



**MINUTES OF THE  
ANNUAL MEETING  
OF THE MEMBERS OF THE  
TRAVEL INDUSTRY COUNCIL OF ONTARIO**

**Tuesday, September 26, 2023**

The virtual meeting was called to order at 5:00 p.m. Michael Levinson, the Board Chair, introduced himself and welcomed everyone to the 26<sup>th</sup> Annual Meeting of the Travel Industry Council of Ontario (TICO).

**1. Welcome and Call to Order**

Michael Levinson introduced the other presenters and the current members of the Board of Directors and acknowledged some invited guests. He noted that TICO's office is located on the treaty lands and territory of the Mississaugas of the Credit First Nation. TICO honors all Indigenous voices as part of its commitment to a more diverse and inclusive workplace and society.

Michael Levinson confirmed that he had a Certificate of Service of Notice from the Corporate Secretary, indicating that notice of the meeting was properly given in accordance with TICO's by-laws. He advised that there were at least twenty members present, which is a quorum, and declared the meeting properly constituted.

Michael Levinson reviewed the Rules of Procedure and aspects of the digital platform being used for the meeting. A practice vote was conducted to ensure voting members were comfortable utilizing the technology.

**2. Minutes of the Annual Meeting held on June 28, 2022**

There were no issues raised or questions posed regarding the minutes of the Annual Meeting held on June 28, 2022.

### 3. **Update from the Ministry of Public and Business Service Delivery**

Brian Riddell, Member of Provincial Parliament for Cambridge and Parliamentary Assistant to the Minister of Business and Public Service Delivery, addressed attendees. Highlights of his remarks are as follows:

- On behalf of the Ministry, he welcomed attendees and thanked Richard Smart and the Board for the warm welcome.
- The past few years have been a challenge for Ontario tourism and travel agents.
- While recovery has been gradual, more and more Ontarians are travelling post-pandemic.
- The state of the travel sector continues to improve.
- Consumer confidence will be key to a full recovery of the industry.
- Through TICO, Ontario travellers can rest assured that they are supported and protected when purchasing travel packages.
- TICO takes its role as a regulator seriously.
- The Ministry appreciates TICO's commitment and dedication to fulfilling a mandate that ensures a fair, safe, and informed marketplace for travel services in our great province.
- The Ministry also appreciates the important steps taken to implement the Minister's Orders issued in August under the *Safety and Consumer Statutes Administration Act*.
- These changes will help to ensure that TICO can have the most efficient and effective governance as well as to allow for a stronger focus on its important consumer protection mandate.
- TICO introduced a Comprehensive Review of its Fee Structure and Compensation Fund last fall. Consultations are slated to begin very soon. The Minister looks forward to learning more about the results of those meetings and to providing the necessary support to help implement positive change.
- While there is still a lot of work ahead, together we can be even more efficient in protecting consumers and upholding industry professionalism.
- As a result of this meeting and the updates made today, TICO will have a more balanced skills-based Board.
- TICO will establish an Industry Advisory Council reporting directly to the Board by January 1, 2024.
- Through the Council, industry representatives will continue to provide independent advice to TICO, raise emerging issues within the sector and discuss new approaches to awareness and engagement.
- As Ontario's travel sector continues to rebound, TICO will continue to offer reliable leadership to travel agents and the wholesale industry during this recovery.

- The Ministry looks forward to ongoing collaboration in addressing the consumer protection issues that impact Ontario and to strengthen Ontario's economy.

#### **4. Annual Report from the Chair**

Michael Levinson highlighted a few important initiatives that TICO's Board has been focused on over the past year. Overall, the 2022-2023 fiscal year was about building upon a strong foundation for continued positive change. The changes all ladder up to consumer protection and TICO's commitment to fairly balancing the needs of consumers, while being mindful of a challenging environment and ongoing industry recovery.

##### Risk Management

One of the Board's primary responsibilities is ensuring effective oversight over TICO's risk management framework. The Board has a healthy dialogue and spirited exchange with senior management on effective risk management. While border closures and public health restrictions are in the rearview mirror, the lasting effects of the pandemic continue. During the past fiscal year, TICO saw the travel industry's recovery accelerate, with a resurgence of consumer demand. TICO also saw elevated levels of complaints from travel consumers, where the fallout from the pandemic was a contributing factor. Claims against the Compensation Fund were also above historic levels.

Ontario's travel workforce has faced extraordinary issues with surging demand, training and labour supply. There are challenges with recruiting and retaining travel advisors, along with a need for evolving skillsets to adapt to the changing landscape of travel. For many businesses, including TICO, this has meant embracing an evolving hybrid work environment, while ensuring staff have the necessary skills, capacity, and support to succeed in this new era.

The Board of Directors is continuously evaluating the recovery and state of the travel industry, its impact to consumers and TICO's role in consumer protection and mitigating risk.

##### Administrative Agreement

TICO renewed its commitment to the Ministry of Public and Business Service Delivery and to stakeholders with an updated and modernized Administrative Agreement. The Administrative Agreement is essentially the contract between TICO and the Ontario government, outlining the way TICO is to operate. Administrative Agreements have largely been standardized with other delegated authorities to ensure an efficient and transparent approach to governance. This

new agreement enhances accountability and transparency and focuses on customer service excellence and operational efficiency.

These enhancements to the Administrative Agreement are aligned with TICO's journey as a modern and progressive regulator, and today's expectations from stakeholders and consumers. The updated agreement ensures a strong strategic governance framework to guide TICO's strategic planning, risk management and operational priorities for years to come. A copy of the agreement can be found on TICO's website in the Resources area.

### Governance

The TICO Board continued to review its composition this past year. It is the Board's firm belief that a skills-based board with diverse perspectives leads to better decision-making. This commitment to competencies and diversity will not only strengthen TICO's governance but will also empower us to make more informed and inclusive decisions that benefit all stakeholders. This work culminated in Minister's Orders being delivered to TICO this past August. Later in the meeting, TICO will present its updated by-law to re-constitute its Board to allow for a more balanced, skills-based and diverse perspective, through a lens of consumer protection. Registrants will also have an opportunity to vote for elected Directors.

### Funding Framework and Fee Review

A Funding Framework and Fee Review took place over the past year. Significant care and consideration went into the review process. The team at TICO is finalizing the consultation package, which will be made available to all registrants and stakeholders later next week.

The Chair acknowledged that the past year has been a challenging one for industry and also for TICO. Change is never easy, but it's important for the organization to evolve and be ready to meet the needs and challenges of consumers in the years ahead. I am confident that TICO will continue to be a progressive regulator, supporting a trusted marketplace where consumers are confident purchasing travel from registered professionals.

The Chair encouraged stakeholders to look at TICO's Annual Report to learn more about TICO's activities from the previous year, as well as its business plan and goals for the year ahead.

## **5. Annual Report from the CEO**

Richard Smart welcomed attendees to TICO's 2024 Annual Meeting. He thanked Brian Riddell for attending and his remarks. He thanked the entire Ministry team for their commitment, dedication, and support.

The CEO noted that the only constant we all experience is change. With pandemic travel restrictions lifted, global travel demands are quickly approaching pre-pandemic levels. In Ontario, many registrants have experienced increasingly higher demand for travel, as consumers plan long-anticipated vacations, reunite with family and friends, and visit colleagues after extended absences. Continued economic headwinds, however, are creating potential concerns for the ongoing recovery of the industry. With every challenge, there are opportunities. The industry continues to respond with new enhancements and innovations, and increased attention on customer service and experience.

The CEO provided an update on the activities of TICO over the past year as follows:

#### Value-for-Money Audit

Earlier this year, TICO welcomed the Auditor General of Ontario to conduct a value-for-money audit on TICO's operations. Their work is nearly complete, and a public report is anticipated before the end of this calendar year.

#### Consumer and Registrant Awareness

Central to TICO's mandate is a commitment to enhancing consumer and registrant awareness and education. Consistent with best practices, TICO conducted comprehensive values and satisfaction surveys with consumers and registrants in early 2023. Further details of these survey results are available in our Annual Report. All feedback was carefully considered by management, and the Board of Directors, to ensure future programs continue to reflect stakeholder needs.

The CEO acknowledged a dip in awareness of TICO and the regulated travel marketplace. He noted the overall challenges experienced by consumers and industry during a difficult holiday travel period, which included extensive news coverage of issues and regulations primarily related to airlines.

The surveys confirmed the growing importance and value of travel advisors, as travel complexities and challenges have also grown. Notably, 7-in-10 consumers believe in the value TICO provides as a regulator of travel services.

#### Supporting Consumers and Industry

The ever-changing landscape of the travel industry over the past three years has meant that both consumers and registrants have needed support. TICO's goal is to find fair solutions so that consumers remain confident purchasing their travel from Ontario registered businesses. In TICO's view, a regulated travel marketplace with sound consumer protection is good for consumers and good for business.

TICO has continued to work collaboratively with the government on initiatives that support the viability of the sector. The government provided \$2.5 million in financial support to TICO in 2023, which enabled TICO to provide ongoing financial relief to registrants. With the many financial pressures facing travel agencies and tour operators, TICO heard from industry that these waivers made a meaningful difference.

### Registration

On March 31, 2023, there were a total of 1,920 TICO registrants compared to 2,035 the year before, representing close to a 6% decline. There were 328 voluntary terminations throughout the year, which is higher than the 265 terminations the year before. We continue to experience consolidation in the sector as traditional business models give way to new modern approaches to selling travel.

On a positive note, there were 140 new applications processed during the year. This is double the new entrants into the travel marketplace when compared with the 70 new applications in the prior year.

### Education

Interest in becoming TICO certified is accelerating, which bodes well for the long-term sustainability of the travel sector. During the most recent fiscal year, the number of exams written swelled to a new record of 7,100 exams – an increase of more than 50% compared to the previous year.

Continuing to enhance the education program remains a key priority for TICO. Our enhanced adult e-learning development platform is expected to be substantially complete by the end of the current fiscal year with implementation the following year.

### Industry Recruitment Videos

TICO and its education partner released some innovative and award-winning videos to support the goal of attracting new talent to the industry, and to educate about the requirements to become TICO certified. The videos are available on TICO's YouTube channel.

### Funding Framework and Fee Model Review

In September 2022, TICO launched a comprehensive review of its funding framework and fees. Strategic advisors were engaged throughout the process. An actuarial study of the Compensation Fund was also completed. A detailed business case was submitted to the government for consideration. The changes that TICO is proposing will be shared with registrants through a consultation

process, which will begin next week. The CEO encouraged stakeholders to participate in the consultations.

### Financial Update

For the third year in a row, TICO operated in a near zero revenue environment. Thanks to financial support from the Ontario government, TICO was able to continue its consumer protection mandate, while also passing along financial support to registrants. At just under \$4.4 million, TICO's operating expenses were lower than the prior fiscal year and below the Budget approved by the Board. Over the past five fiscal years, TICO's operating expenses have remained flat.

In total, TICO generated a net deficit of \$2.3 million compared to \$1.2 million in the prior year ahead of budget but nevertheless an unsustainable deficit. Continued acceleration of travel demand now needs to be carefully weighed in light of macro-economic trends, including the fast-paced rise of interest rates and the likelihood of a recession.

### Compensation Fund Claims

TICO has seen an increase in Compensation Fund claims. The total amount of consumer claims against the Fund increased to \$617,000 from \$491,000 in the prior year. This is the highest level seen in a decade. The prolonged nature of the pandemic has undoubtedly been the driver behind this increase in consumer claims. In total, the Compensation Fund assisted 278 consumers last year. The Compensation Fund balance remains at just under \$23 million dollars for future claims.

### Diversity, Equity and Inclusion

TICO is committed to advancing Diversity, Equity and Inclusion within the organization. TICO always endeavors to be respectful and inclusive as it interacts with diverse audiences of consumers, registrants, and other stakeholders. We continue to look at how we can improve our programs, policies and services and integrate best practices into our daily work.

### Business Plan

The updated three-year Business Plan is available on TICO website. It is difficult to predict the final trajectory of the travel recovery, whether a looming recession will be 'hard' or 'soft' and the ongoing shift with consumer expectations, emerging technologies and the marketplace in which we operate. TICO will continue to work with the Ministry of Public and Business Service Delivery to be a progressive and modern regulator balancing the needs of consumers and industry, while considering the realities of the current travel marketplace. We

look forward to the recommendations coming soon from the Office of the Auditor General and are committed to continuous improvement.

TICO's focus will continue to be on enhancing consumer and registrant awareness, improving our educational platform for new talent entering the industry and on supporting consumers in their quest to make fully informed travel purchase decisions. We will continue our unwavering focus on prudent financial stewardship, striving to enhance the value of the services we provide to consumers and registrants. Both registrants and TICO must continue to work together to deliver services, exceed customer expectations and ensure a trusted marketplace.

The CEO thanked the Board of Directors, the Ministry of Public and Business Service Delivery, and the TICO team for their ongoing support. He expressed appreciation for all the attendees taking time from their busy schedules to attend the meeting.

## **6. Approval of By-law Amendments**

Tracey McKiernan advised that By-law No. One was being amended to comply with the Minister's Orders and to make some changes related to general governance matters. The amended By-law was included in the materials circulated on August 25, 2023 and has been available to Members on the website. A webinar was also held on September 12, 2023 to allow all registrants to ask questions about the By-law changes. A video of that webinar was posted on the website.

On August 11, 2023, TICO received five statutory orders from the Minister of Public and Business Service Delivery. The first order requires that the number of board members be decreased from eleven to nine. The second order requires that all board members possess a positive orientation for proactive consumer protection initiatives. The third order limits industry representation on the Board to no more than 34%. The fourth order requires the establishment of a nominations committee with specific requirements. The fifth order requires that an industry advisory council be established.

Tracey McKiernan provided an overview of the changes made to reflect the statutory orders as follows:

- In Article 5.03, the size of the Board has been decreased from eleven to nine as required by the Minister's Order. Smaller boards are consistent with leading practices adopted by comparable boards and administrative authorities, and it allows the Board to operate in a more cost-effective manner.



- The By-law has also been changed to reflect that no more than thirty-four per cent of members of the Board shall be drawn from the following classes of person:
  - Travel Agents
  - Travel Wholesalers
  - individuals who are directors, officers, employees or agents of Travel Agents or Travel Wholesalers
  - individuals who are directors, officers, employees, members or agents of an industry association representing the interests of Travel Agents or Travel Wholesalers
  - individuals who within the one-year period before becoming a Director of the Board met those descriptions
- To be clear, the percentage is calculated with reference to the full nine-member Board. This ensures that the Corporation will not inadvertently be offside in the event of one or more vacant positions.
- Recent Auditor General Value-for-Money Audit Reports of a number of delegated authorities have been critical of industry dominance on boards of administrative authorities. The rationale for the change is to ensure that the Board is composed of members with various perspectives and skills to effectively oversee travel agents and wholesalers and protect consumers.
- Article 5.12 of the By-law has been amended to reflect the requirement that all members of the TICO Board possess a positive orientation for proactive consumer protection initiatives. Establishing competency criteria is intended to ensure directors have the competency to effectively advance TICO's consumer protection mandate.
- In Article 6, provisions have been added to establish a nominations committee. The required composition of the nominations committee is codified. Provisions have been added to reflect the rules required regarding the nomination of board members and the appointment or election process. The prohibition regarding industry associations naming board members has also been captured. The objective of the changes is to facilitate an effective board by bringing different perspectives to TICO as well as aligning with best practices of administrative authority governance.
- Article 11.06 of the By-law is amended to establish an Advisory Council. While the industry may have fewer seats on the Board, the objective here is to ensure that there is a forum to enable TICO to obtain advice and input from key stakeholders to make informed decisions related to its consumer protection mandate.
- In Article 17 of the By-law, some definitions have been added to enable implementation of the Minister's Orders. Definitions of the terms "Advisory Council", "Board", "travel agent" and "travel wholesaler" were added.

The changes to reflect the Minister's Orders are not subject to Member approval and stand as presented within the By-law.

Tracey McKiernan advised that the following other general governance changes have also been made to the By-law:

- New provisions have been added to permit Member’s meetings to be held electronically and to permit Members to vote electronically at meetings. The objective of the amendments is to facilitate access to meetings.
- A “Telephonic or Electronic Means” definition has also been included in Article 17.
- In Article 5.12 c, an amendment has been made to eligibility criteria to allow board members to reside anywhere in Canada. Given advances in technology, it is easier to participate in meetings even if someone is not in the province. Registrants may have officers, directors, or employees who reside outside of the province who would be ineligible for consideration given the current requirement to be a resident of Ontario. Ultimately, the goal is to be able to recruit the best people possible for the Board.
- In Article 6.09, the elected terms have been adjusted to three years starting at the annual meeting in 2024. The objective is to have only one industry elected position and one public elected position turning over each year.
- A new provision has been added to address vacancies in Elected Directors in Article 6.15. The provision would allow the Board to either fill the vacancy for the remainder of the term, or to have the vacancy filled by the Members at a member’s meeting. The goal is to ensure the Board is not left short-handed and is able to complete its role.
- In Article 8, there are some amendments to the process for electing the Chair of the Board. First, the by-law recognizes that the Minister may appoint a chair of the Board. Currently, the Chairperson is appointed by the Minister. Where the Minister has not appointed the Chairperson, an amendment is proposed to allow the Board to elect the Chairperson from amongst themselves rather than from the Minister’s appointees. This is reflective of modern governance practices and is consistent with other administrative authorities.

The following motion was moved by Andrew Dawson and seconded by Scott Stewart.

**BE IT RESOLVED THAT By-law No. One be approved as amended.**

There was no discussion. The motion was carried.

## 7. Election of Directors

### Election of Industry Directors

The Governance and Nominations Committee solicited applications for two industry positions available on the Board of Directors. Information about the candidates was included with the materials for the meeting and posted on TICO's website.

Registrant members were asked to vote for two of the following industry candidates:

- Julie Boucher, Chief Financial Officer, Tully Luxury Travel
- Judith D. Coates, Independent Travel Advisor for The Travel Agent Next Door operating as Wired for Travel
- Andrew Dawson, Chief Operating Officer/President, Sunwing Vacations
- Patrick Doyle, Chief Commercial Officer, Flight Claim
- Mike Foster, President, Nexion Travel Group Canada
- David R. Harris
- Dan Langevin, Chief Commercial Officer and Partner, SoftVoyage
- Anthony Saunders, Chief Financial Officer, H.I.S. Canada Holdings Inc.
- Robert Townshend, President, Total Advantage Travel & Tours Inc.

The candidate with the highest number of votes will serve for a three-year term and the candidate with the second highest number of votes will serve for a two-year term.

The vote was conducted. The Chair advised that the results would be announced later in the meeting.

### Election of Public Directors

The Governance and Nominations Committee also solicited applications from experienced leaders beyond the travel industry for the three public positions. More than 200 applications were received and reviewed by the Committee. The Board confirmed a slate for the three public positions. Biographies of the individuals on the public slate were included in the meeting materials.

The following motion was moved by Shalene Dudley and seconded by Abhinandan Gupta.

**BE IT RESOLVED THAT the slate of public directors be approved as follows: Archana Gupta-Harit for a one-year term, Heather Colquhoun for a two-year term, and Christopher Warren for a three-year term.**

There was no discussion. The motion was carried.

Michael Levinson congratulated Archana, Heather, and Christopher. He thanked everyone for supporting this important governance initiative as TICO moves forward with a balanced, skills-based Board.

## **8. Financial Report**

### **(a) Financial Statements for the year ended March 31, 2023**

Richard Smart advised that an audit of TICO's financial statements was conducted. The Auditor's Report is included with the financial statements in the 2023 Annual Report. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. The Auditor's responsibility is to express an opinion on the financial statements based on their audit.

Richard Smart reported that it was the Auditor's opinion that the financial statements present fairly, in all material respects, the financial position of TICO as of March 31, 2023 and its financial performance and cash flows for the year ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

The following questions were asked regarding the financial statements:

1. The annual report says the Board of Directors per diem rates will be adjusted annually with the Consumer Price Index (CPI). However, it looks like the Board of Directors increased their per diem rates by nearly 50% last year. Can you explain the discrepancy?

TICO benchmarks director per diem rates versus best practices. There was a review of the per diems paid to board members and TICO's rates were low compared to other organizations. Ultimately, the Board decided to align with the Ontario Government's Agencies and Appointments Directive so the per diems are consistent with per diems paid to other regulatory authorities. Normally, our process is to adjust for the Consumer Price Index but in the past year we made the additional adjustment.

2. Looking back through 10 years of financials before the pandemic, how would you explain why the cumulative annual rate of growth of salaries is triple the CPI for the same period when the number of registrants has fallen significantly?

We take our financial stewardship function and fiduciary responsibility seriously. Our operating expenses over the 10-year period in totality average

about 2.85% average growth, which is close to what inflation has been over that 10-year period. The reason for the more significant increase in salary and benefits is that we have added approximately half a dozen staff over those ten years in selected areas core to our consumer protection mandate. We do regular benchmarking to third party studies for other regulators of similar size and complexity. Our salaries are very consistent with those benchmarks. We review any recommendations for the pool of base salary and merit increases with our Governance and Nominations Committee who makes a recommendation to the Board. We have a very transparent process.

3. Should Ontario registrants expect the same rate of salary growth in the next 10 years post pandemic?

I can't comment on what the next 10 years are going to look like. I can only comment on the past 10 years. During the pandemic, all TICO staff took pay reductions. We appreciate that a lot of registrants had to furlough and lay off staff. We felt that we made an appropriate response during the pandemic. Those were rough times. Since then, we have kept any increases at approximately the rate of inflation and tied to what the benchmarks indicate.

#### **(b) Auditor's Report**

Michael Levinson introduced Rob Clause from BDO Canada LLP. He asked whether anyone wanted the Auditor to read his report. In the alternative, he requested a motion to dispense with the reading of the Auditor's Report.

***Elliot Finkelman moved to dispense with the reading of the Auditor's Report. Seconded by Laurie Keith.***

***MOTION CARRIED***

Members were given an opportunity to ask the Auditor questions. There were no questions on the Auditor's Report.

#### **9. Appointment of the Auditors**

The TICO Board of Directors recommended BDO Canada LLP as TICO's Auditors for 2023/2024. BDO has been TICO's Auditors since the 2016/2017 fiscal year. TICO issued a Request for Proposals in 2022 and BDO was again the successful firm. They have developed a good knowledge of TICO. The work conducted is efficient. With a Funding and Compensation Fund Framework Review underway, it would be beneficial to maintain consistency in this role for the next year.

Members were given an opportunity to ask questions about the Auditors. No questions were received.

***Ted Goldenberg moved to retain BDO Canada LLP as Auditors and to authorize the Board of Directors to fix the Auditor's remuneration. Seconded by Shawn Ashton.***

**MOTION CARRIED**

## **10. Industry Election Results**

Due to a technical error with the technology provider, some voting members were unable to complete the industry director vote. Despite several efforts to conduct the vote, it was unsuccessful. To ensure a fair and equitable process, TICO determined that the vote would not be able to be completed at the meeting. TICO apologized for any inconvenience.

*Note - On October 11, 2023, Robert Townshend was elected for a three-year term and Andrew Dawson was elected for a two-year term.*

The Chair thanked the following directors who retired from the Board over the last year:

### **Nicole Bursey**

- Nicole served on the Board as an appointee of the Canadian Association of Tour Operators from June 2018 to July 2023.
- She recently served as Chair of the Regulatory and Business Strategy Committee.

### **Joanne Dhue**

- Joanne served on the Board as an appointee of the Canadian Association of Tour Operators from June 2021 to July 2023.
- She served on the Audit, Technology and Risk Management Committee and the Governance and Human Resources Committee.

### **Mike Foster**

- Mike was on the Board from June 2014 to July 2023.
- He was an appointee of the Association of Canadian Travel Agencies.
- He was the Chair of the Governance and Human Resources Committee.

### **Ted Goldenberg**

- Ted was on the Board from June 2019 to September 2023.
- He was an appointee of the Ontario Motor Coach Association.
- He chaired the Audit, Technology and Risk Management Committee and was a member of the Governance and Human Resources Committee.

**Monica Johnstone**

- Monica was an appointee of the Association of Canadian Travel Agencies from June 2022 to July 2023.
- She was a member of the Audit, Technology and Risk Management Committee.

**Scott Stewart**

- Scott most recently served as a Minister's appointee on the Board from June 2019 to June 2023.
- From June 2015 to June 2019, Scott served as an elected director on the Board.
- He was recently a member of the Audit, Technology and Risk Management Committee and the Regulatory and Business Strategy Committee.
- He also served as the board observer on the Consumer and Industry Advisory Committee.

**11. Other Business****(a) Question and Answer Session**

The following questions were posed by stakeholders:

1. To fund its operations for many years TICO has been diverting funds from the Compensation Fund, a fund that is intended to protect the funds of its beneficiaries' consumers. The role of the Compensation Fund should not be to fund TICO's operating expenses. While this practice is allowed under Section 73, does TICO and the Ontario government believe that this is fair to the contributors of the Fund, registrants and their consumers?

The transfers that you're referring to have been taking place since TICO's inception in 1997 when TICO was first formed. I would choose a different word than "diverting" as that seems to suggest not being transparent. Since I've been the CEO of TICO, we've been very transparent with the Board of Directors around the monies that have been reimbursed from the Compensation Fund to assist with the funding of operations. Our goal in this Funding and Fee Review is to fix that fundamental misalignment of fees. You will hear more on this when we hold the consultations in the October/November timeframe.

2. Next week, the report recommendations as part of the consultation process will be released. Will registrants have an opportunity to vote on proposed changes?

No, there isn't going to be a vote on the proposals. The fee review process that TICO is following is defined in the Administrative Agreement. TICO will

be consulting with all stakeholders, associations, travel agencies and tour operators within the regulated sector. We will share the proposals starting next week. A summary of the feedback received will be shared with both the Board of Directors and the Minister. Following the consultations, a final decision will be made whether to proceed with the fees as proposed.

3. A legal review indicates the definition of “consumer” excludes corporations. Will TICO commit to eliminating corporate travel from the TICO requirements?

This has come up in past years. TICO has done its own legal review. The *Consumer Protection Act* is a separate statute from the *Travel Industry Act* and its regulation. Our position is that corporate travel is within TICO’s jurisdiction. I’d encourage you to share your views with TICO and the Ontario government and they will be considered, but it’s something that we’ve looked at thoroughly before and we’re comfortable with the position we’re taking.

4. My question is 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. 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. Can TICO or the Ontario government tell me how the consumer is at risk with my business when I do not hold their Funds? 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 registrant and non-registrant supplier bank accounts?

I don’t have a percentage off the top of my head. I’ll certainly try to answer that in the follow-up that we do after the meeting. We know the challenges that are associated with being a merchant of record. We know that these flow through transactions are increasing for travel retailers. You’re correct that this presents a different risk profile. TICO has talked about risk-based pricing and risk-based decisioning. We are committed to looking at that in the long term. It was a consideration during the funding review. We’ll have more to say on that in the consultations in October and November. Any risk-based system that’s put in place must be robust and must be evidenced by strong data. I hope you’re able to attend one of our consultation sessions and we can have more of a dialogue at the time.

5. 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 does TICO and the Ontario government plan to reverse the downward trend of travel businesses and stand behind the message that Ontario is open for business?



TICO's messaging recommends and encourages consumers to always deal with an Ontario registered retailer. It is the best way of ensuring that consumers can be confident in their travel purchase. Yes, there's been a decline in the number of registrants over the last number of years. However, the market up until the pandemic was growing. There were record years for the travel industry in 2018, 2019 and 2020. There has been consolidation and introduction of new business models. I'm encouraged by the resurgence of sales this year, close to pre-pandemic levels. Notwithstanding some of the economic headwinds I talked about before, we're cautiously optimistic that we're going to see a return to those record levels. We can't speak on behalf the Ontario government. TICO believes the province is open for business and we're doing our small part to support that. We want to see Ontario businesses thrive and to have a vibrant travel marketplace.

6. It appears that consumer awareness is declining rather than improving. Do you believe a budget of a 100,000 annually will make a difference? Do you think adding a small fee to travel purchase invoices could increase awareness about consumer rights and provide genuine protection?

It is true that our consumer awareness budget is lower than it was in prior years, but we've also been very innovative and creative in the way that we promote consumer awareness. We participate in a Google Ad Grants Program where we receive free monies (more than \$100,000 USD) from Google to promote our consumer awareness program. We must make choices where we allocate our resources. We have a very strong Stakeholder Relations Manager that brings a lot of innovation and creativity. We're using influencers to amplify the consumer protection message. We did see a dip but generally our consumer awareness numbers are considered strong when we compare ourselves and benchmark to other delegated authorities. The small fee that could be on the invoice to raise awareness is one of the options that was considered in the Funding and Fee Review. We would be happy to discuss that further during the consultations in October and November.

7. Recognizing the Ontario government's support of TICO during the pandemic, has TICO modeled the impact of the Federal wage rent subsidies and Loan guarantees and the effect that would have been had on the financial position of registrants, failures and claims had the federal support not been provided?

The short answer is no. We are just coming out of the pandemic. We're pleased with the recovery that we're seeing. We're aware of the various loan programs that were put in place. We are aware of the heavy debt load that Ontario registrants have on their balance sheets. I think it's too early and it hasn't been our focus to say, "what if". The impact would certainly have been a lot different not just for travel businesses if the federal programs were not

available, but I think that's a broader policy question. TICO has been very busy focusing on its consumer protection mandate and the funding review.

8. It seems like most of the compensation fund claims this year are related to end supplier failures. Would you agree that the removal of the review engagement requirement has had no negative impact on claims?

With the failure of Crystal Cruises, there was a larger number of end supplier claims this past year. We see this as more of an anomaly than a trend. We've heard loud and clear from industry over the years that it is inequitable that airlines and cruise lines do not contribute to the Compensation Fund. TICO has no jurisdiction over airlines and cruise lines. We would be happy to discuss this further during the fee consultations.

9. ACTA and Ontario travel businesses have long been calling for a regulator that is the right size to match the industry being regulated and the level of claims and failures of actual registrants. How can TICO and the Ontario government justify the exorbitant expense and ultimate red tape that has been thrust upon Ontario registrants especially when no other delegated administrative authority dictates extra levels of security for coverage?

TICO's expenses have been flatlined over the last five years and there was one year at the peak of the pandemic where our expenses went down. Our actual operating expenses in the most recently completed fiscal year were lower than the prior fiscal year. When you look back over 10 years, expenses have grown at an average rate of less than 3%, so I simply don't accept that TICO's fees have been exorbitant. Our board is very tough, as they should be, ensuring that any cost increases are understandable, supportable and reasonable and always within the budgets that are approved by the board and shared with the ministry and stakeholders.

With respect to regulatory burden, I'd point out that during the pandemic years we didn't charge any fees to registrants, and we reduced the financial reporting burden on registrants. So, in fact, there was a reduction in burden over that timeframe. We have a commitment to the Ontario government to provide a burden reduction plan every year as part of our fiduciary responsibility. We take burden reduction very seriously. We do compare ourselves to other regions like Quebec and BC and other countries. Based on our analysis, we don't see the regulatory burden being exorbitant or excessive relative to those organizations.

TICO acknowledges that retailers and wholesalers have gone through hell with the pandemic, but I can also tell you that the level of consumer activity and complaint calls to TICO have also escalated significantly over that timeframe. There is a fine balance in responding to consumers and being fair

to industry, but I believe we've come up with a good balance of regulatory burden reduction while keeping TICO's expenses flat or down.

10. Why do we have a fund to protect consumers from unscrupulous operators and require businesses to invest significant resources in complying with the arduous trust accounting rules?

The Compensation Fund is the cornerstone of the consumer protection framework in Ontario, but it is not the only protection that we provide. The regulations set out all sorts of requirements around pricing and disclosures pre and post sale. I think one of the reasons that Ontario has been so successful over the years is it's seen as a trusted marketplace in which to do business. The Compensation Fund, which sits around \$23 million is a testament to the industry and the controls that it has in place, its commitment to consumer protection and a balanced regulatory regime. We've been able to manage claims to a reasonable level over the years albeit a little higher in the last couple of years. As part of the funding review, TICO did consider whether there should be a Compensation Fund. We know Australia abolished their fund while other jurisdictions still have one. This is something that will be discussed further as part of the fee consultations.

The trust accounting rules are part of the regulatory compliance that we have in the province. I think the industry should be proud of the fact that Ontario is the largest marketplace in Canada and had grown to record levels up to the pandemic. I think that we'll get there again, and I think it's a balance between a trusted and regulated marketplace and absolutely the best retailers and wholesalers in the country and probably beyond.

11. The Chair of TICO noted that TICO must fairly balance consumer protection with other responsibilities. Why does TICO not disclose upfront to consumers the caps of consumer protection - \$5,000 per person, the cap of 5 million per event and 2 million repatriation cap. This would allow consumers to balance their own purchasing responsibilities. How can the Ontario government or TICO justify consumer protection as fair when all these caps have not been adjusted since the inception of the Act decades ago?

The Compensation Fund has its complexities. We know today that consumers are bombarded with different rules and regulations and information. Reading fine print isn't always top of mind. It is a difficult message to get out in the infamous 144 words or less. Our website contains all the information on caps and thresholds, but people may not read that. Our challenge is how do we communicate it. We are committed to looking at how we could improve our communications for the future. The funding review did consider the caps. We will be discussing that further in the fee consultations.

**9. Conclusion of Meeting**

Michael Levinson apologized for the technical issues with the industry election. TICO will confer with its service provider and get back to stakeholders in a timely manner with a plan to complete the election.

Michael Levinson advised that any questions that were not addressed during the Question-and-Answer Session will be addressed in writing following the meeting.

Michael Levinson thanked everyone for attending TICO's 26<sup>th</sup> Annual Meeting.

**The meeting was adjourned at 7:00 p.m.**

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Board Chair

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Corporate Secretary