



## TICO 2023 AGM Questions

TICO hosted its Annual General Meeting (AGM) on Tuesday, September 26, 2023. As part of the AGM, there was an open Q&A session available to all participants. As there were a significant number of questions asked at the AGM, questions that were not addressed live can be found below. A recording of TICO's AGM [can be found here](#).

- 1. Question:** I am a corporate travel agency, and my question is related to the risk profile of a registrant. In corporate travel, typically, well over 90% of transactions are made with credit cards and other forms of e-commerce; travel is typically within 14 days from the time of booking, and funds are held in trust. Considering all the factors that lend to corporate agencies being low risk businesses to consumers, can TICO and the ON government advise me why corporate travel agencies pay some of the largest fees into a Consumer Compensation Fund? Why is the contribution NOT based on RISK to the consumer?

**Answer:** TICO fees do not currently incorporate registrant risk into its fee model. TICO is committed to developing and incorporating registrant risk in its regulatory tools and fees in the future. A risk-based model must be robust, systematic and evidence-based, meaning that TICO will need to carefully consider future data requirements. However, there is a minimum cost to regulating any registrant. While registrants holding customer deposits entail specific risks, it's important to note that TICO's consumer protection and regulatory efforts encompass a wider scope, beyond the safeguarding of consumer funds.

- 2. Question:** How many people are participating on this call?

**Answer:** There were a total of 135 individuals who logged on to watch the AGM, which included both public/guest viewers and voting members.

- 3. Question:** As you look to change policies and review will this include feedback from registrants?

**Answer:** As part of TICO's funding framework and fee review, TICO's proposals were released on Thursday, October 5, 2023. A consultation process is underway until Friday, November 10, 2023. For more information about the consultation and ways to provide input, please visit the [funding framework and fee review page on TICO's website](#).

4. **Question:** What size of businesses did the 278 claims come from? What is the breakdown of complaints by business size?

**Answer:** In TICO's [2022/2023 Annual Report](#), it was reported that 129 claims were paid out of the Compensation Fund to assist 278 consumers. The breakdown of the claims paid can be found in the chart below. For information about consumer complaints to TICO, please see the [2022/2023 Annual Report](#). At this time, TICO does not report consumer complaints based on registrant size.

#### Summary of Closures Resulting in Claims Against the Compensation Fund and Corresponding Recoveries

REGISTRANTS	CLAIMS PAID 2022/2023 \$	RECOVERIES 2022/2023 \$	CLAIMS PAID 2021/2022 \$	RECOVERIES 2021/2022 \$
Albarkah Travel and Tours Inc (R)	-	-	229,803	103,944
Angie's All Seasons Travel Inc. (R)	-	-	3,917	-
Crystal Cruises *	403,214	-	-	-
Dolphin Travel (R)	-	600	-	650
Flybe *	-	-	490	-
Fly Jamaica Airways *	12,868	-	55,022	-
Gideon Travel (R)	-	-	2,250	-
Jacco Tours (R) (W)	12,904	-	-	-
Jet Airways *	18,757	-	85,219	-
Luxury Travel Centre Inc. (R)	2,377	-	-	-
Rejoice Holidays (R)	45,657	-	-	-
Skymoon Travels & Tours (R)	-	-	55	-
Skypride Travel & Tours (R)	-	-	-	2,000
Sinorama Holidays Inc. (R) (W)	-	2,280	-	-
Sunmed Holidays (R)	64,471	3,398	42,808	-
Tucan Travel Inc. (R) (W)	-	-	9,248	-
World Travel Inc. (R)	3,300	-	-	-
<b>TOTAL CLAIMS PAID (GROSS)</b>	<b>563,548</b>	<b>6,278</b>	<b>428,812</b>	<b>106,594</b>

5. **Question:** What basis or criteria is used to do an audit on an agency?

**Answer:** TICO is responsible for ensuring that all registered travel retailers and travel wholesalers remain compliant with the *Travel Industry Act, 2002* and Regulation 26/05, which include financial requirements, such as maintaining a positive working capital and maintaining trust accounting, to name a few.

A financial site inspection may be initiated based on a number of factors, including but not limited to: the number and nature of consumer complaints received by TICO, financial compliance issues or irregularities revealed in financial statements that are filed, history of submitting late filings and history of compliance and enforcement action taken in the past.

During a site inspection, TICO's financial inspectors complete a comprehensive risk assessment process, which includes reviews and identifies numerous aspects of a business, including but not limited to: banking, invoicing and record keeping, how customer funds are deposited and payments are made to suppliers, the nature of the business and any associated risks, whether the business is a credit card merchant, whether regular trust reconciliations are completed and positive working capital is being maintained.

There are several factors that are reviewed and documented to assess a potential risk rating for each business. At the completion of a site inspection, every registrant is provided with an Inspections Findings Report, which provides an overview of the inspection and/or identifies any compliance issues that need to be addressed.

Completing such risk assessments supports TICO's mandate of consumer protection and contributes to a viable marketplace and stable travel industry where consumers can be confident in purchasing their travel services.

**6. Question:** Who are the third-party regulators that you benchmark against?

**Answer:** TICO conducts benchmarking studies with other comparable regulatory bodies. Depending on the subject material, these benchmarking studies are most often conducted against other Ontario delegated administrative authorities. We also review and compare the Quebec and British Columbia consumer protection models that have travel industry regulators.

**7. Question:** Can you explain why you stopped taking money out of the compensation fund for your operating expenses? Did the ministry or ACTA ever express concern that you shouldn't be taking money out of the compensation fund to pay your operating expenses?

**Answer:** The pandemic was devastating for everyone, including the travel industry. With the support of the Ontario government, several permanent and temporary regulatory amendments were implemented since the onset of the pandemic. One temporary amendment was the waiver of registration renewal fees and Compensation Fund assessments for three years. The Ontario government provided TICO funding during this period, which enabled TICO to offer fee waivers. During this unprecedented time, TICO used government funding and its available reserves to minimize reimbursements from the Compensation Fund to TICO operations.

**8. Question:** The travel industry is not similar to other industries that have regulatory bodies. Making such benchmarks do you feel is a true assessment?

**Answer:** TICO conducts benchmarking studies with other comparable regulatory bodies. While industries may be different, the fundamental mandates of consumer protection and the frameworks in which they operate are very similar. TICO does take into consideration the size of the marketplace and number of registrants within the respective marketplace. These benchmarking studies are helpful tools to guide management and the Board of Directors accordingly.

**9. Question:** My question is also regarding the risk profile of a registrant. Many travel agencies such as my own, do not receive very much consumer money in the form of cash. Our customer's credit card is charged through the supplier's credit card merchant account. In this case, I am only receiving a commission and the HST on that commission either at final payment or after trip departure. There is little to no risk to the consumer since I do not have consumer money in our bank account. My question has two parts:

**Part 1:** Can TICO or the ON government tell me how is the consumer at risk with my business when I do not hold their Funds?

**Answer:** There are several factors that are taken into consideration when TICO assesses a registrant to assign a risk rating. Factors such as the volume of cash transactions compared to being a credit card merchant, versus having the majority of travel sales transactions being conducted via the consumer's credit card being passed as a flow-through transaction to a supplier would be considered. In addition, risk assessment also involves non-monetary attributes as noted above. Consumer complaints, history of compliance and the nature of the underlying business model are other key factors in addressing overall risk.

For example, a registrant that is a credit card merchant and/or typically conducts its business on a cash basis would be rated a higher risk, if solely looking at this criteria, compared to a registrant that is not a credit card merchant and does not handle large volumes of cash and transacts the majority of its sales by passing their customer's credit card number through to the applicable supplier(s) for payment.

**Part 2:** To quantify potential risk, does TICO know roughly how much of the Gross Billings in Ontario flow through Ontario travel agency bank accounts compared to what flows through the travel supplier bank accounts both registrant and non-registrant suppliers?

**Answer:** TICO has limited data over the volume of sales conducted through a registrant versus supplier merchant accounts. Often, when a registrant conducts business on a flow-through basis versus using their trust account, the actual volumes through these channels will vary over time. Our data collection is primarily through annual filings to balance regulatory burden on registrants, which has limitations on the data related to flow-through sales.

**10. Question:** The federal government has advised that it is not concerned with setting up a consumer Compensation Fund even though many failures are airlines. Airlines are federally regulated, not provincially. TICO reported in its 2023 Annual Report that non-registrant end supplier claims resulted in almost 77% of the claims paid or \$435K of the total gross \$563K. My question is in two parts: If consumer protection is so important to the Ontario government, why is there no coverage for consumers who book directly with airlines, cruise lines and out of province sellers. And, why does the Ontario government feel it should be their responsibility to protect federally regulated entities and place the burden on Ontario travel businesses?

**Answer:** Thank you for your question, however TICO is unable to answer on behalf of the Ontario government. You may want to consider contacting the Minister of Public and Business Service Delivery. A contact form [can be found at this link](#).

**11. Question:** It appears, over the years, from fund payouts that the risk to consumers truly lies with end suppliers. Ontario registrants pay one contribution rate, regardless of risk profile, to indirectly cover the failure of airlines in Canada, even though airlines are not within the regulatory control of TICO or the Ontario Government at all. Are the Public and Business Service Delivery Ministry and Ontario Government aware of the differences between a registrant and an end supplier? Why is the burden only on the registrant?

**Answer:** As part of TICO's funding framework and fee review, one of TICO's proposals is to remove end-supplier (airline and cruise line) coverage from the Compensation Fund, subject to government consideration and decision making. This change is not within TICO's authority. Information about TICO's proposals was released on Thursday, October 5, 2023. A consultation process is underway until Friday, November 10, 2023. For more information about the consultation and ways to provide input, please visit the [funding framework and fee review page on TICO's website](#).

**12. Question:** Other jurisdictions in the world have operated Travel Consumer Compensation Funds including models where consumers have contributed a nominal fee toward this insurance-type Fund, which is not considered a tax anywhere in the world. Rather, a type of insurance policy to truly protect consumer funds. For example, Quebec has had a consumer pay model for decades. Today, Quebec's consumers willingly pay \$3.50 per thousand of gross billings. My question is: If Quebec's consumers are willing to pay for this additional insurance, why is the Ontario Government not interested in offering the same opportunities for complete protection for Ontario consumers?

**Answer:** While TICO cannot speak on behalf of the Ontario government, as part of TICO's funding framework and fee review, we reviewed the Quebec legislated consumer pay model. More information is available in the video and detailed booklet posted [on TICO's website](#). TICO is welcoming feedback as part of the consultation until November 10, 2023. The link provided above also provides information on how to provide feedback as part of the consultation.

**13. Question:** How many of the 376 people assisted last year were corporate?

**Answer:** In TICO's [2022/2023 Annual Report](#), it was reported that 129 claims were paid out of the Compensation Fund to assist 278 consumers. The purpose / reason for the travel services purchased and being claimed by consumers is not a criteria or basis for an eligible claim against the Compensation Fund. Therefore, this information is not collected as supporting information or documentation in TICO's claims process.

**14. Question:** All credit card receipts are protected by charge back laws. If the customer does not receive the service (i.e. the travel purchased) the customer could initiate a chargeback, they would succeed and be reimbursed by the credit card processing company. Why are we charging TICO fees and requiring trust accounting for transactions where the customer has paid with a credit card?

**Answer:** Based on TICO's experience with processing claims against the Compensation Fund that involve travel services purchased with a credit card, many credit card companies have policies and rules with respect to the timeframes associated with chargeback requests. These, and other related rules, are complex and are generally internationally established and may change with minimal notice.

To avoid double dipping into the Compensation Fund, TICO requires all claimants who purchased their travel services with a credit card to provide a letter on the applicable credit card company's letterhead confirming that they have not received and/or will not receive a reversal of the specific charges in question. Credit card company policies vary from card to card and can be anywhere from 30 to 120 days after a purchase has been made. All credit cards are different and have different terms and conditions with respect to chargebacks. There is no blanket guarantee that a chargeback request will be accepted and a refund issued to the consumer.

The Compensation Fund assessments paid by registrants are required by law and are solely based on a registrant's Ontario gross sales. The form of payment, the travel services purchased, the supplier(s) involved in the sales transaction have no relation to the assessments paid into the Compensation Fund.

Trust accounting is also a requirement by law and its purpose is to protect consumer payments for travel services. Trust accounting is to protect all forms of customer payments, including credit card payments, when the TICO registrant is a credit card merchant.

**15.** There should be a cap on payment to TICO by agencies based on amount spent per client trip and not total sales volume given that there are caps to refunds to clients.

**Answer:** TICO is currently conducting a funding framework and fee review and seeking input from registrants and stakeholders. We encourage you to read TICO's proposals and participate in the consultation process. More information is available on the [funding framework and fee review page on TICO's website](#).

**16. Question:** With the steady decrease in the number of Ontario registrants, the anticipated increase in fees for registration and the Consumer Compensation Fund, and the debt load being carried from the COVID-19 pandemic, how do TICO and the Ontario Government plan to reverse this downward trend of travel businesses and stand behind the message that Ontario is 'Open for Business'?

**Answer:** The number of TICO registrants has declined consistently over the years, including before the pandemic. However, the travel marketplace (pre-pandemic) reflected healthy growth. In fact, the two years prior to the pandemic were record years as measured by Ontario sales. TICO's mandate focuses on consumer protection. Our consumer awareness messaging across all channels consistently recommends all consumers to use a registered travel agency for their travel needs. This message is core to all our communications and supports the idea that Ontario is indeed open for business. TICO cannot speak on behalf of the Ontario government.

**17. Question:** Various TICO Boards over the years have advocated with the Ministry for a consumer pay model. Have there been any cost and burden estimates made (including process and system requirements) for a made-in-Ontario model that would have a registrant collect a separate fee (presumably mostly on a credit card merchant account), track it, and remit it to TICO?

**Answer:** A legislated consumer pay model was beyond the scope of the current funding review. Such a model, if considered, would likely include significant legislative changes, and corresponding changes to TICO's mandate and operations. To date, a comprehensive business case for a "made-in-Ontario" legislated consumer pay model has not been completed by TICO. The scope of the current funding framework and fee review is covered in the various fee consultation communications now underway. For more information, please visit the [funding framework and fee review page on TICO's website](#).

**18. Question:** My question is we have had certain people trying to pass stolen credit cards. Why can we not advise TICO to send a memo to travel agents?

**Answer:** Travel scams are unfortunately an ever-present risk. In our educational curriculum, and consumer/registrant awareness initiatives, we have identified this risk as an important matter travel agencies need to be aware of. If there are specific situations an agency or travel salesperson are aware of, they are encouraged to bring it to TICO's attention as soon as possible, so that appropriate action can be taken.

**19. Question:** Is a consumer pay model on the table for the Fall consultations?

**Answer:** For information about TICO's funding framework and fee review proposals, as well as opportunities to participate in the consultation, please visit the [funding framework and fee review page on TICO's website](#).

**20. Question:** Is the fund invested?

**Answer:** The fund balance is invested in accordance with TICO's investment policy, which outlines the investment vehicles, underlying risks and diversification strategy.

**21. Question:** Why is TICO attempting to make travel industry education an initiative when this is clearly already well managed by ACTA and existing large travel agencies? This is not a necessary initiative of TICO.

**Answer:** TICO's education program is focused on registrants' responsibilities under the Travel Industry Act, 2002 and Regulation 26/05. TICO is looking to enhance the quality of regulatory education, not address business or sales topics currently covered by ACTA and other organizations.

**22. Question:** My question pertains to risk. Does TICO know the percentage of Gross Billings in Ontario where the registrant engages in contractual risk with end suppliers (as per Section 43 subsection 9 of the Travel Industry Act), and monitor this risk by registrant?

**Answer:** Section 43, subsection 9 of Ontario Regulation 26/05 pertains to regulatory setting powers of the Lieutenant Governor in Council (LGIC). Specifically, subsection 9 addresses contracts that registrants may enter into with travel suppliers. To date, no such LGIC regulation exists or has been tabled. TICO does not track the value of Gross Billings in Ontario contracted with end suppliers.