



September 30, 2021

Dear Richard Smart,

On behalf of all CATO members, thank-you for extending an invitation to the CATO executives and directors to meet with you and members of the TICO team regarding the TICO Funding Framework & Fee Review.

While you have stated this fee review is intended to be the first step toward an overall funding review of TICO, including the future state of the Compensation Fund and its funding, it appears they are disconnected. CATO membership believes any consideration for the future funding of TICO and the Compensation Fund must be tied to each other and not mutually exclusive.

We cannot support a fee review, either the one currently proposed or any other, without at least the government's commitment to undertake a review of the funding of the Compensation Fund including a consumer contribution. Consumer contributions are not only a means to a fully funded Fund, they are a means to create awareness of the Fund and why it is so important for consumers to book through an Ontario registrant.

While my own position, such as you quoted during our discussion, is that TICO and the Compensation Fund could be a "competitive advantage" to Ontario registrants, the basis for that is a fully funded Fund, as determined by an actuarial analysis. As such, a fully funded Fund must assure, if not insure, consumers with an eligible claim that the full value of their claim will be reimbursed and without any imposed caps and limitations.

CATO members have endured an economic collapse unlike any other. Border closures and the imposed advisory against non-essential travel continue to thwart any recovery. A recent CATO survey of members, conducted by BDO and released this month confirmed an average YoY decline of 90% (2021 vs 2019). For most, if not all CATO members, 2021 will be an even worse financial year than 2020. Under these circumstances, the proposed fee schedule recommended by TICO is not only untenable and untimely; it's not likely to raise the intended revenues necessary to cover TICO's current operating costs. If that's the case, what is to stop TICO drawing from registrants Form 1 assessments to pay for operational costs on a continuing basis, and therefore, by its own volition, diminishing consumer protection?

The Consultation Overview and Process document (COP) states the objective of this fee review is to "create a stable, sustainable, transparent, and risk-based funding model that will provide adequate revenues for TICO..." Yet the same document states the "revised renewal fee bands will provide greater



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equity". What risk based modelling is the determinant of such proclaimed equity? It appears the risk modeling is simply the size of the registrant.

As stated in the COP document, the current renewal fee bands reflect a 25-times increase in Ontario gross sales from \$2 million to \$50 million while the corresponding renewal fee increases only 6-times (\$300 to \$1,800). The proposed fee bands reflects a 50-times increase in gross Ontario sales from 2 million to 100 million and renewal fee increases of over 130-times (\$250 to \$100,000,000). According to TICO, this will result "in a fee reduction to approximately 77% of registrants" whereas the largest registrants' fees will increase more than 1,900%.

How can TICO possibly think this proposal is reasonable at this point in time? A CATO Economic Analysis produced by BDO and published this past June indicated over 400 direct job losses among members and for those fortunate to be employed a "28% decrease of direct labour income from 2019 to 2020, totaling a loss of \$60 million". Unquestionably, every tour operator has succumb to job losses or significant pay cuts over the past 18 months. It begs the question: what steps has TICO taken to reduce its own costs?

To conclude, it is imperative any fee review be part and parcel of a review of the Compensation Fund. The travel ecosystem and its regulation must be viewed in a holistic light. Notwithstanding this, the proposed fee review is not equitable when 23% of members will see their fees increase by quantum amounts that are inconceivable, considering the crisis our industry is in right now. Finally, any fee review must scrutinize both sides of the balance sheet; TICO's operational costs as well as revenues.

Sincerely,



Brett Walker, Chair

cc. Hon. Ross Romano, Minister of Consumer and Government Services
Hon. Lisa MacLeod, Minister of Heritage, Sport, Tourism and Culture Industries