



## What's causing prices to spike? Industry experts weigh in on soaring travel costs and how agents can help blunt the impact

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**By:** [Cindy Sosroutomo](#)

TORONTO — It seems that not only has travel demand gone up since global borders have reopened and travel restrictions have eased, but so too have prices.

From airfare to hotel accommodations to rental cars, Canadians eager to explore new destinations or return to their favourite locales following two frustrating pandemic years have been met with skyrocketing summer prices, largely brought on by soaring fuel costs, labour shortages, less capacity and a surge in travel demand, the likes of which have not been seen in years, if ever.

According to recent data from Statistics Canada, air transportation prices increased 8.3% between February and March 2022. Fares continued to climb by more than 20% in April 2022 compared to pre-pandemic April 2019. Over the three-month period, from February to April 2022, airfares jumped by 13%.

<https://www.travelweek.ca/news/whats-causing-prices-to-spike-industry-experts-weigh-in-on-soaring-travel-costs-and-how-agents-can-help-blunt-the-impact/>

This data has also been backed up by Virtuoso, whose own research has found that airfares for the summer season are up 30% internationally and 14% within Canada. Compounding these higher airfares are surging hotel rates, which the company says are leading travel price hikes. Rates for hotels this summer have increased a staggering 66% internationally and as much as 133% domestically compared to summer 2019.

"The economic impact of COVID-19, geopolitical conflicts, the U.S. stock market volatility, and industry staffing challenges are all affecting travel costs in 2022," says Úna O'Leary, General Manager, Canada, Virtuoso. "Travel inflation is predicated on the same factors we are facing in our everyday lives. The cost of operating a business is simply more expensive, and travellers are feeling it."

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### **"Demand has returned with a vengeance on all air routes"**

John Gradek, Faculty Lecturer and Academic Programs Coordinator, Supply Chain, Logistics and Aviation Management at the School of Continuing Studies at McGill University, tells Travelweek that both international and domestic airfares have steadily increased for Canada's legacy carriers, including Air Canada and WestJet, since March 2022. This, he says, is in stark contrast to Canada's ultra-low-cost carriers, like Swoop and Flair, which have held prices at pre-pandemic levels for the most part.

"Summer 2022 airfares have shown a markedly higher rate across all markets, a sign that travellers are willing to pay higher fares for the opportunity to take an air trip. As a result, airfares on the North Atlantic are expected to top 2019 fares," says Gradek.

While Gradek partly blames the cost of fuel for higher fares, he believes that the robustness of air travel demand is what's keeping prices high.

"Demand has returned with a vengeance on all air routes and such strong demand is an impetus for airlines to increase airfares," he adds. "Peak summer demand will probably come very close to pre-COVID levels, while business travel languishes. Airlines, however, will need higher fares from leisure travellers to offset the revenue shortfall they would incur with business traffic paying significantly higher fares."

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### **"Price and demand tend to go hand in hand," says Preferred Hotels**

All this pent-up travel demand, which has been building for months, if not years due to COVID-19-related global border closures and restrictions, is also a main culprit of rising hotel prices.

Rhett Hirko, Global Vice President of Revenue Optimization for Preferred Hotels & Resorts, says that the company is seeing an "unusually sharp rise" in member hotel rates and across the industry. Year-to-date, there's been a 35% increase compared to 2019, and a 14% increase on last year.

"Much of this is a result of basic economics," he says. "Price and demand tend to go hand in hand, and demand for travel is understandably strong this year, particularly for leisure bookings."

There are, however, other factors to consider, adds Hirko, some of which precede the global rise in inflation. These include widespread, long-term labour shortages across the hospitality industry that occurred as a result of the pandemic, the subsequent rise in employment rates, and a reduction in room inventory.

"Hotel operations are impacted such that it is not always possible to fully service every guestroom, which in turn reduces supply. These factors, coupled with the high demand, naturally results in higher hotel prices," he says.

To read the full article, including when experts believe prices will come down and tips for travel advisors on how to minimize the impact of high prices, check out the June 23 issue of Travelweek [here](#).

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