



# Travel Industry Council of Ontario (TICO)

## 2023 Value-for-Money Audit

### Why we did this audit

- In 1997, the government of Ontario created the Travel Industry Council of Ontario (TICO) to administer and enforce the *Travel Industry Act, 2002* (Act) and to regulate travel agents and travel wholesalers.
- TICO's mission is to regulate consumer protection by promoting awareness, education and compliance.

### Why it matters

- The travel industry and the way consumers purchase travel services have changed significantly since TICO was established. Consumers increasingly purchase travel services online.
- In 2018/19, the last full year before the pandemic, TICO registrants reported \$18.3 billion in gross sales—48% of the approximately \$38.3 billion that Ontario residents spent on travelling in 2019.

### What we found

#### **TICO Has Used an Estimated \$31 Million from the Compensation Fund Since 1997 to Cover Its Own Operating Costs**

- TICO has routinely used funds from the Travel Industry Compensation Fund (Compensation Fund) to cover operating costs that cannot reasonably be attributed to the Fund.
- Using TICO's own recent estimate for allocating TICO's expenses to the Compensation Fund, we calculated that since 1997 TICO has used an estimated \$31 million from the Fund to cover its own operating costs.

#### **RECOMMENDATION 9**

#### **The Cost to Administer the Compensation Fund May Outweigh the Benefits It Provides Consumers**

- From 2013/14 to 2022/23, TICO's registrants booked over \$133 billion in travel services for consumers, while the Compensation Fund paid approximately \$350,000 on average in compensation to consumers annually, or less than 0.003% of annual travel services booked by TICO's registrants.
- TICO's estimated annual cost for 2022/23 to administer the Fund of \$1 million is nearly three times more than the \$350,000 in compensation paid from the Fund to consumers on average over the last 10 years.

#### **RECOMMENDATION 10**

#### **TICO Could Not Demonstrate the Justification for Holding up to \$2 Million in Security Deposits from Registrants**

- Once a registrant has filed two consecutive financial statements with TICO, TICO is obligated to repay their \$10,000 security deposit if the Registrar has no concerns regarding the registrant's compliance with the Act or its regulation.
- As of March 31, 2023, 58% of the registrant deposits TICO was holding, which totalled \$2 million, were from registrants who had filed at least two consecutive financial statements. On average, these deposits had been held by TICO for approximately seven years.
- Our review of a sample of deposits from active registrants who were eligible to have their deposits returned found that in 65% of cases no concerns were documented that would justify continuing to hold the deposits.

#### **RECOMMENDATION 1**

**TICO's Risk Rating System Was Not Used Effectively to Oversee Registrants**

- As of March 2023, TICO had not assigned a risk rating to 37% of registrants. In addition, TICO's compliance policy had no established guidelines for how the risk rating should be used to drive compliance and enforcement activities.

**RECOMMENDATION 4**

**30% of TICO Registrants Have Not Had a Compliance Inspection in the Last 10 Years**

- As of March 2023, 30% of the 1,684 registered travel agencies and wholesalers had not been inspected by TICO to assess their compliance with requirements in the last 10 years, including 44 registrants who had not received a compliance inspection for more than 20 years.

**RECOMMENDATION 5**

**Half of Ontarians Surveyed Who Were Involved in Travel Planning for Their Household Were Unaware of TICO**

- Over the last five years, only 51% of Ontarians who were involved in travel planning indicated that they were either "definitely" or "somewhat" aware of TICO, and only 31% of respondents indicated they were aware of the Compensation Fund.

**RECOMMENDATION 12**

**Ministry Did Not Collect Sufficient Information to Monitor TICO**

- Performance indicators had not been established, or were insufficient, to monitor TICO's operational performance in several key areas where our audit identified operational issues, including in the areas of inspections, security deposits, and complaint handling.

**RECOMMENDATION 15**

**Travel Industry Regulation in Ontario Could Benefit from a Comprehensive Review**

- Although the Ministry of Public and Business Service Delivery (Ministry) conducted a review of the Act in 2017, the Ministry did not consider whether TICO's structure and assigned responsibilities as a regulator were set up in the most efficient way to administer and enforce the Act.
- Other jurisdictions utilized consumer protection organizations or broader government organizations whose mandate included significantly more than just regulating sellers of travel.
- Many jurisdictions did not have specific travel seller regulations at all, such as Australia whose government repealed travel seller regulations in 2014 because they had become outdated.

**RECOMMENDATION 16**

**Conclusions**

- TICO did not have processes to consistently administer the *Travel Industry Act, 2002 (Act)* effectively in order to register and regulate travel agents and wholesalers, and to protect consumers when purchasing travel services through a travel agent or wholesaler.
- TICO was not fully effective in publicly reporting on its administration of the Act.
- The Ministry's oversight processes to ensure that TICO effectively administers the Act and fulfills its mandate were not fully effective.

Read the report at [www.auditor.on.ca](http://www.auditor.on.ca)