



Travel Industry Council of Ontario (TICO) Fee Review regarding the Compensation Fund Rate Frequently Asked Questions & Answers

1. What fee(s) is TICO proposing to change and by how much?

This fee review is proposing an increase to the Compensation Fund rate (“CF Rate”), also known as Form-1. The CF Rate is proposed to increase from \$0.15 to \$0.25 per thousand dollars of Ontario travel sales – an increase of \$0.10. It is worth noting that, historically, TICO has focused on keeping all fees low to industry. The CF Rate has changed three times since TICO’s inception in 1997, two of which were rate reductions. This proposal results in a CF Rate equal to the rate charged to retailers in the year 2000.

2. How does TICO justify changing the CF Rate?

While the proposed increase is necessary, many registrants will continue to fall below the Ontario Sales threshold “floor” and continue to remit the minimum \$25 per filing. Registrants with Ontario Travel Sales between \$2 - \$5 million, who represent the majority of Ontario registrants, will experience an increase between \$200-\$500 per annum. This increase is predicated on the necessary investments to (i) ensure Ontario consumers continue to be educated and kept informed of their consumer protection rights under the Act and Regulation, (ii) that a fair and compliant marketplace is maintained through a balanced approach to legislation and compliance, and (iii) that consumers/registrants continue to be protected by an industry financed Compensation Fund where risks to the fund are increasing due to new challenges and complexities facing the travel industry today, including increased incident of Fraud.

3. When is this rate increase proposal effective?

This rate increase proposal will be effective July 1, 2016 if enacted.

4. **When did TICO last increase fees?**

TICO last increased the CF Rate approximately three years ago, with the revised rate effective May 1, 2013. The Board of Directors approved a phased-in increase to the CF Rate over three years (2013, 2014 and 2015) with the final CF Rate of \$0.30 per thousand of Ontario sales. The 2012 fee review resulted in an increase in the CF Rate from \$0.05 to \$0.15 per thousand dollars of Ontario Travel Sales. Prior to this date, the Compensation Fund rates were as follows:

Year	Compensation Fund Balance (\$M)	Wholesale Rate (per \$000 Sales)	Retail Rate (per \$000 Sales)
May 1, 2000	\$20	\$0.50	\$0.25 ↓
April 1, 2006	\$30	\$0.05	\$0.05 ↓
May 1, 2013	\$24	\$0.15	\$0.15 ↑

TICO was able to hold the CF Rate at the lower level since 2013 due to controls over costs and lower claims experience.

5. **Will there be additional CF Rate or other fee increases this year, or next?**

TICO does not expect to change the Compensation Fund rate in the foreseeable future. However, all fees are subject to a Fee Framework, and guiding principles, as required by legislation (this Framework and principles can be found in TICO's Administrative Agreement with the Ministry of Government and Consumer Services at www.tico.ca/legislation). These principles reflect a general cost-recovery objective, fairness and equity for all Ontarians. If there were future changes to the current industry model, a change in guiding principles and/or a large claim(s) against the Compensation Fund, TICO will need to re-consider its fees accordingly.

6. **Why does TICO need to increase fees when the current economy is so uncertain?**

TICO appreciates the additional burden this proposed rate increase places on many Registrants. Unfortunately, the environment in which TICO regulates is becoming increasingly more challenging and requires new and continued investment in technology, regulatory reform, skills development and a continued drive for efficiencies. The incremental CF revenues will be directed to these initiatives and more while maintaining the Compensation Fund at appropriate levels. Recognizing current economic challenges, TICO has held off on changing the CF Rate as long as possible.

7. **How much additional revenue does TICO intend to raise with this rate increase?**

This CF Rate increase, with a proposed effective date of July 1, 2016, will require a year to take full effect. Once fully implemented, an additional \$1.5 million of revenue will be generated and be directed towards strategic priorities reflected in TICO's three year business plan which is reviewed and approved annually by the Board of Directors.

8. How does TICO intend to use the additional revenues raised with this rate increase?

These additional funds will be directed towards (i) increased investment in consumer awareness programs, including TICO's ongoing consumer and registrant awareness campaign, (ii) increased resources required for compliance, stakeholder relations, education and technology and (iii) various technology enhancements focused at streamlining operational processes and addressing challenges noted above. These investments will be supported by business cases directly linked to TICO's strategic priorities.

9. I don't use the Compensation Fund and have never experienced claims against the Compensation Fund; why do I need to pay more?

Payment of Compensation Fund assessments by all registrants is legislated. The Compensation Fund is industry financed for the purpose of protecting consumers. While consumers of many registrants may never claim against it, many consumers and registrants have the benefit and security of knowing that the Compensation Fund is available when there is a failure (subject to the provisions found under Ontario Regulation 26/05). The Compensation Fund is one part of an industry consumer protection model that helps consumers have peace of mind when purchasing travel through an Ontario Registrant.

10. Are other TICO fees changing too?

TICO is not proposing changes to other fees at this time, or the foreseeable future. TICO will, however, continue to collaborate with the government on more effective consumer protection models and fee frameworks.

11. Why did TICO not change registration and/or renewal fees or fees associated with the Education Standards program?

TICO does levy registration, renewal and exam fees. Based on projected investments and sustaining needs, increases to these fees would have been significantly higher in order to generate the required funds. The analysis suggested that such increases were not practical.

12. With a July 1st proposed effective date for the CF Rate, how do I remit my fees if my year-end is different?

The CF Rate is assessed twice per year; once after 6 months and again at the registrant's year-end. CF assessments must be remitted to TICO no later than 90 days following these period-ends. Therefore, for entities that have a year-end that does not coincide with July 1, a calculation under both the old rate and new rate will be required. TICO will provide a form and guidance to facilitate the calculation of amounts due.

13. What is TICO doing to control costs?

TICO remains committed to being an efficient and effective regulator, including robust fiduciary responsibilities. One of TICO's four overarching strategic priorities is *Organizational Effectiveness* which encompasses people, process and systems. With this principle firmly in mind, TICO continues to review all core processes and systems with the goal of increased productivity and/or lower unit costs. TICO is also reviewing its technology platform(s) to find additional cost efficiencies and is committed to more effective processes through the business plan horizon.

14. Does the Ontario government approve of this CF Rate increase?

TICO works very closely, but at arm's length, with the Ministry of Government and Consumer Services (Ministry). The Ministry's relationship with TICO is clearly defined under the Administrative Agreement (Agreement), and defines the Ministry's role with respect to all rates and fees. TICO and the Ministry have worked collaboratively in ensuring the Fee Framework and guiding principles, as provided in the Agreement have been respected. The Ministry does not approve rates/fees, but rather ensures the Agreement has been followed appropriately.

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