



**Consultation Overview and Process
for a modernized Funding Framework and Fee Model**

August 26, 2021

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How to Respond

Your feedback is of great value to TICO. We strongly encourage you to provide your feedback and comments with regards to the changes to the fee structure that are being put forward in this document. Any and all feedback will be reviewed and considered.

Where possible, please provide detailed and specific support for your feedback and suggestions. This will help in understanding the context of any comments and ensure that they are fully understood. In response to this consultation process, please consider the following:

1. TICO's intended use of annual renewal fees and the TICO Fee in the execution of its consumer protection mandate;
2. Overall clarity, equity and fairness of these fees across all registrants;
3. Challenges, including cost implications, to your business when implementing these new fees in the timelines proposed;
4. Concerns related to the proposed current and future fee review processes proposed;
5. Other opportunities and feedback not contemplated in this current fee review.

Please submit any written feedback directly to TICO through the dedicated e-mail address feereview@tico.ca by October 15th, 2021. Written responses should include your name and contact information.

TICO will be holding virtual and in person sessions (subject to any possible future gov't restrictions). For specific information regarding dates, times, formats and locations (as applicable) of these sessions, please refer to [TICO's](#) website.

Privacy Statement

Any personal information that you provide in this consultation process is subject to TICO's [Privacy Policy](#). The information collected during the Fee Review Consultation will be used to assist TICO in conducting the consultation and evaluating the results. This may involve disclosing your comments to other participants, institutions, and interested parties, including the Ministry of Government and Consumer Services, during and after the consultation. Your name will not be disclosed without your consent.

TICO

The Travel Industry Council of Ontario (TICO) is the provincial Regulator of travel services sold in the province, mandated by the Ontario government to administer the Ontario *Travel Industry Act, 2002* and Ontario Regulation 26/05. TICO provides regulatory oversight over approximately 2,100 travel retailers

and travel wholesalers registered in Ontario. TICO is guided by its Vision & Mission statements which are provided in Appendix I.

Registered TICO travel retailers and wholesalers (“registrants”) provide additional consumer protection that may not be available when booking with agencies based in other countries or provinces that are not regulated. The main protections include the Compensation Fund (“Fund”), travel complaint resolution, education standards, and compliance requirements for registrants.

TICO is a not-for-profit organization, funded entirely by registrants, at a level sufficient to allow it to fulfill its mandate outlined in the legislation and its administrative agreement with the government. TICO operates on a cost recovery basis.

Background

The past 16 months has had a particularly significant negative impact on the travel industry in Ontario. The current travel marketplace continues to be very strained and registrants continue to struggle. TICO has worked with the Ontario government to provide regulatory amendments aimed at reducing burden on registrants including reduced reporting requirements as well as renewal fee and payment waivers. As signs of the industry recovery begin, TICO will return to having the industry fund its operations and the Compensation Fund, as was the case prior to Covid-19.

The current funding framework has been in place since the inception of TICO as a Delegated Administrative Authority (DAA) in 1997. The current fee model has been in place since inception with relatively few changes to fees during this period. Specifically, TICO has received operational funding through registration fees and renewal fees paid by registrants. Additionally, registrants have historically contributed to the Compensation Fund through a mandatory fee based on Ontario Gross Sales. While the rates associated with each of these fees has changed over time, the underlying structure has remained unchanged.

TICO remains fully reliant on retail and wholesale registrants as the sole source of funding for both the operational costs and the Fund. End suppliers (e.g. airlines, cruise lines, hotels etc.) do not contribute to TICO’s mandate. The current fee review assumes that the existing legislative framework remains.

Concerns

The size and complexity of TICO registrants varies widely, while renewal fees paid by these registrants does not. Annual renewal fees paid by registrants are determined via a matrix with increasing thresholds based on Ontario Gross Sales (OGS). The current matrix results in an unfair fee obligation for smaller registrants. The current thresholds reflect a 25-times increase in OGS (\$2 million to \$50 million) while the corresponding renewal fee increases only 6-times (\$300 to \$1,800). This methodology drives an inequity, with smaller registrants paying significantly more proportionally than do larger registrants. For the largest of registrants, the highest fee of \$1,800 is a relatively inconsequential fee.

Revenues collected through registration and renewal fees are intended to support TICO's registration, compliance, enforcement and education efforts while Compensation Fund revenues are directed toward the operation, administration and protection of the Fund. TICO operates as a single entity administering all responsibilities under its mandate with an integrated infrastructure. Revenues collected through registration and renewal fees have historically been insufficient to sustain TICO's overall operational costs. As permitted under the Act and Regulation, TICO has received reimbursements from the Fund based on costs associated with administration, operation and protection of the Fund. While these reimbursements are permitted under the Act and Regulation, TICO has a goal to enhance the overall fee structure and achieve greater transparency on the flow of funds.

Subject to the Regulation, the Fund provides reimbursement of monies paid to, or through, an Ontario registered travel agent for travel services that are not provided due to the bankruptcy or insolvency of an Ontario registrant or an end supplier airline or cruise line, where a reimbursement to the consumer has not otherwise been provided. The Fund has functioned in the same way since inception and currently has a balance of approximately \$23.5 million. An actuary report published in 2018 identified a potential funding gap in support of future consumer claims.

Objective

The ultimate aim of this project is to create a stable, sustainable, transparent, and risk-based funding model that will provide adequate revenues for TICO to continue to fulfill its mandate of advancing consumer protection, ethical business practices and a trusted marketplace where consumers are confident purchasing travel from registered professionals. Key to having the right long-term and sustainable funding model includes reaching a conclusion on the future of the Fund, its structure, required balance and ongoing funding mechanism.

Approach

Given the uncertainty of the travel industry recovery and the need for TICO to return to industry funding for fiscal year 2022/23, TICO is proposing a phased approach. The current fee review looks to address transparency and equity issues identified above, with changes implemented before the beginning of TICO's fiscal year 2022/23.

The future fee review will address fundamental questions with respect to the Fund as well as a review of alternate funding sources beyond the current registrant base. To allow appropriate time for a thorough review of options and consultation with all stakeholders, the future fee review will take place during fiscal 2022/23 with the aim of implementing any required changes prior to fiscal 2023/24.

Current Fee Review

TICO is recommending the following adjustments be implemented prior to fiscal year 2022/23.

1. Introduction of a “TICO Fee” to fund TICO operations.
2. Adjustments to the renewal bands and associated fees.
3. Temporary Moratorium on current contributions to the Compensation Fund.

TICO Fee

The proposed new TICO Fee is intended to create greater transparency by having funds provided by registrants flow directly to TICO operations, limiting the need for indirect reimbursements from the Fund. Further, the underlying value proposition behind this fee is summarized in Appendix III. The fee is to be clearly identified as being used to fund TICO’s consumer protection mandate and separate from contributions to the Fund collected using Form1. The TICO Fee will operate similar to the current compensation fund fee in that it will be based on a percentage of Ontario Gross Sales (OGS). Using a percentage of OGS provides a level of flexibility and means that the amount collected will fluctuate with growth and contraction of the travel industry in Ontario. A level of equity is attained as all registrants would contribute to TICO in a proportional manner.

Subject to feedback received, the TICO Fee is anticipated to be set initially at the same level as current Form1 fees - \$0.25 per \$1,000 in OGS. Subject to a future fee review process anticipated next fiscal year, the TICO fee may be adjusted in accordance with established process and consistent with TICO’s mandate.

Renewal Fee Bands

TICO currently has in place renewal fees which are based on bands where larger registrants (as measured by gross Ontario Gross Sales) pay more than smaller registrants. The current bands are not considered to be equitable as changes in registrant size are not directly reflected in the renewal fee required. The revised renewal fee bands will provide greater equity. The addition of two new bands provides a more graduated increase and the fees associated with these revised bands increase proportionally. As reflected in Appendix II, the new bands would result in a fee reduction to approximately 77% of registrants based on forecasted 2021 OGS.

Existing Renewal Fee Bands		New Renewal Fee Bands	
Gross Ontario Sales	Fee	Gross Ontario Sales	Fee
\$0 to \$ 2,000,000	\$ 300	\$0 to \$ 2,000,000	\$ 250
\$2,000,000 to \$ 5,000,000	\$ 600	\$2,000,000 to \$ 5,000,000	\$ 700
\$5,000,000 to \$ 10,000,000	\$ 900	\$5,000,000 to \$ 10,000,000	\$ 1,700
\$10,000,000 to \$ 50,000,000	\$ 1,200	\$10,000,000 to \$ 20,000,000	\$ 3,400
Greater than \$ 50,000,000	\$ 1,800	\$20,000,000 to \$ 50,000,000	\$ 6,900
		\$50,000,000 to \$ 100,000,000	\$ 17,200
		Greater than \$ 100,000,000	\$ 34,400

Moratorium on contributions to the Compensation Fund

Upon completion of this fee review, a comprehensive review will look at all aspects of the Fund including, what is covered and to what degree, who is covered, anticipated future claims, required fund levels, and the most cost-effective way to administer the Fund. This fee review proposes temporarily suspending future contributions to the Fund until such time a review of the Fund is complete and appropriate funding mechanisms and levels can be set.

Future Fee Review

While the actions to be implemented as part of the current fee review will help address transparency and equity issues, they do not fully modernize TICO funding and do not provide a review of the future state of the Compensation Fund. There are fundamental issues that will require meaningful review and discussion to conclude and will be included in the future fee review. Based on consumer claims against the Fund in recent years, the current balance and associated investment income projected are anticipated to be sufficient for future consumer claims, in the near-term. TICO expects to provide specific recommendations and to hold further consultations on these items in fiscal year 2022/23 with the goal of implementing any recommended changes starting with fiscal year 2023/24.

Outcomes included in the current fee review are intended to remain in place as part of the future fee review, however, it is possible that rates may be adjusted contingent on the learnings and solutions implemented in the current fee review.

Consultation Process

Registrants will have the opportunity to engage in a review of this proposal and provide input. A series of virtual and in-person meetings is planned this Fall (subject to the Ontario government's re-opening plan and related COVID-19 protocols). Registrants will be invited to share their insights at these meetings and to otherwise email inputs directly to TICO. All inputs will be considered and shared with the TICO's Board

of Directors and Ministry prior to finalizing future direction. On acceptance of this proposal, there will be an announcement from TICO providing a minimum of 60 days notice to prepare for any pending amendments.

Next Steps

Consultation period for Current Fee Review	September/October 2021
Review and analysis of feedback	October 2021
Notification of final changes	November 2021
Begin implementation of changes	January 2022
Changes to fees	April 2022

Conclusion

TICO is seeking input from stakeholders with respect to a phased approach and proposed changes to the fee structure. Specifically, introduction of a “TICO Fee”, adjustments to the renewal fee bands, and a moratorium on Compensation Fund contributions, are subject to the inputs received from the consultative process.

Appendix I – TICO’s Vision and Mission

Vision Statement

To be a progressive regulator advancing consumer protection, ethical business practices and a trusted marketplace where consumers are confident purchasing travel from registered professionals.

Mission Statement

To regulate consumer protection by promoting awareness, education and compliance as part of the efficient and effective regulation of Ontario's travel industry.

Appendix II – Fee Impact on Representative Registrants

Count of registrants in each of the renewal bands:

New Renewal Fee Bands	Sales in 2019				Forecasted Sales in 2021				Forecasted Sales in 2022			
	Retail	Wholesale	Total	%	Retail	Wholesale	Total	%	Retail	Wholesale	Total	%
\$2,000,000	921	229	1,150	61.4%	1,180	255	1,435	76.7%	1,020	237	1,257	67.1%
\$5,000,000	342	30	372	19.9%	219	34	253	13.5%	310	34	344	18.4%
\$10,000,000	150	31	181	9.7%	72	13	85	4.5%	104	24	128	6.8%
\$20,000,000	60	14	74	4.0%	31	12	43	2.3%	56	14	70	3.7%
\$50,000,000	34	13	47	2.5%	18	8	26	1.4%	22	9	31	1.7%
\$100,000,000	15	5	20	1.1%	8	1	9	0.5%	12	4	16	0.9%
> \$100,000,000	21	7	28	1.5%	15	6	21	1.1%	19	7	26	1.4%
	1,543	329	1,872	100.0%	1,543	329	1,872	100.0%	1,543	329	1,872	100.0%

It is forecasted that 77% of registrants will experience a fee reduction based on 2021 Ontario Gross Sales (OGS) and 67% will experience a reduction based on 2022 OGS.

Fee impact to representative registrants:

Representative Registrant OGS	Current Fees			New Fees			Variance		
	Renewal	Form1	Total	Renewal	TICO Fee	Total	Renewal	TICO Fee / Form1	Total
\$ 250,000	\$ 300	\$ 63	\$ 363	\$ 250	\$ 63	\$ 313	\$ (50)	\$ 0	\$ (50)
\$ 2,500,000	\$ 600	\$ 625	\$ 1,225	\$ 700	\$ 625	\$ 1,325	\$ 100	\$ 0	\$ 100
\$ 7,500,000	\$ 900	\$ 1,875	\$ 2,775	\$ 1,700	\$ 1,875	\$ 3,575	\$ 800	\$ 0	\$ 800
\$ 15,000,000	\$ 1,200	\$ 3,750	\$ 4,950	\$ 3,400	\$ 3,750	\$ 7,150	\$ 2,200	\$ 0	\$ 2,200
\$ 35,000,000	\$ 1,800	\$ 8,750	\$ 10,550	\$ 6,900	\$ 8,750	\$ 15,650	\$ 5,100	\$ 0	\$ 5,100
\$ 150,000,000	\$ 1,800	\$ 37,500	\$ 39,300	\$ 34,400	\$ 37,500	\$ 71,900	\$ 32,600	\$ 0	\$ 32,600

The above OGS values are used for illustrative purposes only. These do not represent any actual (past or present) registrants.

The majority of TICO registrants fall in the band below \$2M and would see a slight benefit from the fee changes in the current fee review. Larger registrants see an increase in total fees.

Appendix III – TICO Value Proposition

TICO's mandate is to support the government in maintaining a fair, safe and informed marketplace as it relates to the *Travel Industry Act, 2002* and Regulation. This mandate is accomplished through the provision of services aimed at achieving high standards and professionalism across the travel sector as follows:

Education

Provide education on available consumer protections and legislative compliance requirements to all new and registered travel agents and managers selling travel in Ontario.

Registration

Ensure that all new registrants are screened for competency and meet minimum requirements to be able to sell travel in Ontario.

Consumer & Registrant Awareness

Ongoing communication to consumers and registrants with respect to the advantage of booking with a TICO registered agency through a variety of channels.

Continuing Education

Ongoing education for registrants with respect to policies, procedures and guidelines to comply with the legislation.

Compliance

Ongoing compliance inspections and reviews to ensure registrants are meeting the financial and non-financial requirements of the legislation. Pursuing revocation of registrations of non-compliant risk registrants through the Licence Appeals Tribunal.

Complaints Handling

Facilitate resolution of consumer complaints against registrants.

Administration and Protection of Compensation Fund

Receive, review and processing of claims against the Fund. Management of Fund to ensure that sufficient funds exist for future claims resulting from the failure of a registrant or end supplier.

Prosecutions & Convictions

Enforcement of the legislation through pursuit of prosecutions and conviction of those who sell travel in Ontario without complying with the requirements of the legislation.