Canadian Association of Tour Operators
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Presentation to Ontario Standing Committee on Finance and Economic Affairs

Dear Committee Members;

Thank for the opportunity to address the committee especially at this critical point in the history of the travel industry.

We will be making two important requests for this committee to consider.

1. For Ontario-based Tour Operators and
2. For Ontario Consumers

About CATO
CATO (The Canadian Association of Tour Operators) speaks for its members, and by extension, speaks for all tour operators based in Canada. Most of our members are based in Ontario.
The economic value to Canada and Ontario, brought by tour operators and the travel industry as a whole cannot be overstated. The travel industry employs many thousands of Ontario citizens, creating billions of dollars of economic activity to this province.

Why do Tour Operators need more help than most?

1. Tour Operators were the very first to be impacted by Covid 19, and will be the very last to restart to any acceptable degree.

2. Travel restrictions imposed on Canadians and international travellers into Canada have virtually. halted all travel. With little or no easing in sight, there is no horizon for any real recovery.

3. Emergency out-of-country medical insurance is effectively unavailable for Covid19 coverage.

4. Without effective vaccines, any increase in travel will be exceedingly slow, requiring tour operators to expend double the resources to produce travel experiences in such a safety-conscious environment.

5. Revenues produced by these limited travel experiences will be insufficient to cover the added costs incurred for a very long time.

6. Tour Operators face unique business challenges. Long lead times with no revenue from booking date to travel date.

7. Cash flow restrictions from trust accounting requirements and the need to hold any deposits, and the need to offer passengers very flexible cancellation and change policies, offering operators limited surety of the reliability of any travel bookings.

8. Fixed costs have continued unabated since mid-March and will continue well after the current anticipated termination of the CEWS Wage Subsidy program.

9. Without government support from the Ontario government, the extended wait for any recovery will be the ultimate blow to many operators and thousands of jobs.

These are critical concerns that cannot be ignored and desperately need to be addressed. Tour Operators require financial assistance and relief in order to survive.

How will this affect Ontario consumers?

The consequences of this last point, number 9, brings us to another critical point which will directly affect Ontario consumers as a result.

Ontario travel sellers are regulated by **TICO, the Travel Industry Council of Ontario**, which administers a completely inadequate **Consumer Protection Fund** in Ontario, which currently sits at roughly $24 Million, accumulated from fees collected from Tour Operators and Travel Agents.

Despite many submissions, consultations and studies with different governments over many years, by CATO and other stakeholders, pleading for a change to the funding model, successive governments have ignored our input and missed the opportunity to properly protect Ontario travel consumers.

CATO believes the Ontario travel industry is in great danger. Administrative penalties and other changes to governance are well intended, but, like bailing water from a sinking ship, do NOT fix the hole. Fixing the hole will require a significantly MORE robust Consumer Protection Fund that cries out for a different funding model.

Actuarial Study proves it

The insufficiency of the current travel protection fund was confirmed in a Deloitte actuarial study that stated: “A large registrant failure would significantly impact the Fund and expose TICO (the DAA) to financial, consumer, political and reputational risk.” The Deloitte report said the target fund should be in the range of $40M to $60M. The current fund is somewhere around $24 Million and is predicted to be depleted in the next 15 years. The report warned that a large registrant failure in March, of any given normal year, could affect as many as 135,000 passengers and could result in claims between $20M and $183M against the Fund.

So here we have the situation. Especially given the current unprecedented circumstances, massive failures can and may very well happen.

Adding regulations giving TICO greater compliance and enforcement tools, do absolutely nothing for the consumer in the event of a large registrant or end supplier failure, airline, cruise line, etc. These happened before. Think Thomas Cook in 2019 or Monarch Airlines in 2017.

The inadequacies of the fund are multiplied by its current limits on any consumer claims; $5,000 per person, $5M total cap per event, plus $2M repatriation per event. Cruises, safaris, adventure trips, trips to Australia and New Zealand for example, easily surpass these low protection caps. And consumers have to wait 6 months to find out how many claims there might be, in order to see how many cents on the dollar they might receive! All this by the way, only after having proven that they tried to obtain and were refused a "chargeback" refund from their credit card company.

This Ticking Time Bomb is now in the process of exploding.

In the event of a catastrophic failure, the government will have to explain to consumers, and to stakeholders such as CATO, ACTA and the industry, why it failed to fix this ticking time-bomb. Now is the time to fix it! Travel is at a virtual standstill, and consumers will understand the need to change the way we do things.

There is a simple solution for which CATO has been advocating for years.

The simplest solution was implemented in Quebec in 2005– a consumer paid model which has built up their travel compensation fund to over $150 Million - to the point where they have currently stopped collecting contributions into their Fund as it is now virtually self-funding from investments.

The amounts consumers would pay in Ontario are minimal compared to the advantages achieved. Deloitte suggests $1 per thousand (0.1%) would quickly reach the objective and well beyond.

TICO itself is funded by fees and contributions from registrants adding more cost to travel sellers who carry the entire burden of registration, financial and regulatory compliance, making Ontario travel businesses less competitive.

Hidden limits and caps not disclosed

Consumers are told they have "peace of mind" and that TICO provides "consumer protection for your travel investment". Yet, nowhere in TICO's advertising is the consumer advised about the coverage caps or legislated limits.

There is no better time to fix this problem and CATO is willing to help. CATO remains committed to working with government on a plan to provide MORE and BETTER consumer protection - NOT less - and definitely NOT the status quo - neither of these are acceptable. Thank you.

Additional information -

We've taken part in many such consultations, for different governments, regarding the "Consumer Protection Act", the "Strengthening Protection for Ontario Consumers Act", and now the "Rebuilding Protection for Ontario Consumers Act" but none have addressed any change which would do anything to properly fix the Fund that actually protects consumers.

Surely if Quebec was able to change its funding model successfully and without any voter hue and cry, Ontario can do the same. We cannot understand what the government is afraid of by not taking the obvious steps to solve this.

The Quebec consumer-funded Compensation Fund has shown that when millions of travelers pay a
nominal feed into the Fund for each travel booking, the Fund grows to the level that offers true
consumer protection and builds awareness of the Fund and its protection. Considering the volume of
business transacted in the province of Ontario, reports1
cite an estimation of only a few years for
Ontario to reach recommended levels under a consumer-funded model.

In addition to all of the above, Ontario registered tour operators, and all registrants for that matter, are and have been burdened with significant contributions into the Ontario Travel Fund for the purpose of protecting the consumer. These regulations and costs are administered by TICO, the Travel industry Council of Ontario. Although contributions have been postponed for now, they have simply been delayed and are waiting for all registrants, tour operators and travel agents, to come up with them later.

We urge the Ontario government to pay special attention to this vital industry which employs over 40.000 Ontarians, and provides a vital link to Ontario, Canada and the world.

Thank you,

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