. Serving its industry-leadership role, the CTC Board of Directors endorsed the following industry vision and mission statements. Each is a call to the industry to come together in pursuit of sustainable growth and prosperity:

The vision statement declares that:

> *Canada will be the premier four-season destination to connect with nature and to experience diverse cultures and communities;*

The mission statement commits that:

> *Canada's tourism industry will deliver world-class cultural and leisure experiences year round, while preserving and sharing Canada's clean, safe and natural environments. The industry will be guided by the values of respect, integrity and empathy.*

These are challenging goals for the industry that can be accomplished only by co-operative actions. Through fostering partnerships, the CTC helps make co-operation a reality. Since its formation as a special operating agency in 1995, the CTC has been successful in attracting partners from all tourism-industry sub-sectors, both public and private.

The CTC Research Program participated in this study as a part of its program goal of providing the best possible data to aid industry decision-making. This study was seen as a supplement to the program's industry definition and performance monitoring sub-program. Through its partnership with Statistics Canada on the Tourism Satellite Account (TSA), the National Tourism Indicators (NTI), and The Annual Survey of Travel Agents, CTC develops aggregate information on the input costs and revenues of the Canadian travel services industry. The study was expected to shed additional light on the changing cost factors involved in one of the key activities of the travel services industry, and the costs involved in issuing an airline ticket.

The results will also be used to update future revisions to the Statistics Canada Survey of Retail Travel Agents and Tour Operators. As part of CTC's goals, these results will also be used by the CTC to provide information on work underway in developing a new North American Product Classification System for the travel services industries of Canada, USA, and Mexico.

Specific objectives

Based on the above requirements of ACTA, Industry Canada, and the CTC, the objectives of the study are summarized as follows:

1. to determine the industry average cost to issue an airline ticket;
2. to identify sample attributes such as size (based on revenues) and location, that may affect/impact the costs of issuing airline tickets;
3. to collect data and report the following other information with respect to travel agencies:

    - average salary (based on agency size) across location and for each salary category (i.e. management, agent, administrative assistants)

    - the time it takes to process a ticket for both corporate and leisure travel

    - activities performed by travel agents

    - the extent of agency technological advancement based on the sampling attributes of size and location

    - the cost range for agencies serving primarily corporate clients versus those agencies serving primarily leisure travel clients

    - the differences in results compared to other similar international studies.

The total sample size of actual responses tabulated was 26 agencies. In this study, our sampling unit is defined as being one establishment (i.e. a storefront location). As discussed further in Chapter III in Sampling Design, each agency selected was treated as one sampling unit; some of these agencies were independent operations, while others were part of a larger corporate group or affiliation. In addition, call centre operations were included as part of this sample; however, due to their specific nature, call centres were considered a separate stratum for sampling purposes.

A call centre is defined as a travel agency operation that services primarily corporate clients via telephone, on-site locations, and/or email contact. Call centre operations process high volume tickets and employ a large number of agents to handle the call volume. One characteristic that differentiates a call centre from an individual agency establishment is that a client of a call centre will not receive dedicated service from the same travel agent each time the client contacts the call centre. That is, in order to service the client better, each agent is trained to handle the requests of all clients and thus, agents in a call centre do not have the specific client base that exists with traditional travel agencies. Some call centres service a particular group of corporate client needs (e.g. federal government employees) and other call centres have contracts established with numerous corporate clients to provide corporate and/or leisure travel needs to the organization's employees. Depending on the needs of the corporate client, call centres are also located on-site at the corporate client's premises. These on-site locations can be customized to offer services on a "walk-in" basis or via the telephone or email. These offices are not open to the general public.

Role of committees

This study was overseen by a Steering Committee made up of key members of ACTA as well as Industry Canada and the CTC. The role of the Steering Committee was to serve as a valuable resource to KPMG for this research study. In particular, the Steering Committee was established to:

- define the terms of reference of the study and monitor the progress of the study,

- ensure the integrity of the methodology used in completing the study, and

- evaluate the study results, make recommendations on a communication plan and determine next steps with the information results.

Another key resource to the survey process was the involvement of the Travel Agency Committee. This committee was made up of eleven members of the travel industry. The Travel Agency Committee provided valuable assistance to KPMG. In particular, the members of this committee were responsible for the following:

- approve the scope of the study,

- approve the costing methodology used and the type of study performed (i.e. time in motion study versus full cost study),

- provide the KPMG team with an understanding of the airline ticket issuance process,

- provide input into the sampling design and desired precision level,

- advise the KPMG team on the appropriate sampling unit (i.e. an establishment versus a corporate group), and

- provide input for the Questionnaire and the Questionnaire Guide.

The KPMG research team was comprised of six members with relevant industry and technical expertise. The team was led by a Partner with significant industry, costing, and statistical experience who provided the overall project direction and quality control at a high level. The project management was performed by a Senior Manager with extensive costing and industry related experience. The data analysis, management of the survey process, and the daily engagement and technical activities were performed by a Manager with significant costing and analytical experience. In addition, KPMG utilized the resources of a Professor of a national University with extensive statistical sampling expertise to provide guidance in this area.

Meeting details

KPMG met regularly with the Steering Committee and the Travel Agency Committee. A summary of key meeting details is listed in Appendix C.

Determination of costs

KPMG met regularly with members of the Travel Agency Committee. Representatives from various travel agencies met to identify the ticket issuance process. The result of this preliminary understanding was then provided to all members of the Travel Agency Committee for comment. In addition, to feedback on the ticket issuance process, the costs of issuing a ticket were identified and analyzed. We ensured that the method of calculating each cost factor was appropriate and confirmed the data requirements for the costs. Once we had our costs established, we obtained feedback from various sources on what costs to include as part of the ticket issuance process.

In addition, the formulation of the Questionnaire and Questionnaire Guide went through a similar rigorous process. We held ongoing discussions regarding content, ease of use (i.e. user friendliness), the appropriateness of the cost questions included, and the activities performed by a travel agent. Control parameters were set for each of the twelve questions in the survey. The information behind these control parameters was obtained from various sources including representatives of the travel industry and verified with Statistics Canada. Appendix A includes the Questionnaire and Questionnaire Guide. Appendix B outlines the services provided by a travel agent and therefore, the services that need to be costed.

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II. Overview Of The Approach

Approach

KPMG's approach to the survey is summarized in terms of the following three phases and fourteen tasks. Additional information on certain of the more complex tasks is provided in Chapters III and IV.

Phase 1: Planning and Preparation

The first phase of the project was planning and preparation of the sampling techniques and survey tools and developing an understanding of the activities and related cost types involved in the issuance of a ticket. The following tasks were conducted during this phase. Although the tasks are listed in close to chronological order, many of the tasks were done on a concurrent basis.

Task 1: Preliminary Planning

KPMG held discussions with ACTA officials and the ACTA Airline Compensation Committee to review the workplan and schedule and to confirm the project's objectives and expected outputs. We also discussed the Committee's reasons for conducting the study and the anticipated sampling approach given the cost influences of corporate versus leisure agencies; small versus large agencies; and regional differences.

Task 2: Identify Cost Factors

In order to appropriately design the "industry average" cost survey, we first identified each cost factor anticipated based on the activities performed to issue a ticket. We then held discussions with industry members, performed a walk through of the ticket issuance process, and reviewed relevant detailed Travel Agent statements and held discussions with travel industry experts to identify the types of costs anticipated.

Task 3: Development of Costing Theory and Models

In order to appropriately design the "industry average" cost survey, we considered how we were to use the data gathered through the survey to calculate the average cost of ticket issuance. We reviewed the method of calculating each cost factor and confirmed the data requirements that enabled us to calculate the "industry average" cost for producing and delivering an airline ticket according to the agreed-upon formula for each cost factor.

Analytical models were developed to provide a description of how the survey results were obtained and the manner in which specific survey data was used.

This work involved consultations with ACTA officials and the ACTA Airline Compensation Committee as well as guidance from our statistical costing professionals.

Task 4: Development of the Questionnaire

The questionnaire that was developed facilitated the collection of cost and performance data of a relevant mix of travel agencies.

Our survey specialist tested the sequencing and structure of the questionnaire. Pre-tests were performed to ensure maximum ease in survey administration, minimization of response burden and maximum efficiency in recording the data. These pre-tests continued until the final version of the questionnaire was satisfactory in terms of ease of use, appropriate length and clarity. Data accumulated during the pre-tests was analyzed to ensure that we were obtaining the information required by our analytical costing models. Controls, such as reasonable ranges for key variables, were programmed into the questionnaire to ensure that KPMG analysts investigated unusual responses during the survey process.

Task 5: Development of the Sampling Design

This task was on-going throughout the planning and preparation phase. Our professional statisticians applied scientific sampling techniques to provide the "best" possible mix of travel agents. We assessed the characteristics of the new population and developed an efficient stratification scheme.

During this phase, we presented our sampling plan to the ACTA Airline Compensation Committee for its input and approval. As discussed further in this report, the sampling design approach was modified as a result of the poor response rate.

Task 6: Development of Questionnaire Guide

The guide covers every question in the survey questionnaire and provides useful information to assist the respondent in filling out the questionnaire. The procedure was designed to ensure a consistent approach to the collection of complete and accurate data supported by sufficient appropriate evidence.

We worked closely with ACTA officials in the development of the Questionnaire Guide.

Task 7: Presentation of Questionnaire, Guide and Sampling Design

The finalized Questionnaire, Guide and sampling design, including the stratification scheme was formally presented to the ACTA Airline Compensation Committee for their review, input and approval.

Task 8: Sample Selection and Notification

Once the sampling design was approved, the travel agents to be surveyed were selected. For those agencies that belonged to a franchise or had a head office that they reported to, we worked with relevant agency head office senior management during the notification of the agents, in order to maximize the response rate. We also determined the criteria for classifying an agency as "non-responsive" and ineligible for the survey. An agency was considered ineligible to participate in the survey if one of the following circumstances occurred or existed:

- the agency did not issue any airline tickets at its location (for example, the agency specialized in cruise sales and obtained their airline tickets from a wholesaler),

- the agency specifically serviced and issued tickets for an airline other than Air Canada, or

- the required information was not available due to external circumstances (i.e. fires, computer crashes).

Phase 2: Data Collection

Task 9: Questionnaires

Each agent included in the sample was called in advance of sending the Questionnaire to answer any questions in regards to the purpose of the Questionnaire. They were also given the Questionnaire Guide, phone numbers and contact names of the Senior Manager and Manager to call to assist with any questions they had in regards to the completion of the Questionnaire.

Task 10: Validation and Follow-up

Upon receipt of each Questionnaire, a check was made to validate the responses based on the control parameters. Where responses were outside of the anticipated parameters, the agent was contacted to validate the response given.

Phase 3: Analysis and Reporting Analysis

Task 11: Data Transfer and Extraction

The questionnaire data were downloaded into a statistical analysis package. Numerous databases were created, substantially along the lines of the cost factors. The data were scanned for unusual items, which required additional information or explanation.

Task 12: Analysis

Cost factors for each travel agency were calculated, and cost estimates made, applying the statistical weighting methodology adopted. National weighted averages of the factors were calculated using agreed formulas and all results were reviewed for reasonableness. Detailed analysis of individual cost factors were used to identify any outliers. Outliers are defined as values of a variable that are outside the normal range for that value. The outliers were followed up on and as a result of this follow-up, variables were either changed because of errors detected, or left as they were based on valid explanations.

The senior members of the client service team reviewed the results of the analysis.

Task 13: Reporting

The final report was drafted and reviewed with the ACTA Airline Compensation Committee and other ACTA officials.

Upon completion and approval of the final report, a copy of the "raw" data (individual report costs) on paper and computer diskette was delivered to ACTA. Included in this data were the averages for each of the cost components. The identity of the travel agencies involved and their respective cost results were not provided to ACTA nor to any other member of the travel industry that was involved in this process. To maintain the confidentiality of the results, each travel agency was identified by location and size only and a number was assigned to each agency in place of the actual agency name.

Task 14: Discussions with Government Agencies

We will participate on an as-required basis in subsequent analysis of cost factors or policy considerations and in discussions of the cost estimates with other government agencies as necessary on a fee for time basis.

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III.   Sampling Design and Approach

Objectives and design criteria

Objectives

The primary objective of the survey design exercise was to develop a valid and reliable estimate of the industry average cost for issuing airline tickets. The primary design specification was that the survey error should not exceed plus/minus 5 per cent of the industry average cost. It was essential for all parties involved that the data produced be reliable, independent, and unbiased.

However, as the survey process evolved, it became apparent that a statistically valid sample could not be completed due to the low survey response rate, with only 26 of the selected sample of 90 returning completed questionnaires. (see detailed discussion on sample size below). As a result, in order for this study to continue and provide useful data on the industry, we had to change our sampling plan from random selection (within strata) to a mix of randomly sampled respondents and self-selected respondents. These self-selected respondents were comprised of agencies who were willing to participate in the process. These agencies were informed of this study by reading about it in the ACTA newsletter or through their attendance at industry-related meetings. It is important to note that all agencies designated to be included in the original sample were selected based on a statistical approach (i.e. by means of stratified random sampling).

The purpose of this chapter is to outline the various phases of the sampling design process that were undertaken from statistical random sampling to purposive sampling to achieve the goals of the survey. Although the sample selection approach changed during the process of collecting the final study results, we feel it is important to outline all the survey design phases.

Sampling design process

The initial sampling design process began in early May, 2000 and was refined by the end of September, 2000. It is important to note that given ACTA's requirements for the survey, the most appropriate method for selecting the travel agencies was to randomly sample the population of agents according to a predetermined statistical survey design (i.e. a statistical approach based on stratified random sampling). Thus, an approach to designing the survey was initiated, as described later in this chapter.

The process began with various meetings between KPMG, ACTA, several industry representatives, and our statistical sampling expert. The purpose of these meetings was to gain an understanding of the sample requirements, to understand the population characteristics, and to determine additional sources of information to help with the formation of the survey design and sampling plan.

KPMG contacted representatives from four of the major travel agency groups in order to obtain information from their cost studies. The respondent agencies provided information on costs, number of tickets produced, revenues, and the number of franchises within their agency. This information was useful both in designing the survey and in determining an estimate of sample size.

KPMG also requested various Bank Settlement Program ("BSP") reports to identify key aspects of the population (i.e. revenue and number of tickets). These reports were useful in understanding the population characteristics and helped to formulate an enhanced sampling plan.

Further meetings were held between KPMG, ACTA and our statistical sampling expert to discuss the population information and the planned sampling methodology. A discussion of the sample design and the resulting changes is outlined below.

Initial sample design

It is important to note here that although four of the major agency groups discussed above provided information, there are 15 large agency groups or affiliates that account for 80 per cent of the market by volume. In addition, since two of the 15 large agencies had their own cost data, we considered removing these two agency groups out of the sample and factoring their results in total into the survey at the end. Removing these two agency groups resulted in a remaining sample of 13 agency groups representing about 50 per cent of the market. Based on the information received from these four major travel agency groups discussed above, it appeared that there were notable differences even between the structure within the large agency groups / affiliates. Given this, we proposed to treat some large agency groups, which consisted of a collection of many smaller agencies as a separate sub-population or stratum. Our population consisted of individual agencies (i.e. storefront locations).

The information received from these agencies was used in constructing estimates of the sample size. From this initial data, the variation in costs among their largest units was in the range of $32 - $38, from which a population mean cost per ticket of $35 was taken as the working assumption for calculating percentage accuracy. With some additional assumptions about the structure of the population of agencies, a working estimate of the sample size required to yield an ultimate cost per ticket in the range of $35 +/- $1.75 (with a confidence level of 95%) was calculated to be 98.

Pilot sample

Prior to conducting a full study, a pilot approach was used to test the methodology on a limited number of agencies in order to identify any key issues that could impact the successful completion of the full study.

The objective for the pilot study was to obtain data to provide information on the difference in variability in the cost per ticket between the largest and smallest centres. It was determined that the pilot sample size consist of eleven agencies of which four agencies would be in the "large" (greater than $10 million) revenue category, two agencies would be in the "mid-size" ($5 -$7 million) revenue category, four agencies would be in the "small" ($0 -$1 million) revenue category and one agency would be a call centre.

This involved contacting those agencies that represented the majority of the industry (i.e. large agencies) to request that they provide us with the names of their very large units. From this information, we contacted the four large agencies and one call centre. The mid-size agencies were also selected based on contacting industry members. The small size agencies were obtained by a simple random sample selection from the survey frame (i.e. published listing of individual agencies). This method was conducted for the small agencies because these agencies represented over half the population and it was a more representative method of selecting these agencies.

Refined sample design

It is important to note that the initial sampling design discussed above was constructed based on information from the major agencies; thus, the sample selection was to be from those agencies belonging to the largest 15 agency groups, comprising 80 per cent of the population (30% represented by two agency groups and the remaining 13 agency groups representing 50%). As a result, a sample of only the 15 largest agency groups would have left 20 per cent of the agencies outside the survey frame. This was not be a desirable scenario given that ACTA's refined requirements (which led to a change in the design) now called for:

- All agencies to be included in the frame, even if the selection probability for some of them was small.

- The survey to be structured geographically; thus, stratification by provincial sub-groups was necessary so that each province was represented in the sample.

Stratification by size was also desirable. However, it was not possible to get direct information on the "size" of individual agencies. Although we did obtain revenue figures, these figures included the ticket costs, which meant we could not use the revenue figures to give an estimate of variation of the cost per ticket across size categories. Although this information would have helped us design size strata, we did not have the measures of size for the individual agencies in the population. Thus, stratified selection by size was not possible and the sampling plan had to ignore size as a criterion.

Our sampling survey frame consisted of a published book, known as "Fall/Winter 2000 Personnel Guide To Canada's Travel Industry" listing individual agencies. These agencies were not grouped according to corporate structure, so that each individual agency had to be treated as a sampling unit. It is important to note here that some of these agencies were independent, while others were part of some larger corporate grouping.

There was adequate information on the population to stratify by geographical location. Given that one of the criteria of selection was that all provinces were to be selected, this resulted in some provinces having to be over-sampled. For example, the Atlantic region has 3 per cent of the agencies, which on a proportional basis meant that the sample should contain two or three agencies from Atlantic Canada. Given that there are four Atlantic provinces, if we did not over-sample, at least one province would not have been represented. Thus, both the Atlantic region and the Prairie provinces were over-sampled to ensure representation from all provinces.

The refinement of the sample design, taking into account all client requirements and the relative lack of information on the study population, involved a sampling strategy that treated each provincial grouping and the call centres as separate strata. That is, British Columbia, Ontario and Quebec were separate strata on their own. Alberta, Saskatchewan and Manitoba were part of another stratum known as the Prairie provinces and the four Atlantic provinces were grouped into one stratum known as the Atlantic. We determined the minimum and maximum sample sizes for the strata that required over-sampling and then performed our sample selection from our survey frame, using simple random sampling independently within each stratum. It is important to note that the samples from the pilot study were then included as part of this sample size for an overall combined sample size of 100.

Exhibit III-1 breaks down the sample size to be selected based on the distribution of the number of airline tickets processed. The population is defined as individual agencies. Thus, the provincial representation was based on the number of airline tickets processed in each location category. The sample size to select (i.e. number of agencies) was then determined based on the distribution of the number of tickets issued. The range in sample size is also included for information purposes.

Exhibit III-1: Distribution of the sample across locations

STRATUM	DISTRIBUTION (%) [1]	SAMPLE SIZE (PROPORTIONAL TO REGIONAL DISTRIBUTION)	MINIMUM SAMPLE SIZE	MAXIMUM SAMPLE SIZE
Quebec	22%	19	19	19
Ontario	41%	35	35	35
British Columbia	20%	17	17	17
Prairies	14%	12	12	18
Atlantic	3%	2	2	8
Call Centres	5 [2]		3	
TOTAL			**88 (minimum)**	**100 (maximum)**

[1] *This column represents the percentage of distribution of the total number of airline tickets issued for the entire population as calculated from the "Fall/Winter 2000 Personnel Guide to Canada's Travel Industry".*

[2] *Call centres are represented by actual agencies, not by percentage. The number of agencies shown above was obtained by the ACTA Steering Committee.*

Exhibit III-2 indicates the survey participation results of the above sample selection. Both Exhibits III-1 and III-2 should be read in conjunction in order to compare the sampling plan with the overall participation results. As discussed below in section B-3, our approach to the sampling process changed as a result of non-responses.

Approach

The approach to completing the survey Questionnaires can be described in six phases: selecting the sample, sending the Questionnaires, challenges encountered, re-selection and non-response, data collection, and validation and follow-up.

Selecting the sample

The combined sample size from the pilot and full supplemental study was 100. A total of 26 agencies responded including the pilot and supplemental participants. The distribution of the sample by province as well as the actual responses tabulated by province is shown in Exhibit III-2.

Exhibit III-2: Survey participants by province

PROVINCE	POPULATION (1)	PILOT STUDY SAMPLE SELECTION (2)	TOTAL STUDY SAMPLE SELECTION (3)	SUPPLEMENTAL SAMPLE (4)	FINAL SAMPLE (5)	TOTAL REFUSALS	ACTUAL RESPONSES TABULATED
British Columbia	877	2	17	1	**20**	17	**3**
Alberta	563	0	6	2	**8**	6	**2**
Saskatchewan	119	0	2	0	**2**	1	**1**
Manitoba	164	3	4	3	**10**	6	**4**
Ontario	2254	6	37	5	**48**	38	**10**
Quebec	857	1	20	0	**21**	17	**4**
New Brunswick	63	0	1	0	**1**	1	**0**
Nova Scotia	109	2	1	0	**3**	3	**0**
Newfoundland	57	1	1	1	**3**	1	**2**
PEI	17	0	1	0	**1**	1	**0**
Total	**5080**	**15***	**90**	**12**	**117**	**91**	**26**

Notes:

1. Population numbers (by province) as extracted from "Fall/Winter 2000 Personnel Guide to Canada's Travel Industry".

2. The Pilot Study Sample Selection represents the initial sample of individual agencies obtained during the pilot study phase.

3. The Total Sample Selection represents the number of agencies (the sample) for each province that was selected based on the statistical sampling methodology described in this chapter.

4. The Supplemental Sample represents the additional sample of agencies obtained after measures were taken to increase the response rate (see discussion in section B-3).

5. The Final Sample represents the total of columns described in (1), (2), and (3).

* The total of 15 agencies in the pilot sample includes four replacement agencies.

Sending the Questionnaires

As discussed in Chapter I, the Questionnaire was developed with guidance and feedback from the Steering Committee and other travel industry members and was then approved by ACTA officials and the Airline Compensation Committee. Upon determining the sample selection, a detailed process was followed in sending out the Questionnaires and Questionnaire Guides to the intended recipients.

For the pilot study, each agency was faxed the following items: Questionnaire, Questionnaire Guide, and a generic cover letter from the President of ACTA indicating the importance of the survey process. In all cases, we sent the package to the individual identified in our survey frame (i.e. the published listing of agencies). For those agencies that had a published email address, the same documents were also emailed to that individual in the agency.

For both faxes and emails, we tracked the delivery response of each medium. When we were notified of an unsuccessful delivery, we contacted the agent to determine why the Questionnaire package was not received by the agency and we checked to ensure the appropriate fax number and/or email address. For each sample, we tracked all correspondence (phone conversations, faxes, emails) on a database to keep track of the progress of the Questionnaire response. We contacted every sample agency between the send date and the deadline receipt date to determine if they had received the survey, whether they had any questions on the survey, and when we would be receiving their response. This exact procedure was followed for the final survey.

Challenges encountered

There were certain challenges that were experienced through the survey process which resulted in changes to the sampling plan.

The main challenge that was encountered was the non-response rate of agencies. During the pilot study phase, we encountered some non-response issues and had to replace agencies with similar size agencies; however, for the most part, the pilot sample results and response rate was adequate. Of the eleven agencies sampled in the pilot approach, we received seven responses, after some reselection. The responses that were received, however, were not received in a timely manner and this became another one of the challenges in this phase. As a result of the delay in pilot responses, the final study surveys became delayed.

In early December 2000, we sent out 90 surveys both by fax and email. Even after the deadline response date had passed we had only received seven responses from the total of 90 surveys sent. This resulted in a combined pilot and final study total of 15 respondents. It is important to note that throughout this process, KPMG was following up on respondents on a regular basis. Contacting the agencies was a lengthy and time-consuming process. A detailed discussion of the follow up process is outlined later in this chapter; however, to illustrate, some of the challenges encountered in dealing with the non-response issues included:

- respondents stating that they did not receive the survey (we had sent all surveys by fax and by email for those agencies that had a published email address);

- respondent did not reply to our messages and/or respondents took a long time to respond to our voicemail or email messages;

- survey was always sent to the individual listed in the published agency listings; however, this was not always the appropriate person to complete the survey and it took time before the appropriate person received the survey;

- questions were not answered correctly or questions were not completed; thus, it took time to contact the respondents and obtain the accurate information;

- respondent promised to send in the survey by a specified date and never did and/or delayed sending the survey back to the point that the respondent was too busy to complete it;

- respondent informed us that they simply did not have the time to do the survey;

- respondent was not a member of ACTA and did not want to complete the survey; or

- respondent was away and could not complete the survey.

Thus, given the fact that the response rate was so low for the combined final study, a collective decision was made between ACTA, KPMG, and the other industry parties involved to increase the response rate and move away from the statistical sampling approach. This was achieved in two ways.

First, we contacted the senior management representatives of the large corporate groups that were selected in the final study sample to call their key agencies in order to discuss the importance of the study and encourage the agencies to respond. We obtained three additional responses by this method.

Secondly, the purpose and importance of our study was advertised in the ACTA Newsletter in order to obtain some voluntary participation from those agencies who were actively concerned about the issues facing the travel industry today. We received another twelve additional willing participants. These agencies were all from various locations and their revenue mix was varied as well. Of these twelve agencies, ten agencies informed us that they would respond to the survey, one agency no longer had the time to complete the survey, and one willing representative left the agency after announcing their participation. Of the ten agencies that promised their participation, we received results for eight of these agencies. Thus, by moving away from the statistical sampling method at this stage, we obtained a 67 per cent participation response rate from the supplemental sample.

Given the challenges encountered, this change in approach allowed for additional responses that helped provide meaningful results to the overall study. We also looked at the characteristics of populations in similar studies such as, "Annual Survey of Travel Agencies, Tour Operators Research Report 1999-2". This research report was based on the "Statistics Canada Annual Survey of Travel Agencies, Tour Operator 1997" results. In addition, the voluntary participation by agencies across the country resembled a representative selection similar to a simple random selection.

Re-selection and non-response

The issue of non-response has been discussed above; however, it is important to note the process taken when a survey was declined and when it was determined that we would not receive the responses. There was a total of six samples that were re-selected.

This re-selection was performed as soon as it was determined that the agency was either ineligible (see criteria in Chapter II) or there was a simple refusal. As soon as the 90 final study Questionnaires were sent out, it was determined that four of the agencies were ineligible because they were cruise agencies. These had to be replaced because these agencies should have been removed from the population. For the most part, cruise agencies do not issue airline tickets; they obtain their tickets from a wholesaler. Thus, their data would not have applied to this study. There were also two immediate refusals that were replaced. In Quebec, if an agency requested to have the survey sent in French, we sent them a French survey.

After the final study Questionnaire was sent out and the initial replacements made, we followed up via phone, fax, or email to ensure that the survey was received and whether the individual responsible had any questions for us. At this point, after acknowledging receipt of the Questionnaire package and a willingness to complete the survey, most agencies also stated one or more of the following responses:

- The agent would have to forward the survey to their head office for completion.

- The agent was not the appropriate individual to complete the survey; however, the agent would forward the survey to the most financially appropriate individual in the organization.

- The individual was away or was going to be away and did not know if he/she would be able to complete the survey on time.

- The agency would attempt to complete the survey within a specified time.

In all cases, there were delays encountered as KPMG held the agencies "true to their word" with the above responses. When sufficient time had passed and we still did not receive the response rate that we desired, we submitted another mail-out.

This involved identifying all the agencies who did not send a response and re-sending them the Questionnaire package with a few modifications. We offered each agency several options on how they could send the survey back to us. In this third attempt to obtain responses, we offered the following options:

- The agency could complete the full survey and send it via fax or email.

- The agency could send us their latest financial statements along with the answers to certain required questions.

- If the agency's latest financial statements were not available, the agency could complete four mandatory questions only.

- The agency could call the KPMG representatives and complete the survey over the phone.

Despite these efforts and follow up calls, the response rate was still too low to provide meaningful results. As discussed in Chapter II, it was at this point that a decision was made to move away from the statistical sampling approach and increase the response rate.

As a result of the significantly lower than anticipated response rate, the reader should be cautioned that our findings may not be representative of the population and use of this information may not be appropriate for all purposes.

Data Collection

Upon receipt of a completed Questionnaire either by fax or email, the date and medium received was entered in the agency database.

The data entry of the Questionnaire into a database was performed by members of the KPMG client service team. This database had control parameters built into each question in order to identify any outliers. Outliers are defined as values of a variable that are outside of the normal range for that value. As discussed earlier in this report, these control parameters were developed and based on information provided by Statistics Canada and by authorities in the travel agency industry.

Validation and follow up

All of the cost data was reviewed for reasonableness and when an item appeared to be an outlier, this was investigated. Reasonableness was determined based on benchmarks of information received from members of the travel industry and from the Travel Agency Committee. These benchmarks were used as a validation check for all cost areas and for other information such as average salaries for specific functions. The database program indicated an outlier existed by displaying an error message in the exception reporting generated from the KPMG database. All of these "errors" were investigated by contacting the agency and discussing the results. In some cases, a reasonable explanation for the "error" existed; in other cases, the cost data was revised by the agency and re-submitted to KPMG.

Again, all correspondence was logged in the agency database. This included the date and medium received, any follow up correspondence, alternate contacts, whether the survey was inputted into the costing database, and whether additional information was required after the data was entered.

Upon validation of all agency data results, KPMG analyzed the results and discussed findings with ACTA officials, CTC, Industry Canada, and the Steering Committee.

IV. Data Processing And Analysis

Data entry was performed by the KPMG team as each survey was received. Data was validated on entry by programmed reasonableness ranges for certain values. Further validation was done by KPMG senior management, using the programmed controls and manual review.

Data processing was done using statistical analysis software. Numerous databases were created, substantially along the lines of the cost factors, to store the data from the questionnaires. A detailed discussion of the data collection process is described in Chapter III.

To further verify the data, as discussed in Chapter III, section B-6 of this report, control parameters were in place to scan for unusual items. These were followed up as described in Chapter III.

The next step was to determine the industry average cost of issuing an airline ticket. The results are discussed in Chapter V. In addition, Chapter V also discusses additional industry cost data that was determined through this process.

A Study to Determine the Cost of Issuing Airline Tickets

V. Results

Cost Results

1. Total average cost results

Overview

The purpose of this study (as outlined in Chapter I) was to determine the industry average cost of issuing airline tickets. Before we can begin to analyze these costs, it is important to understand the factors that affect the cost. These factors fall in two main categories: location and revenue (size).

- The cost results based on location have been determined using the same strata classes as discussed in Chapter III. Costs represent actual costs with no element of profit included in the costs.

- The cost results based on revenues have been determined based on the total commissions that each agency earned in their latest financial year end.

It is also important to note that we analyzed the distribution of the sample among the various revenue categories against the distribution of the population for the same revenue categories. The purpose of this analysis was to determine how close the sample selection approximated the population break down. The chart below demonstrates the results and shows that overall, the sample selection is reasonably representative of the population. The data with respect to the population break down, has been obtained from the 2000 ACTA Business Plan.

Exhibit V-1 Distribution of Sample Units Among the Population

REVENUE RANGE	DISTRIBUTION OF SAMPLED TRAVEL AGENCIES BY REVENUE (%)	DISTRIBUTION OF CANADIAN TRAVEL AGENCY POPULATION BY REVENUES (%) [1]
$0 - $500,000	46%	35.6%
$500,001 - $1,000,000	15%	22.4%
$1,000,001 - $2,000,000	27%	19.5%
>$2,000,000	12%	22.5%
	n = 26	N = 5,000 (est.)

[1] *Data has been obtained from the 2000 ACTA Business Plan and refers to 1999 revenues obtained from the Bank Settlement Program (BSP) data*
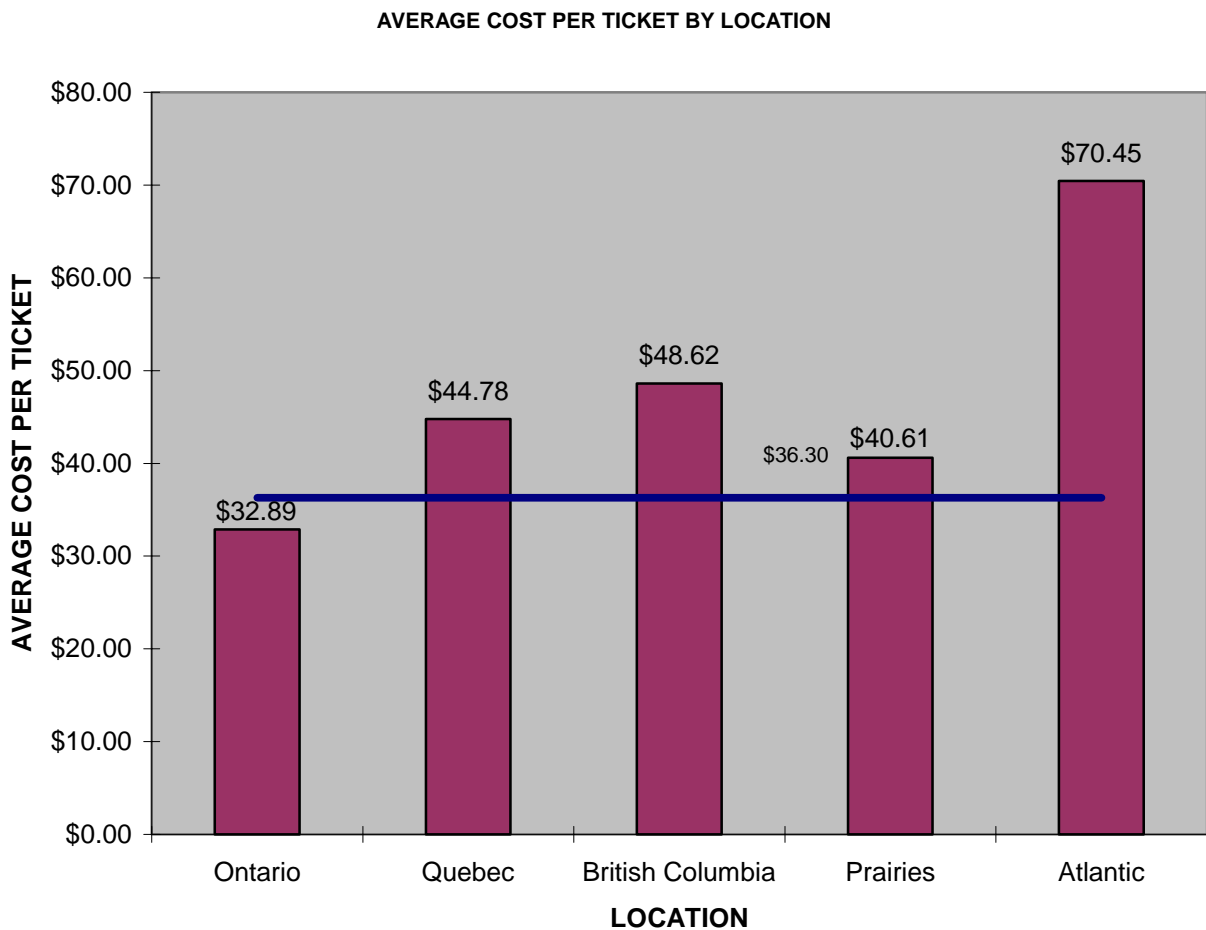
Cost Results

i.   Overall Cost Results:

- The weighted average industry cost of issuing airline tickets is: $45.82 .

- The weighted average industry cost of issuing airline tickets is: $36.30 (Total weighted average cost of all sample items, *including* call centres).

ii.   Average Cost per Ticket by Location

Although average ticket cost in Ontario, Quebec, British Columbia, and the Prairies are within a specific range (i.e. $32.89 to $48.62), the Atlantic costs of $70.45 are much higher than the average. Several reasons for this have been proposed in detailed analysis further in this report (see section 2 – "leisure and corporate travel costs").

AVERAGE COST PER TICKET BY LOCATION

n=26

iii.   Average Cost per Ticket by Revenue

The results indicate that the small agencies ($0-$500,000) are distinct in terms of how they operate compared to other mid-size agencies. Although these agencies are small, low volume agencies, the nature of their business appears to have a dramatic impact on their ticket processing cost. The nature of these agencies is such that they are generally owner managed entities with a higher level of "hands on" operation. In addition, the largest agencies (greater than $2,000,000) have the lowest costs in the group. Call centre operations are included in this revenue range. Given their distinct nature of operations and volume, this would contribute to the lower costs of larger agencies.

AVERAGE COST PER TICKET BY REVENUES


n=26
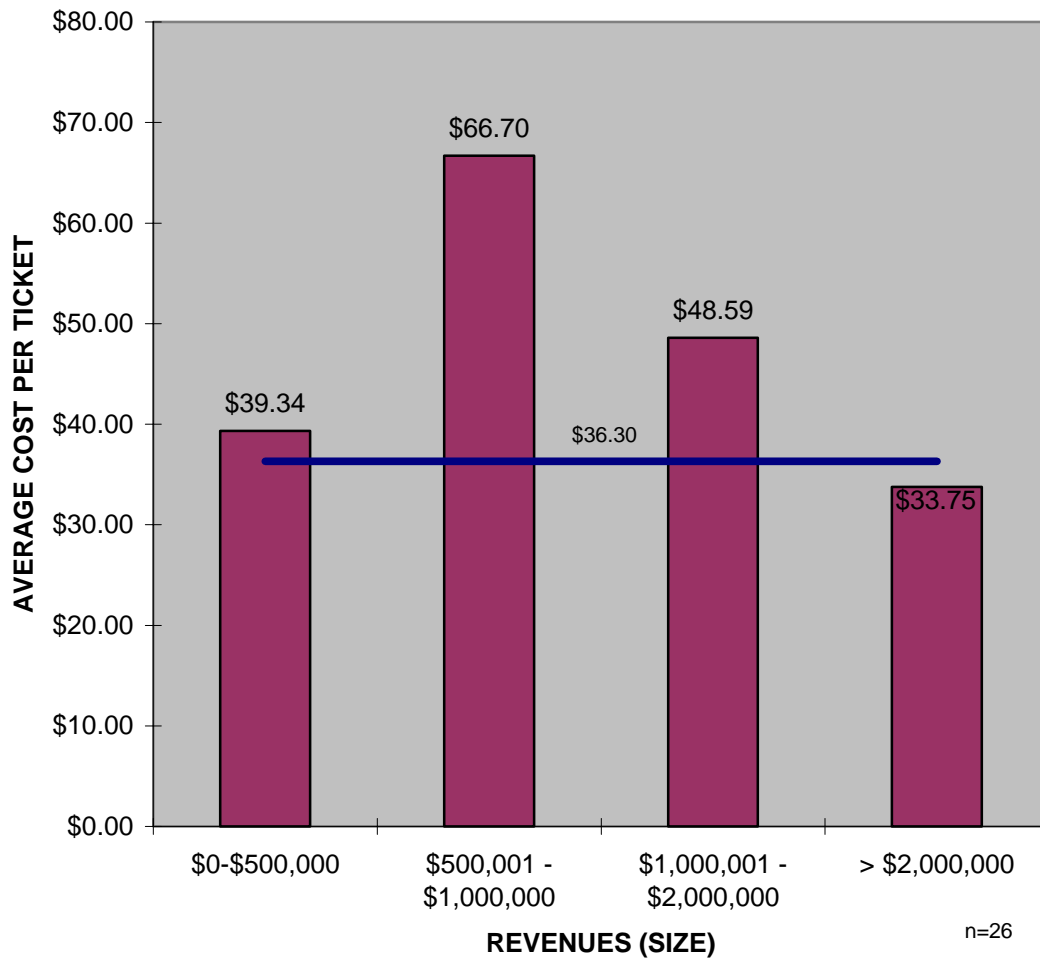
iv.   Sample Distribution

The distribution by revenue indicates that the majority of the cost results for the smaller agency group ($0-$500,000) are within a similar range of costs. However, as the revenues increase, the costs are not as uniform and there are more outliers. Some of the outliers represent agencies that perform functions other than solely issuing airline tickets. For example, the issuing of airline tickets is an activity for these agencies, however, the majority of the activity for some of these agencies is in the tour operation business. This explains why costs may be higher for these agencies; we noted that in general, those agencies that performed a mix of services including tour operation, had higher costs in the sales and marketing category. This contributed to the higher costs overall for these agencies.

A similar conclusion can be reached with the distribution of cost by the number of tickets. Costs for the lower ticket issues (hence, the lower revenue group) are within a reasonable range of cost distribution.

**DISTRIBUTION OF AVERAGE COST BY REVENUE**

n=26
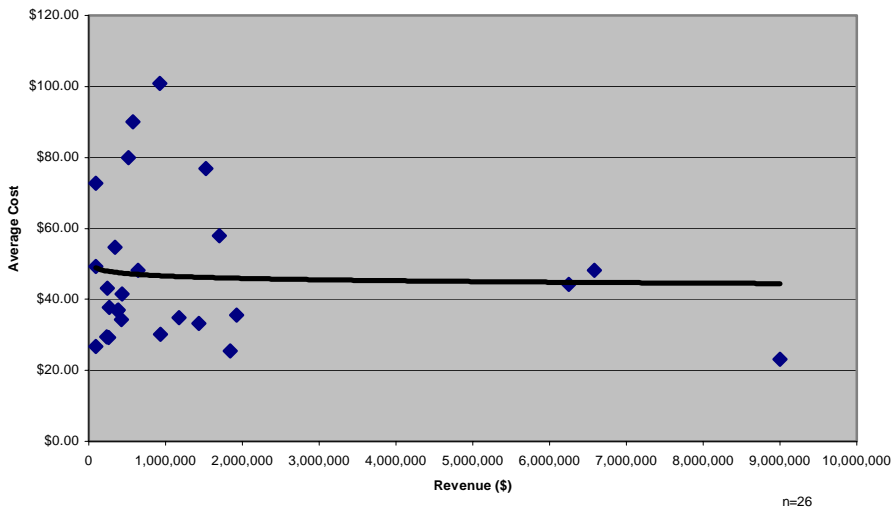
**DISTRIBUTION OF COST BY NUMBER OF TICKETS**

n=26
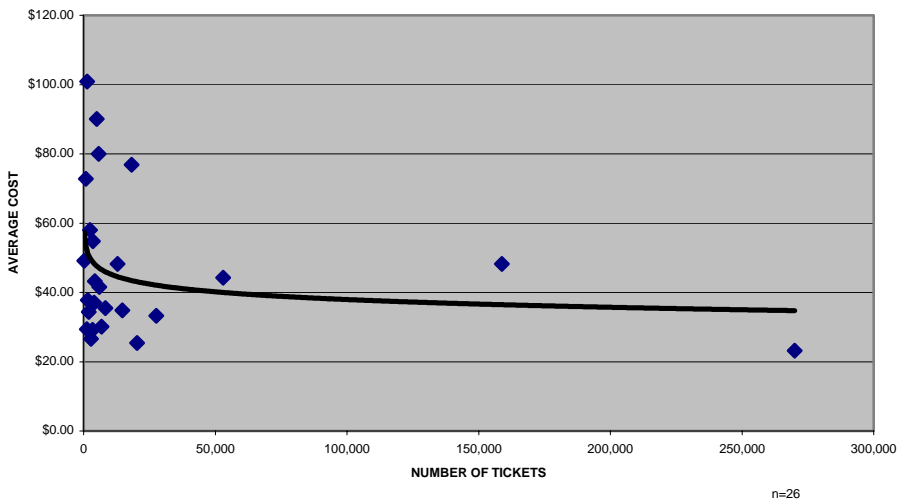
2. Leisure and corporate travel cost

The industry average cost can be further broken down into determining the cost of issuing a leisure travel ticket compared to a corporate ticket. In calculating the cost to issue both leisure and corporate tickets, we used time as a cost driver. We determined the cost per minute and then used this indicator to determine the cost for leisure and corporate tickets. It is important to note that we validated the results we obtained for the time it took to perform a task/process. This validation was performed based on assumptions on downtime, number of calls per sale and average vacation and statutory time off that was obtained from ACTA, travel industry members and from other research studies. Based on the results of this validation, it was determined that seven of the agencies (including those agencies in the greater than $2,000,000 revenue range) had invalid data with respect to the time it would take to process a transaction. In all cases it was proven that, given the assumptions above and the number of staff within the Agency, it was impossible for the volume of tickets to be produced within the times identified. Thus, in order to ensure the integrity of the results reported, we removed the agencies with extreme abnormalities in this time data out of the related cost calculation. Because time was provided as additional information to this study only, abnormalities in time data had no effect on the cost results and these seven agencies discussed above are considered valid samples for determining the average cost.

The graphs below indicate the differences in cost in processing leisure and corporate airline tickets (by location and by revenue category).

AVERAGE COST BY REVENUES
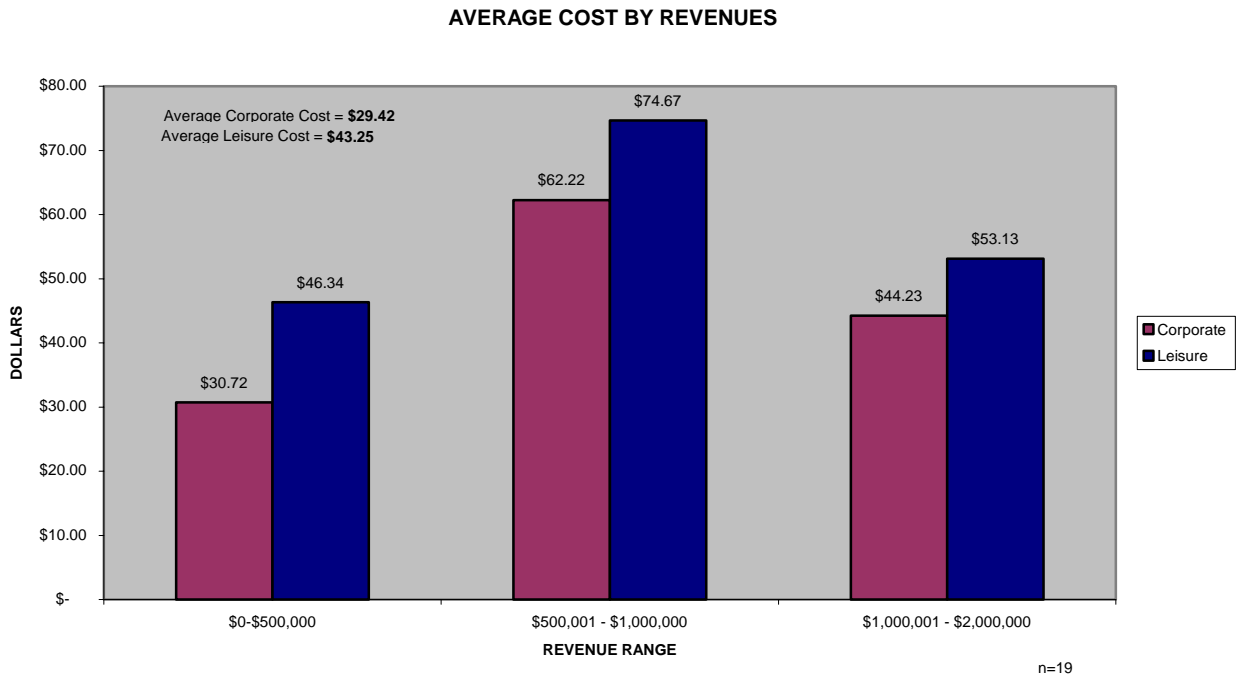
AVERAGE COST BY LOCATION
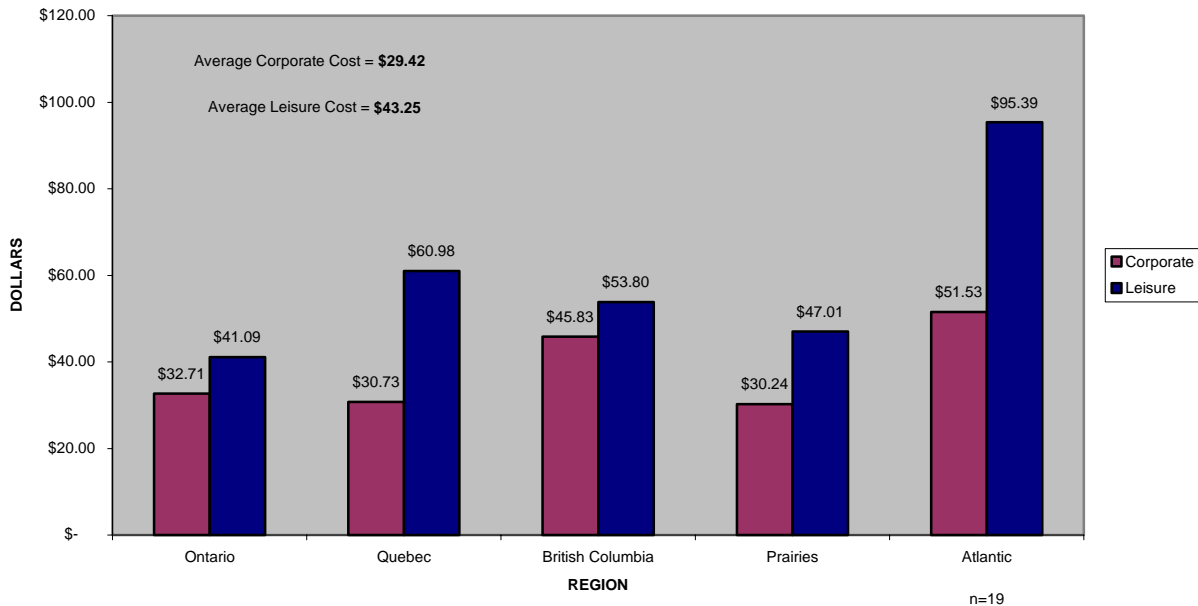
In all cases, the average cost to issue a leisure ticket is higher than it is to issue a corporate ticket. The time it takes to process a leisure ticket is higher than the time it takes to process a corporate ticket. This is the case among all locations and among all revenue categories. According to Bank Settlement Plan ("BSP") research, leisure tickets are lower yield tickets than corporate tickets but will generally have higher traveller participation (i.e. more than one traveller) than their corporate counterparts.

Ontario and the Prairies had among the lowest costs for both corporate and leisure ticket issuance, whereas the Atlantic region had much higher costs for leisure travel. The Atlantic region reflected only two sample items within the overall sample; thus, the reader should be cautioned that these results may not be representative. This also partly explains why the Atlantic regions overall cost was substantially higher in our sample. Since a much higher percentage of their total ticket issuance was leisure when compared to the remaining sample items and since leisure ticket issuance is in all cases more costly, having a higher percentage of leisure ticket issuance will drive up the overall average cost. In fact the result for the Atlantic region is compounded further because the Atlantic region had much higher costs for leisure travel when compared to corporate.

Another comparison of costs between other studies performed is shown below. This graph shows the corporate and leisure costs for this study compared to the corporate and leisure costs listed in the "Varsity Consulting Group" study published in April 1999. The Varsity study was commissioned by ACTA Alberta. KPMG obtained permission from ACTA to use the results from the Varsity study to compare to the results outlined in this report.

AVERAGE COST COMPARISON AMONG CANADIAN STUDIES
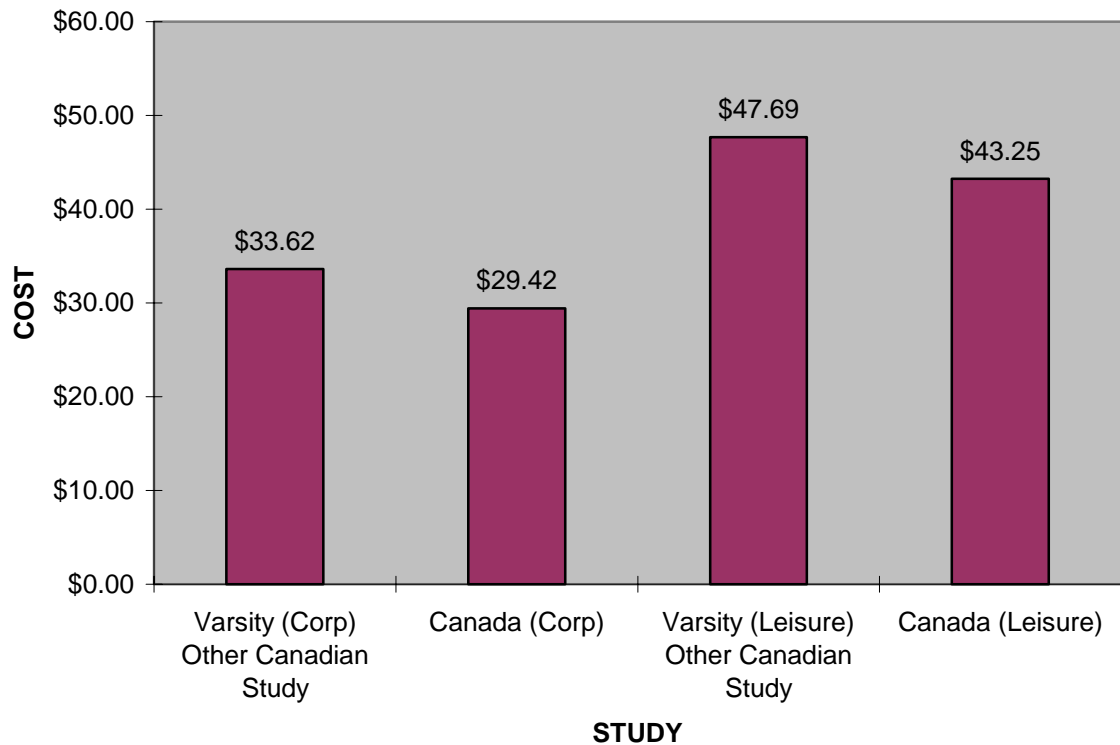
The results from this analysis show that costs to issue corporate tickets are much lower than the costs to issue leisure tickets. This corroborates the earlier analysis of leisure and corporate cost results. The costs reported by the Varsity study are slightly higher than the costs reported in this study; the Varsity study was a time in motion study where more analysis and effort would have been placed on the collection and study of processing times. The difference in results could also be due to the increased usage in technology and further productivity improvements resulting from commission caps and staffing shortages in the last two years between the Varsity study and this study.

3. Canadian Cost Results Compared to International Studies

i. Average Cost Comparison Among Studies

KPMG obtained from ACTA similar cost studies performed by other countries. We have included the results of the average cost to issue a ticket for three of these countries and compared the results to the average cost determined in this report.

We have not named any of the countries specifically; rather, we have referred to the countries as "Country A", "Country B", and "Country C". It is important to note that the results for Country B is a collection of results from five countries which were averaged together to determine the cost. The participation rate in each of these studies varied, however in all cases the number of sample units was less than this KPMG study. We were not able to obtain permission from the authors of these studies to identify their detailed results as a comparison measure for our study. The costs indicated on the graph below have been translated into Canadian dollars as at March 14, 2001. The average cost of $30.90 displayed in this graph represents a simple average cost of these four studies compared below. Results for Country A are reflective of the costs to produce a domestic corporate airline ticket only. Our research does indicate that corporate tickets are the least expensive tickets to produce. These international studies were completed for a variety of purposes using different methodologies in other countries. Additionally, relative differences in the purchasing power within these foreign jurisdictions have not been considered in expressing the Canadian dollar equivalent of these average costs. Thus, the reader should be cautioned that the results from these studies may not be comparable.

AVERAGE COST COMPARISON AMONG STUDIES
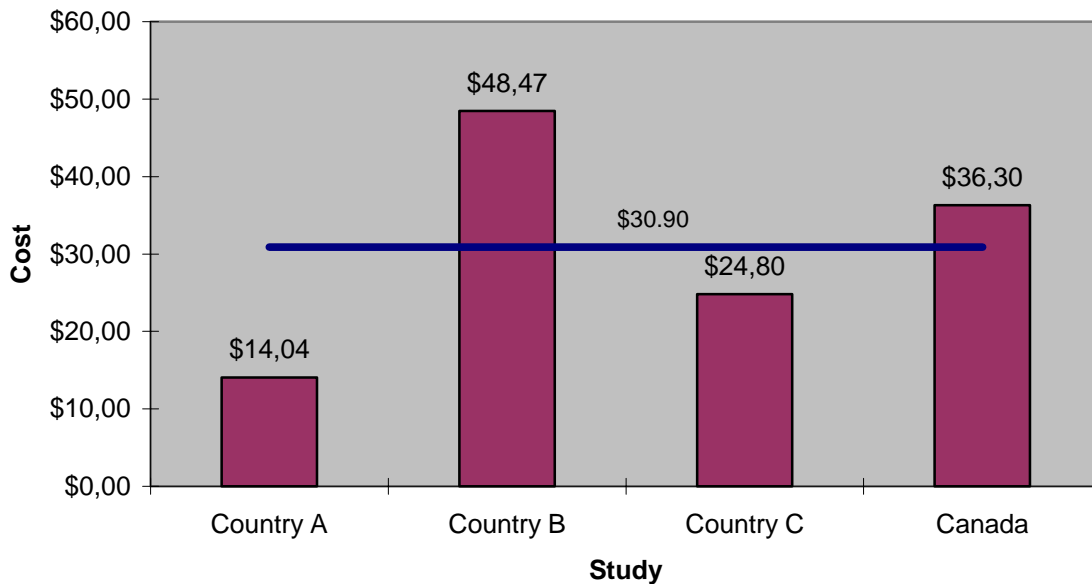
4. Percentage of salary costs compared to total cost.

The graph below (as discussed in section 3) compares the salary costs as a percentage of total costs among other international and Canadian studies performed.

COMPARISON OF LABOUR COSTS AS A PERCENTAGE OF TOTAL COST AMONG STUDIES
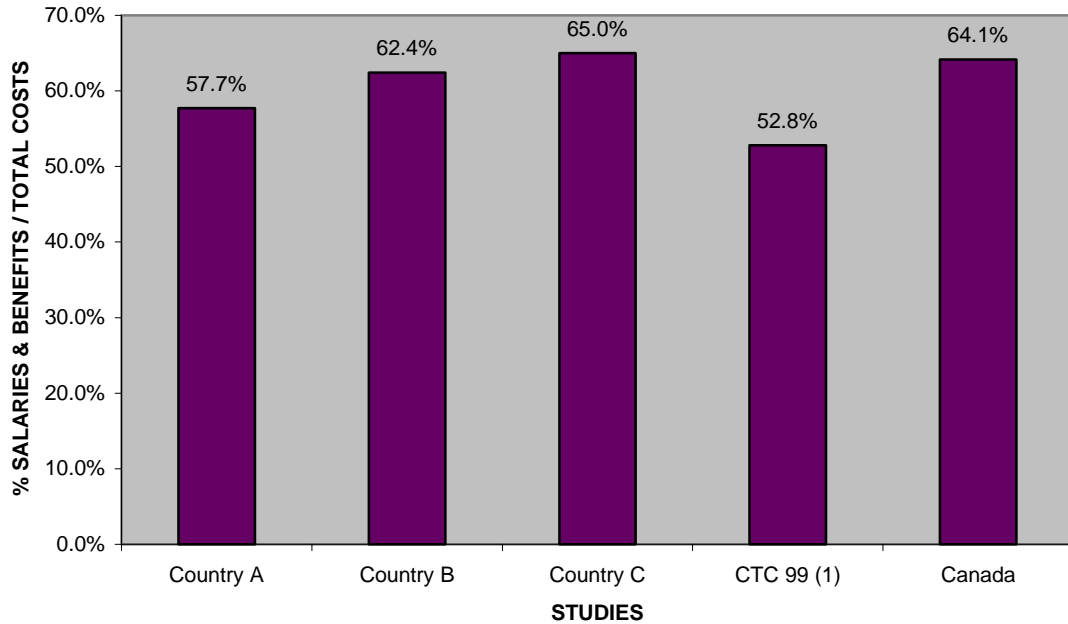
(1) Canadian Tourism Commission Annual Survey of Travel Agencies, Tour Operators

The results from Countries A, B, and C are included here as well as the results of a cost study performed by the CTC in 1999 (Source: Annual Survey of Travel Agencies, Tour Operators. Research Report, 1999-2). KPMG obtained permission from the CTC to use the results from the CTC study to compare to the results in this report. Overall, the results are fairly consistent among studies; however, Canada's results are the second highest in the group.

Other Results

In addition to providing the average cost results, KPMG was engaged to provide results for other information that would be useful to the travel industry. This includes an analysis of the average salary among salary classes and locations, an analysis of the time it takes to process a ticket, and an analysis of the extent of technological advancement across revenues and locations.

1. Salaries

The graphs below indicate a comparison of the average weekly salary per employee class by revenues and by location.

AVERAGE WEEKLY SALARY PER EMPLOYEE CLASS BY REVENUES

	Travel agent	Management	Administrative
$0 - $500,000	$513.57	$570.97	$172.78
$500,001 - $ 1,000,000	$611.50	$1,003.75	$421.38
$1,000,001 - $2,000,000	$626.54	$1,072.71	$525.01
> $2,000,000	$712.59	$1,848.20	$643.36

REVENUES (AGENCY SIZE)
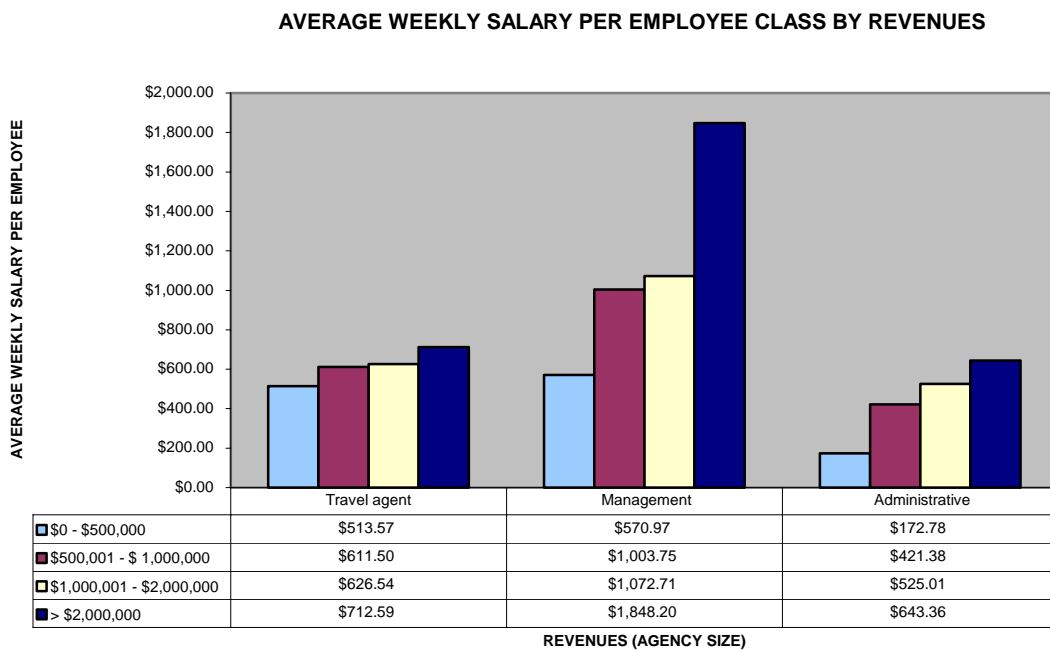
Note: Atlantic Management results were not available

n=26

A Study to Determine the Cost of Issuing Airline Tickets

AVERAGE WEEKLY SALARY PER EMPLOYEE CLASS BY LOCATION

	Ontario	Quebec	British Columbia	Prairies	Atlantic
■Travel agent	$675.31	$562.88	$585.89	$476.98	$515.60
■Management	$1,055.15	$994.63	$905.33	$718.64	$-
□Administration	$353.87	$363.59	$402.67	$378.64	$256.20

LOCATION
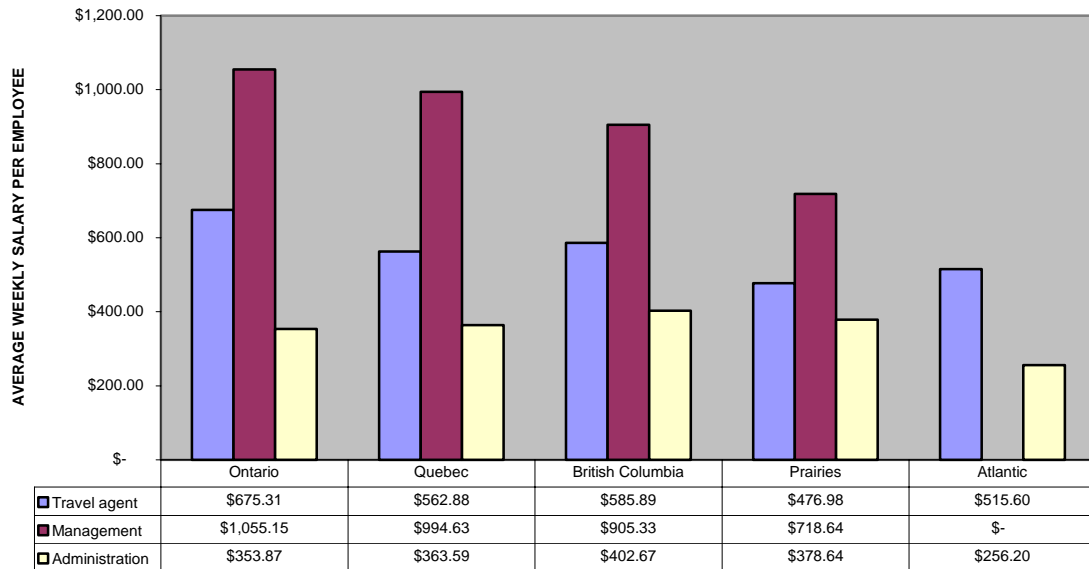
Note: Atlantic region Management results were not available   n=26

It is interesting to note that the average weekly salaries for all employee class levels increase as the agency size (revenues) increase. Agents get paid the highest in Ontario and the second highest in British Columbia and Quebec. This is also true for management salaries. Ontario has the highest management salaries followed by Quebec and British Columbia. One explanation for the high salary costs in these provinces is that the majority of the samples were from the metropolitan Vancouver, Montreal, or Toronto areas and the higher revenue agencies are also located within these provinces. In all cases, salary levels are generally higher in those regions. In addition, in the highest revenue range, the management salaries are substantially higher because there are generally more senior level management positions.
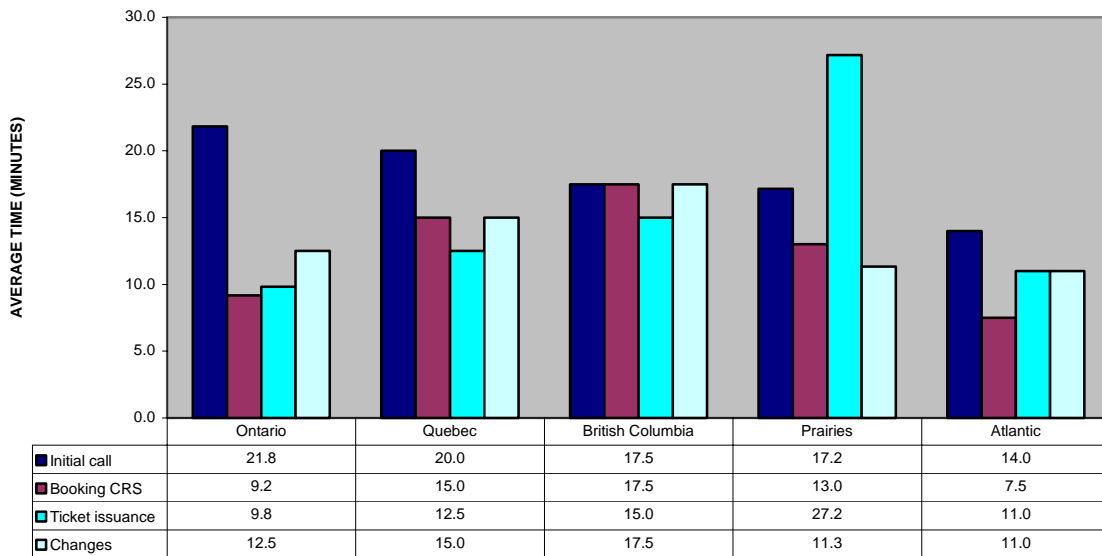
2. Time to process a ticket

i. Average time in minutes comparison among corporate and leisure tickets

The following graphs represent the average time in minutes to process a corporate and leisure ticket by both revenue and location. As discussed earlier in this report during the comparison of leisure and corporate ticket issuance costs, the results we obtained were validated for the time it took to perform a process/task. Thus, the graphs below include the results of those agencies that had valid data for these results. As there were seven agencies that did not have valid data with respect to the time to process a ticket, the results in the following graphs would reflect 19 samples. However, for the graphs indicating average time to process a corporate ticket both by location and by revenues, there are only 17 results. This is because one agency in Ontario and one agency in Quebec did not have access to data for corporate results. For the graphs indicating the time to process a leisure ticket both by location and revenues, there are 18 results because the same agency in Quebec also did not have access to data for leisure results.

It is important to note what the results have indicated. That is, although the Atlantic region had some of the lowest times in processing a ticket from the initial call to the ticket issuance phase including changes, the overall average cost to process a ticket in the Atlantic region is the highest amongst all sample results. The Atlantic region reflected only two sample items within the overall sample; thus, the reader should be cautioned that these results may not be representative. Some reasons explaining the high average costs in the Atlantic have been described in the leisure and corporate cost analysis section. The discrepancy between the high overall average cost in the Atlantic and the lower processing times for leisure travel may suggest that the time it takes to process a leisure ticket has minimal effect on the overall costs given that down time may simply be higher due to volume.

AVERAGE TIME (IN MINUTES) PER FUNCTION BY LOCATION (LEISURE)

	Ontario	Quebec	British Columbia	Prairies	Atlantic
■ Initial call	21.8	20.0	17.5	17.2	14.0
■ Booking CRS	9.2	15.0	17.5	13.0	7.5
□ Ticket issuance	9.8	12.5	15.0	27.2	11.0
□ Changes	12.5	15.0	17.5	11.3	11.0

LOCATIONS

n=18

AVERAGE TIME (IN MINUTES) PER FUNCTION BY LOCATION (CORPORATE)

	Ontario	Quebec	British Columbia	Prairies	Atlantic
■ Initial call	19.4	11.0	15.0	13.8	5.5
■ Booking CRS	6.4	3.5	12.5	10.0	4.0
■ Ticket issuance	10.4	18.5	15.0	8.3	7.0
□ Changes	10.0	5.0	15.0	12.0	7.0

LOCATIONS

n=17
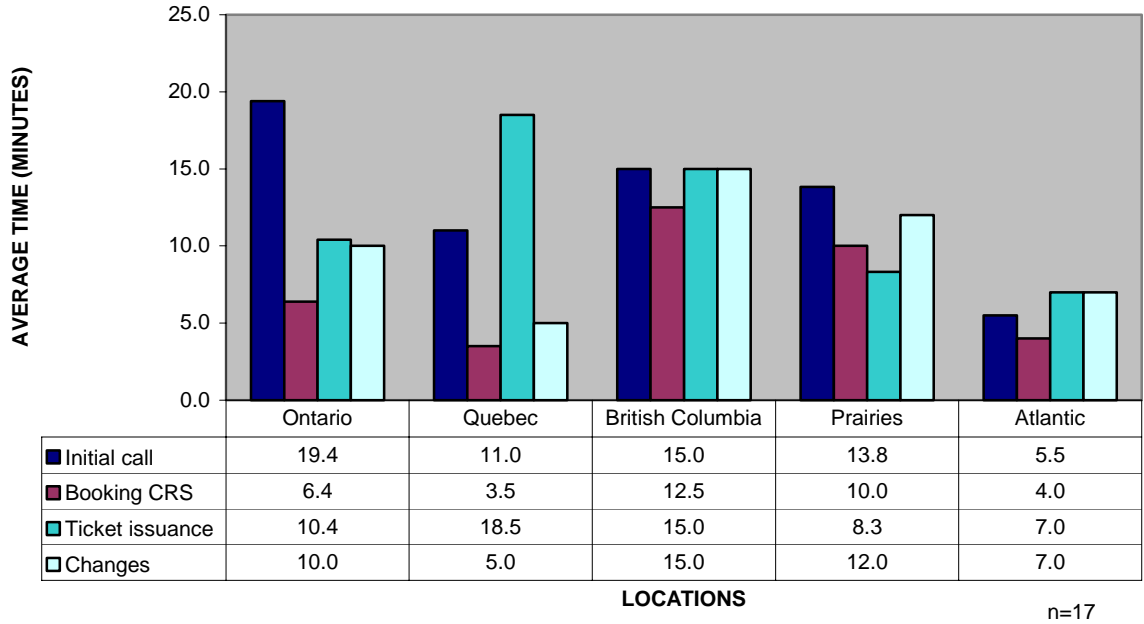
AVERAGE TIME IN MINUTES PER FUNCTION BY REVENUES (LEISURE)

	Initial call	Booking CRS	Ticket issuance	Changes
■ $0 - $500,000	21.0	11.5	19.5	12.5
■ $500,001 - $1,000,000	15.0	10.0	7.5	12.5
□ $1,000,001 - $2,000,000	13.8	13.8	12.5	13.8

FUNCTIONS

n=18
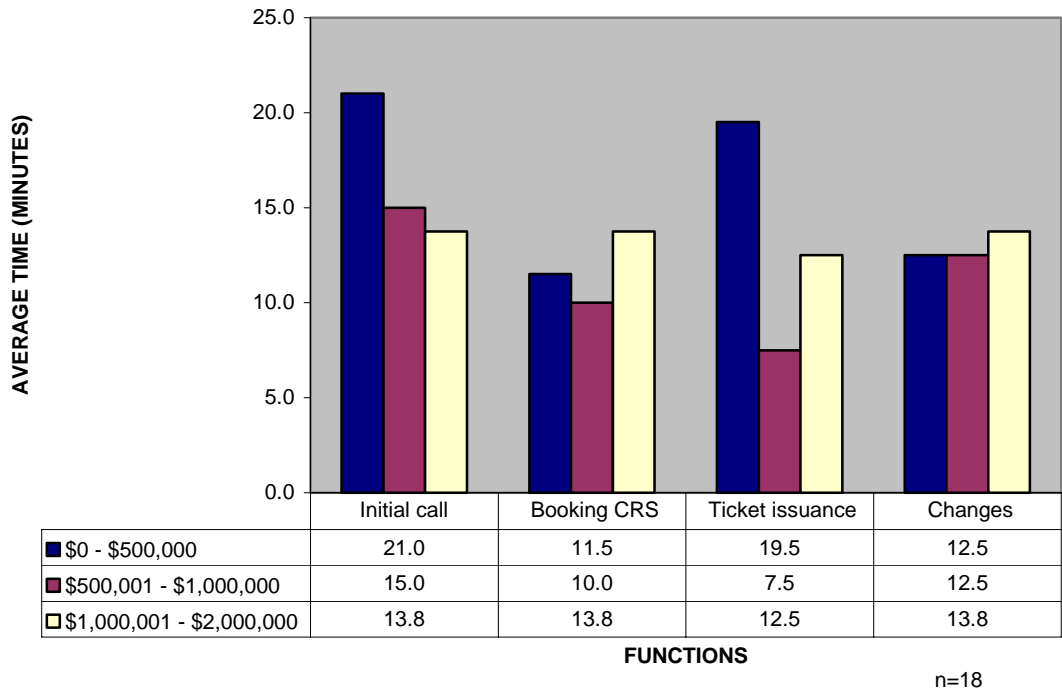
AVERAGE TIME IN MINUTES PER FUNCTION BY REVENUES (CORPORATE)

	Initial call	Booking CRS	Ticket issuance	Changes
■ $0 - $500,000	16.6	7.0	10.7	9.3
■ $500,001 - $1,000,000	10.0	7.5	7.5	12.5
□ $1,000,001 - $2,000,000	10.0	10.0	12.5	12.3

FUNCTIONS

n=17
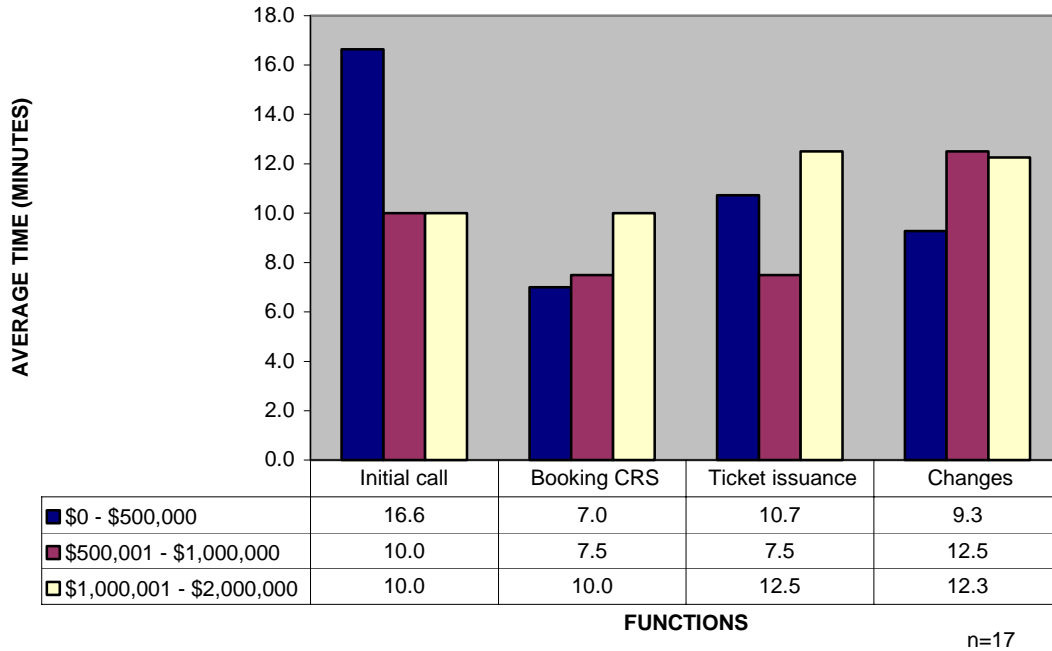
As discussed in the "Cost Results" above, these graphs demonstrate that it takes longer to process a leisure ticket than it does to process a corporate ticket. This is true for both revenue classes and location.

ii.   Average Time in Minutes Compared to Canadian Study and Country C

KPMG also compared the time to process a ticket for all sample items excluding call centres and with Country C, and the Varsity Consulting Group for leisure travel.

AVERAGE TIME IN MINUTES PER FUNCTION COMPARED TO COUNTRY C and VARSITY STUDY

|	Initial call	Booking CRS	Ticket issuance	Changes
▢ $0-$2,000,000	22.7	11.7	21.0	15.4
◼ Country C	3.3	6.5	10.3	6.5
◼ Varsity (Leisure)	15	12	12	0
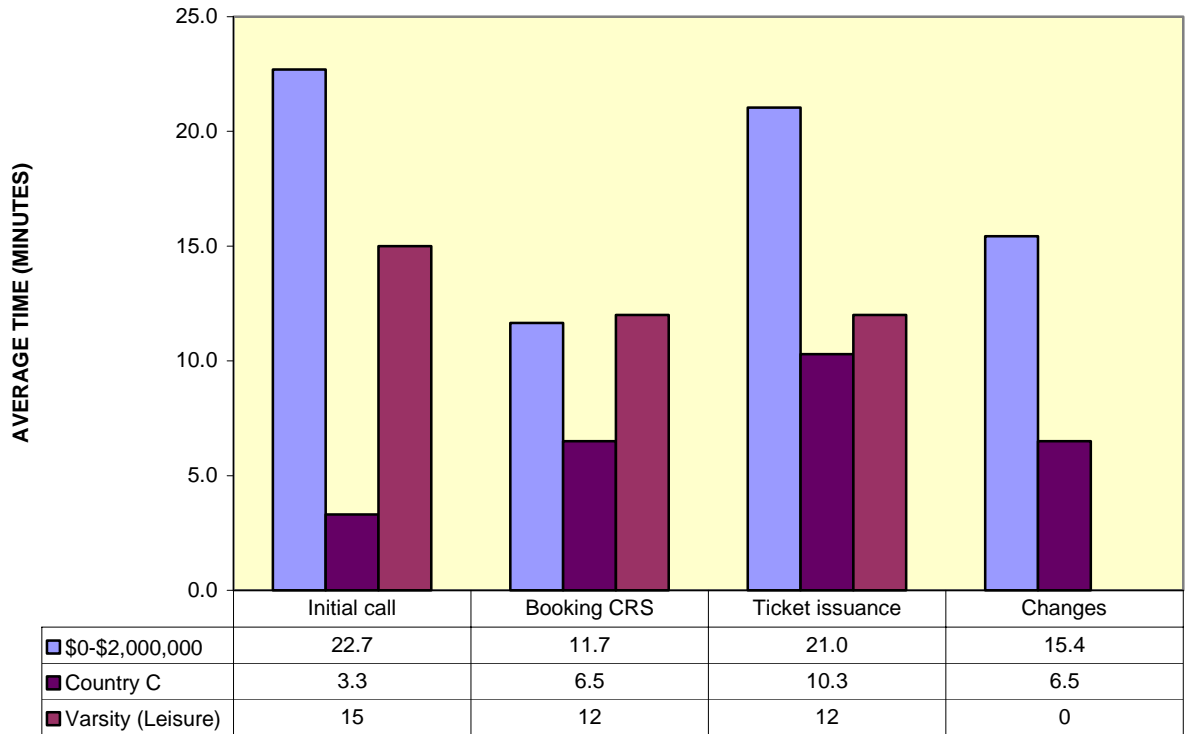
Note: Varsity Study data for "Changes" was not available **FUNCTIONS**

The results from this analysis show that the time it takes to issue tickets is generally higher in our study than in the other studies. The comparison information was obtained from time in motion studies where more analysis would have been placed on the collection and study of processing times including observing a sample of processing activities and times.

3. Technology assessment

The following graphs show the use of technology in issuing an airline ticket across revenues and location. The results represent the percentage of agencies that provided a "yes" response in using the technological tool.

TECHNOLOGY RATING (IN %) PER PROCESS BY REVENUE

n=25

A Study to Determine the Cost of Issuing Airline Tickets
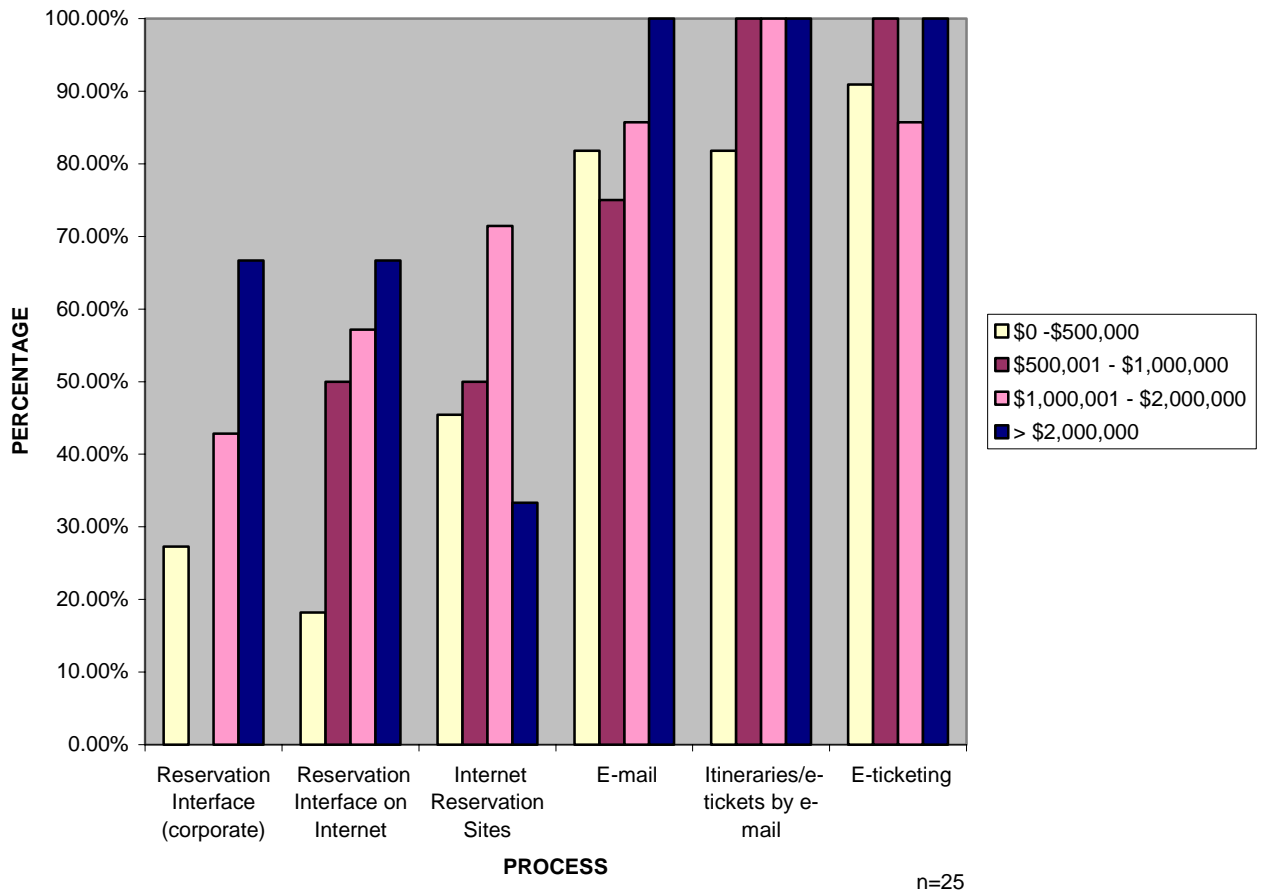
TECHNOLOGY RATING (IN %) PER PROCESS BY LOCATION
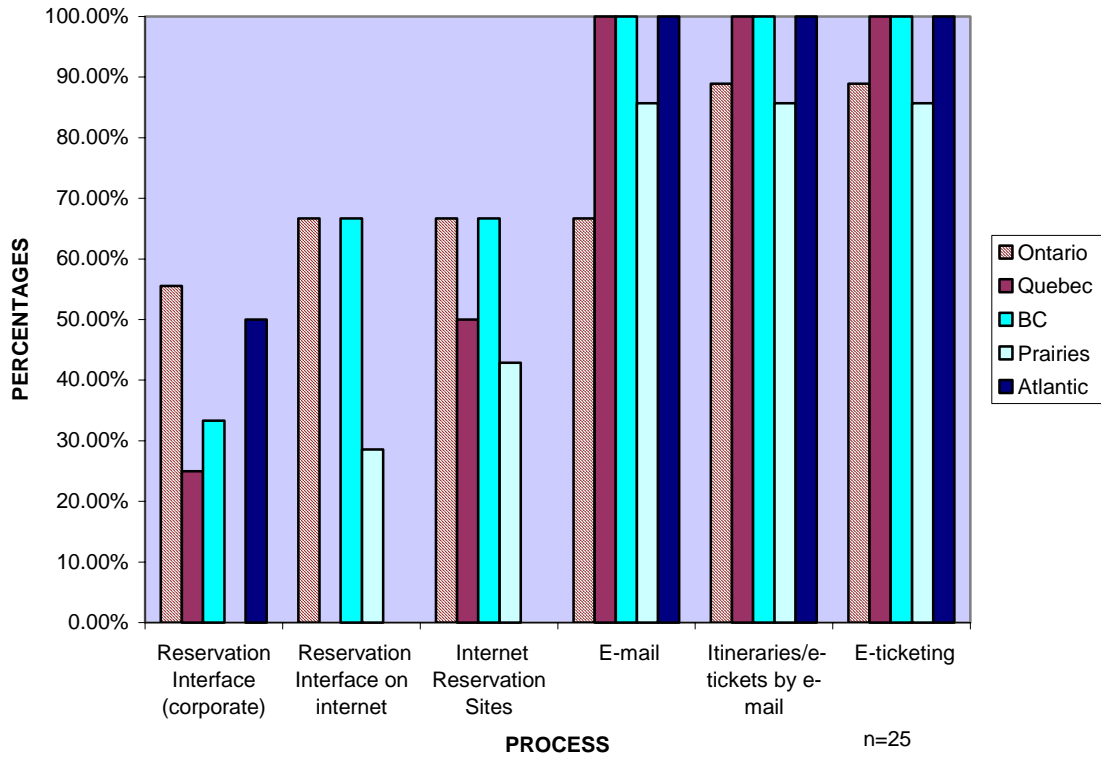
The results indicate that in all processes, the lower revenue class ($0-$500,000) were still the lowest in their use of the six technology tools. The agencies with the higher revenues used more of these tools, especially the reservation interface tools. In addition, the highest revenue category also used the majority of the e-ticketing function.

Ontario used more reservation interface and less e-mail/e-ticketing functions compared to the other locations. Quebec agencies used very little technological tools; however, they did use the e-mail and e-ticketing functions. British Columbia agencies used a high level of reservation interface as well. The Prairies were the lowest in all areas and the Atlantic provinces used the e-mail/e-ticketing functions, but not the reservation interface. Overall, higher revenue agencies as well as agencies in Ontario and British Columbia used more of the reservation interface and e-mail.

The graph below provides information on the number of agencies who use certain technology processes and the weighted average cost of those agencies to issue a ticket.

AVERAGE COST PER TICKET FOR RESERVATION INTERFACE USE AND E-COMMERCE USE
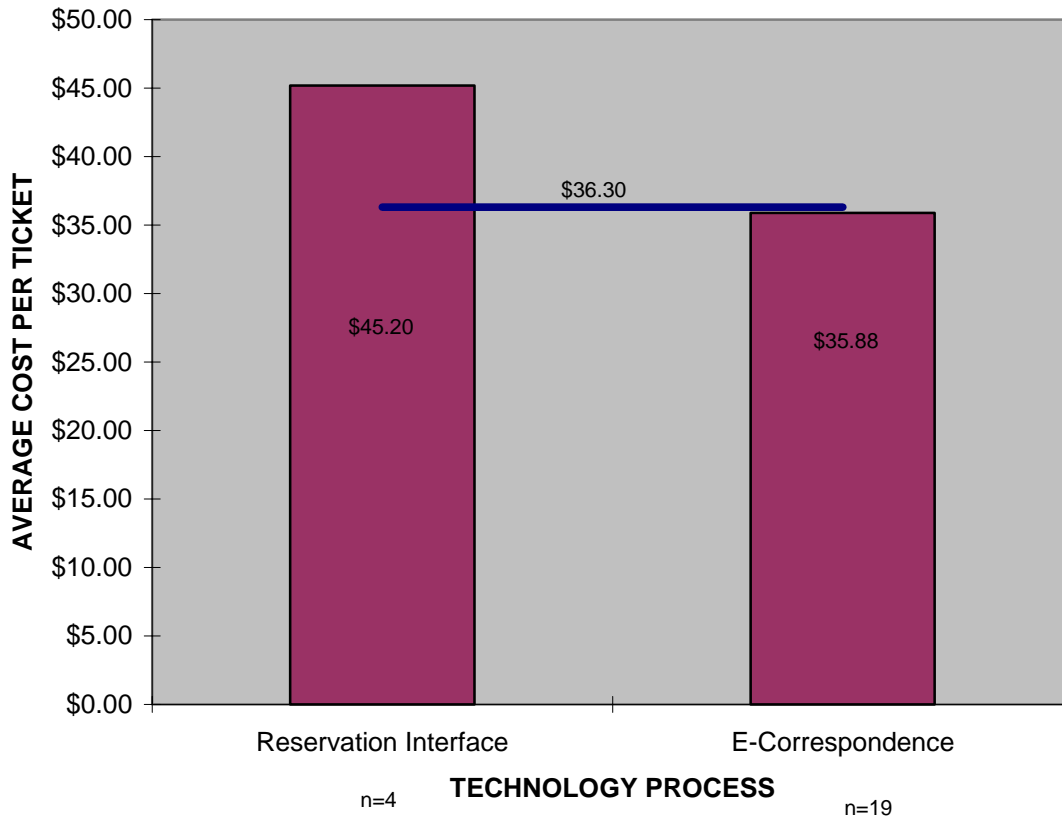
The "Reservation Interface" column represents those agencies that used all three reservation interface processes that have been shown in the previous charts (i.e. reservation interface (corporate), reservation interface on the internet, and internet reservation sites). Thus, of the 26 sample agencies, less one agency who did not respond in this area, there were only four agencies (16% of the sample) that fit this criteria. The average cost of $45.20 represents the weighted average cost of these four agencies and does not represent the cost of issuing a ticket under this process. Of the three sample items, one agency had revenues in the $0 - $500,000 range, two agencies had revenues in the $1,000,001 - $2,000,000 range, and one agency had revenues greater than $2,000,000.

The "E-Correspondence" column represents those agencies that used all three e-commerce processes shown in the previous charts (i.e. e-mail, e-tickets, itineraries/e-tickets by e-mail). Based on the same sample size as described above, there were 19 agencies (76% of the sample) that used all three methods. The cost of $35.88 represents the weighted average cost of the 19 agencies and is very close to the group average of $36.30. This is not surprising given that the weighted average includes a larger number of agencies and that the majority of firms sampled use e-commerce to issue tickets. This is also evident in the graph below comparing internet use by agencies since 1996.

COMPARISON OF INTERNET USAGE AMONG AGENCIES OVER TIME
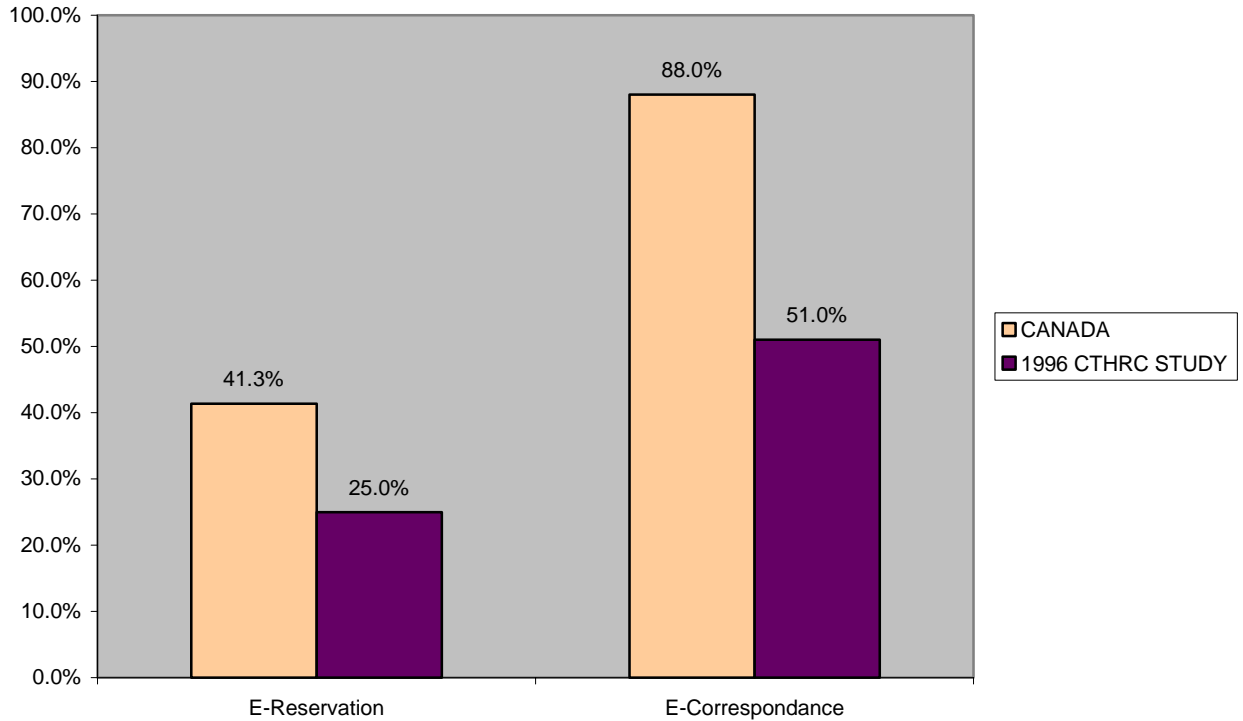
This graph represents a comparison of how agencies have advanced in their technology use from 1996. The results are compared to a 1996 US study **(Source – 1996 US Travel Agency Survey, Travel Weekly).** Specifically, the purpose of the above graph is to show how the usage of internet technology in issuing airline tickets has evolved over time. The results under "Canada" represent this study. Thus, of the agencies sampled in this study, 41.3 per cent use e-reservation in issuing tickets compared to only 25 per cent in 1996. In addition, 88.0 per cent of the agencies sampled in this study use some form of e-commerce (e-mail, e-ticketing) to issue tickets compared to 51 per cent in 1996. Thus, the results clearly show that the industry has advanced in its use of technology for booking and issuing tickets since 1996.

A Study to Determine the Cost of Issuing Airline Tickets

VI. Conclusion

It should be emphasized that as a result of the significantly lower than anticipated response rate, the reader should be cautioned that our findings may not be representative of the population and use of this information may not be appropriate for all purposes.

The cost results indicate that agencies in the lowest revenue category ($0 -$500,000) are a distinct group (their operations are not similar to the other revenue categories). Agencies in this group have lower overall costs for issuing both corporate and leisure tickets.

The results also confirm that the results for the agencies in the greater than $2,000,000 revenue range (including call centres) are distinct given the fact that their costs were lower in all areas, their salaries were the highest in the group, and their use of technological tools was also the highest compared to all other agencies.

The costs to process a leisure ticket is higher than that of a corporate ticket. This is also the case with respect to the time it takes to process a leisure ticket. A comparison of results with other studies also supports these findings.

Salary costs were higher in British Columbia, Quebec, and Ontario; however, as discussed earlier in this report, a good portion of the agencies in the higher revenue category (greater than $2,000,000) are located within these provinces in the large city centres. Canada's salary costs as a percentage of total costs are in line with the four other studies conducted.

Technology use is higher with the higher revenue agencies; these agencies use more reservation interface tools. All revenue classes and all locations used a high level of email and e-ticketing functions.

The weighted average cost of $36.30 is comparable to other international studies with the exception of one study that had substantially lower cost results. When call centres are excluded, the weighted average cost in our study is $45.82. Due to the distinct nature of operations and volume of the call centres, their results contribute significantly to lowering the overall average costs.

Although the sample was smaller than anticipated, the distribution of actual responses when compared to the population is consistent with the overall population distribution.

A Study to Determine the Cost of Issuing Airline Tickets

Appendix A

Airline Ticket Cost Study

Questionnaire

Respondent:

Position:

Travel Agency
Name:

Answers represent confidential thoughts of the interviewee and the names of respondents will be kept confidential. Responses are requested by February 5, 2001 either by email or fax as follows: email **ljande@kpmg.ca** *or fax to KPMG c/o Leena Jande at (613)560-2896.*

Background:

The Association of Canadian Travel Agents (ACTA) has commissioned a national study on the average cost with respect to the issuance of an airline ticket. The European Travel Agency Association, German Travel Agency Association and African Travel Agency Association have conducted similar studies, but it is essential for us to develop a Canadian solution. As part of this study, your travel agency has been selected as part of a random sample of all travel agencies in Canada. It is extremely important that you respond to this information request in an accurate and timely fashion. To assist you in understanding the purpose or context of the questions contained in this Questionnaire, we have also provided a Questionnaire Guide. The responses are being tabulated directly by KPMG and the information provided to KPMG will be kept strictly confidential. At no time will the specific results of any travel agency be shared with any party including ACTA.

Questions:

1. General questions to identify the scope of the operations in the travel agency and other identifiers:

   - Region / Location of Agency _____

   - What was the total dollars in commission and other revenues received from all sources in your latest year end?

     o Commission $_____

     o Other Revenue (Describe)

        ▪ _____ $_____

        ▪ _____ $_____

        ▪ _____ $_____

2. Identify the percentage of commission revenue received by product category:

   a) Airline tickets _____%

   b) Tour operators _____%

   c) Cruise sales _____%

   d) Car rental _____%

   e) Hotel _____%

   f) Insurance _____%

   g) Other _____%

3. What portion of your airline ticket commission revenue relates to:

   a) Corporate _____%

   b) Leisure _____%

4. Identify the *number* of airline tickets processed annually for:

   a) Number of Corporate airline tickets issued _____

   b) Number of Leisure airline tickets issued _____

5. Are there any special factors that would have affected your operating costs over the last year ended (labour issues, location changes, significant investments, restructuring, etc.) ?

   _____

   _____

   _____

   _____

   _____

6. Please summarize your use of technology for ticket request and processing by answering the questions below:

			Yes	No
a)	Does your agency provide custom reservations software or a custom Internet reservations interface for Corporate clients ?		_____	_____
b)	Does your agency have a reservations interface from your web site ?		_____	_____
c)	Does your agency accept reservations from Internet reservation sites ?		_____	_____
d)	Does your agency use e-mail to the fullest extent possible in communicating with clients for purposes of reservations ?		_____	_____
e)	Does your agency send itineraries and electronic tickets to clients by e-mail ?		_____	_____
f)	Does your agency use electronic ticketing wherever feasible and practical ?		_____	_____

7. What are the number of travel agents you employed during the year?
   a) Full time _____ employees
   b) Part-time _____ employees
   c) Casual _____ employees

8. What are the number of administration, management and support staff you employed during the year?
   a) Full time _____ employees
   b) Part-time _____ employees
   c) Casual _____ employees

9. What were the total labor hours and average weekly earnings by staff level?
   a) Management _____ hours, _____ earnings
   b) Agent _____ hours, _____ earnings
   c) Admin. Support _____ hours, _____ earnings
   d) Other _____ hours, _____ earnings

10. Total Cost by Cost Categories:

	Total Cost	% Related to Airline Tickets	Allocation Methodology
• Salaries	$_____	_____%	_____
• Benefits	$_____	_____%	_____
• Office Rent	$_____	_____%	_____
• Equip. Rent	$_____	_____%	_____
• Auto Lease	$_____	_____%	_____
• Computer Services	$_____	_____%	_____
• Repair & Maint.	$_____	_____%	_____
• Professional Fees	$_____	_____%	_____
• Sales & Advertising	$_____	_____%	_____
• Insurance	$_____	_____%	_____
• Taxes, Permits & Licenses	$_____	_____%	_____
• Heat, Light & Power	$_____	_____%	_____
• Telecom & Postage	$_____	_____%	_____
• Travel & Entertain	$_____	_____%	_____
• Royalties & Franchise Fees	$_____	_____%	_____
• Depreciation Expense	$_____	_____%	_____
• Interest Expense	$_____	_____%	_____
• Office & Supplies	$_____	_____%	_____
• CRS costs	$_____	_____%	_____
• Other _____	$_____	_____%	_____
• Other _____	$_____	_____%	_____

11. How much time, on average does it take to process a leisure/vacation airline ticket for the following areas?:

- Responding to request for information or ticketing by phone, fax, e-mail or walk-in   _____ minutes

- Booking on the CRS or internet or telephone   _____ minutes

- Actual issuance of tickets and delivery to client   _____ minutes

- Other time for changes, etc.   _____ minutes

- Other (identify) _____   _____ minutes

12. How much time on average does it take to process a business/corporate airline ticket for the following areas?:

- Responding to request for information or ticketing by phone, fax, e-mail or walk-in   _____ minutes

- Booking on the CRS or internet or telephone   _____ minutes

- Actual issuance of tickets and delivery to client   _____ minutes

- Other time for changes, etc.   _____ minutes

- Other (identify) _____   _____ minutes

A Study to Determine the Cost of Issuing Airline Tickets

Airline Ticket Cost Study

Questionnaire Guide

The following Questionnaire Guide is meant to assist you in completing the referenced Questionnaire in the most efficient manner possible. If there is further information needed at any time while completing this Questionnaire, do not hesitate to call the KPMG representatives at the numbers noted below:

Leena Jande	(613) 598-3628	email:	ljande@kpmg.ca
Brian Bost	(613) 560-2898	email:	bbost@kpmg.ca

Question #1:

Purpose: In completing a statistically valid study with respect to ticket issuance cost, it is imperative that we confirm certain details that will confirm our understanding of the location and extent of operations of your travel agency.

Hints: The source of revenue response should sum to the revenue line included in your latest financial statement. Commission revenue is defined as all commission revenue earned. Question # 2 requests a breakdown of this commission revenue by "product category".

Question #2:

Purpose: The summary of commission revenue by "product category" breaks out the total commission revenue (reported in $ in Question # 1 above).

Hints: The "product category" phrase has been used to identify the types of commission revenue that a travel agency may be receiving. Where additional commission revenue is not included in this list, please describe the type of commission and the percentage portion of the total commission revenue it represents. Keep in mind that this answer, when totaled, should add up to 100 per cent.

Question #3:

Purpose: The question allocates the total airline ticket commission *revenue* between Corporate and Leisure tickets.

Hints: The allocation of airline ticket commission revenue between Corporate and Leisure should be made based on the commission revenues. Keep in mind that this answer, when totaled, should add up to 100 per cent. Question # 4 allocates the portion of airline tickets issued between Corporate and Leisure, based on the number of tickets issued.

Question #4:

Purpose: The question allocates the total *number* of airline ticket issued between Corporate and Leisure tickets.

Question #5:

Purpose: In completing this questionnaire it is important for us to identify if there were any unusual circumstances or events which may have affected the results during the year to which your responses are based.

Hints: The information included in this question should have been a significant event or circumstance that had a significant effect on the results being reported. The event should be unusual in nature and to the extent that the effect is measurable, this information would be helpful as well.

Question #6:

Purpose: The sub questions included in Question # 6 have been asked in order to get an idea of the extent that your travel agency uses technology throughout the ticket issuance process.

Hints: A response of "yes" would signify that your travel agency "routinely" uses the technology noted.

Question #7:

Purpose: This information will be used to identify certain agency attributes used to ensure the representative nature of the sample item and also used to formulate patterns within the population tested.

Hints: The number of employees in this question refers to "travel agents" only. Where an employee has split functions which include being a travel agent, identify this employee as either part time or casual based on the proportion of their work effort that is travel agent related.

Question #8:

Purpose: This information will be used to identify certain Agency attributes used to ensure the representative nature of the sample item and also used to formulate patterns within the population tested.

Hints: The number of employees in this question refers to "administration, management and support" only. Where an employee has split functions which include the above responsibilities, identify this employee as either part time or casual based on the proportion of their work effort that is administration, management and support related.

Question #9:

Purpose: This information will be used to identify certain agency attributes used to ensure the representative nature of the sample item and also used to formulate patterns within the population tested.

Hints: The total labour hours are for the period (last year) in question and average "gross" weekly earnings can either be derived by any weekly payroll (if the staff, by level, work consistent weekly hours and are paid consistently) or can be derived from the total of the individuals within each group (total gross pay per T4 divided by total hours worked).

Question #10:

Purpose: This information will be used to identify the total airline ticket processing costs (Direct and Indirect) for the year.

Hints: Consider having your accountant fill out this portion in co-operation with a person knowledgeable in Operations for the allocations.

The total cost in each category should tie to the latest financial statements. The detail identified in the question is proposed to allow for easier allocation; your financial statements may not be in the detail identified. It is not mandatory that the detail needs to be consistent with that proposed by KPMG; however, the detail should be accurate to make informed allocation decisions.

Many methods can be used to decide on the "% Related to Airline Tickets". The method that should be used will vary based on the cost you are trying to allocate. Where possible, the "Direct" method should be used; however, if the Direct Method is not applicable to the cost category, the method chosen should be based on the best estimate or proxy for usage.

The methods are as follows:

- **Direct Method:** This method is always the preferred method where the information is available. This method would allocate all costs to the issuance of airline tickets where that person or asset is solely used for ticket issuance. Examples of this would be: employees that do no other activities except for issuing airline tickets, specific business insurance for ticketing, CRS costs, or other assets that are specific to the issuance of airline tickets.

- **Revenue Percent:** Another allocation method is the use of Revenue Percent. The airline ticket revenue percent is based on the total airline ticket revenue as a percentage of total revenue. This cost allocation methodology should be used where revenue is deemed to be the best indicator of cost for a specific cost line item. An example where this may be the best proxy is for business insurance where premiums may be based on revenues or for Sales and Advertising costs. This may also be the best general proxy to use other costs, which are used throughout the business "to earn revenues".

- **Proportion of space:** This allocation is a standard proxy for the allocation of office costs and related equipment. It identifies the space, excluding common space that a certain department uses as a proportion of the entire office space, excluding common.

Another allocation methodology may also be appropriate to allocate costs to Airline Ticket issuance based on the cost category and the information available. In the end, the one that should be used is the one that you believe would represent the best allocation of costs based on usage patterns. It is important that the "allocation methodology" is noted in the response. ***If there are any questions in this area, please do not hesitate to call the KPMG representatives Leena Jande (613)598-3628 or Brian Bost (613) 560-2898.***

Question #11 and 12:

Purpose: This information will be used to identify the average amount of processing time taken for the activities identified within the processing of leisure and corporate tickets.

Hints: In this analysis we are not expecting an organization to conduct a formal time and motion study. The times (in minutes) are expected to be derived from your own knowledge and through observation. We understand that some of these times could vary dramatically and that obtaining an "average" may not be scientific. In the first sub category a) '"Responding to request …", it should be noted that this time includes the average time taken by the travel agent to field the call with respect to information requests and includes the decision to buy the ticket.

Appendix B

Activities Performed by a Travel Agent

Work Performed:

(Note: the bullet points under each of the seven activity areas is not inclusive of all tasks)

1. Sales and Marketing:
   - Extending market reach to customers that could not be served
   - Public relations service

2. Responding to requests for information or ticketing:
   - By phone, fax, email, or in person
   - Recognition of the need to handle four to seven calls per sale

3. Booking reservations on the CRS, or internet, or by telephone:
   - Includes time required for changes either initiated by the airline or the client.

4. Issuance of tickets and delivery to client:
   - Quality control
   - Courier and delivery charges
   - Pick up location and service

5. Customer Relations activities:
   - Complaint handling
   - Assist in delivering AC communications to traveling public
   - Dealing with unplanned interruptions to flight schedules (inclement weather, union unrest, etc.)

6. Billing, collections and accounting:
   - BSP Reporting
   - Usual tasks relating to transacting business
   - Assumption of credit risk through bad debts, fraud, bankruptcy

7. Travel management reports (data management processing);
   - Market share reports
   - City pair reports
   - Corporate travel management information

A Study to Determine the Cost of Issuing Airline Tickets

Appendix C

Summary of Steering Committee Meeting Details

KPMG met regularly with the Steering Committee and the Travel Agency Committee.

Key meeting details are summarized below:

May 18, 2000 – Travel Agency Committee meeting held in Toronto to discuss the role of the committee with respect to the costing study, terms of reference of the proposed study and the overall objectives and scope of the proposed project.

June 7, 2000 – Specific population characteristics identified by ACTA and used to develop preliminary sampling plan.

June 12, 2000 – Travel Agency Committee meeting held in Toronto to the nature of the costing methodology to be used, the definition of the sampling unit, the nature of the population and the anticipated most efficient sampling plan. At this time it was expected that a sample size of approximately 100 sample items should produce a representative sample with a precision factor of 5 per cent. This was based on the population characteristics provided by ACTA to date and based on a preliminary assumption that 95 per cent of agencies' cost of producing an airline ticket would range between $20 to $55. This was a preliminary assumption used to determine an approximate sample size at this time and the actual sample size and cost range was further analyzed during our pilot study.

July 28, 2000 – Travel Agency Committee meeting held in Toronto to discuss and finalize the terms of reference of the proposed study and the overall objectives and scope of the proposed project.

August 15, 2000 – Final KPMG proposal with related work plan, terms of reference and engagement scope signed by President of ACTA.

August 28, 2000 – First draft of questionnaire sent for comments.

September 6, 2000 – Meeting held with President of ACTA to discuss required changes in the sampling plan of the survey as a result of further information provided with respect to the population, the availability of population data, and additional attributes that ACTA would like to be reflected in the sampling plan.

September 9, 2000 – Revised sampling plan developed to reflect required changes in the sampling plan featuring a two-way stratified random sample with provincial sub groups and size strata.

September 12, 2000 – Final draft of questionnaire was sent to all Travel Agency Committee members for their final comments on the questionnaire before the pilot sample is sent out.

October 10, 2000 – Pilot sample plan numbers selected by revenue distribution.

October 26, 2000 – Sample units selected by KPMG.

October 27, 2000 – Pilot sample sent to selected travel agencies. Request sent with letter from ACTA outlining the reason and importance of the sample, questionnaire and related questionnaire guide. Samples were e-mailed, faxed and followed up by phone calls.

November 28/29, 2000 – Full study sample was selected and the Questionnaires, Questionnaire Guide and cover letter from ACTA were emailed, faxed, and followed up by phone calls.

December 4, 2000 – Second attempt of full study sample re-sent to agencies that did not respond to our follow up phone calls. Questionnaires and Questionnaire Guides were re-sent with a request letter from ACTA outlining the importance of the study.

December 14, 2000 – Third attempt to obtain responses was emailed and faxed out to all agencies who did not send a response. This mailing included another letter from ACTA outlining the importance of the survey and a letter from KPMG offering four options to respond to the survey.

January 17, 2001 – Meeting held with the President of ACTA and KPMG to determine the options available relating to the non-response issue.

January 19, 2001 – Meeting held between the Steering Committee and KPMG to discuss the poor response rate, the sampling issues, the cost results to date, and the report to be issued.

March 6, 2001 – Meeting held between the Steering Committee and KPMG to review the draft report and cost results.