



January 22, 2016

John Touliopoulos,
Manager, Financial Evaluation Division
Canadian Transportation Agency

Via email: consultations@otc-cta.gc.ca

Dear Mr. Touliopoulos,

Re: Consultation – Whether Indirect Service Providers should be required to hold a CTA licence

Thank you for providing the Travel Industry Council of Ontario (“TICO”) with the opportunity to offer input on the issue as to whether Indirect Air Service Providers (*IASPs*) should be required to hold a CTA licence in order to sell their services directly to the public, in their own right.

Below are our comments.

About TICO

1. TICO is an Ontario’s Travel Regulator whose mission is to promote a fair and informed marketplace where consumers can be confident in their travel purchases.
2. TICO was established in 1997 as a delegated administrative authority under the *Safety and Consumer Statutes Administration Act*, as a result of the mutual desire of the government and the travel industry to enhance professionalism, increase consumer protection and provide an effective and efficient regulatory body. The Ontario Ministry of Government and Consumer Services continues to be responsible for the Ontario *Travel Industry Act, 2002* (the TIA) and Ontario Regulation 26/05 (the Regulation) as well as general oversight of TICO.
3. TICO’s mandate is to regulate the travel industry in Ontario, in the interest of traveling public. TICO has set up programs to support our mandate that aim to promote fair and ethical competition in the industry, support a Code of Ethics, maintain and enforce programs that provide for consumer compensation in specific circumstances, promote an expected level of education as a criterion for registration and encourage legislative and regulatory amendments aimed at industry professionalism and consumer confidence.
4. It is important to note that under the TIA, a person who sells advertises for sale or counsels with respect to the sale of air tickets in Ontario, must register as a travel agent or travel wholesaler under the TIA. The only exception from this rule is if the person is the supplier of the travel services being sold, i.e. airline that owns the aircraft.
5. *Travel Agent* is defined as a person, who sells, to consumers, travel services provided by another. *Travel Wholesaler* is defined as a) a person who acquires rights to travel series for the

purpose of resale to a travel agent or b) who carries on the business of dealing with travel agents or travel wholesalers for the sale of travel series provided by another person.

6. As part of the registration process and as a requirement of continuous entitlement to registration, all travel agents/wholesalers must satisfy certain criteria with respect to their financial viability, experience in the industry, education, trust account compliance and other financial and non-financial compliance (for more details, please see sections 14-15, 22, 24, 27, 31-37 of the Regulation). These requirements are part of the TIA and the Regulation and are uniformly applied and enforced by TICO.
7. In addition, consumers who purchased travel services from the registered travel agent are eligible to claim compensation from the Ontario Travel Industry Compensation Fund (the Fund) for travel services paid but not provided, as outlined by section 57 of the Regulation.

General Comments on the Approach Proposed by CTA

8. Based on our overview of the existing model, *IASPs* do not own the aircraft. *IASPs* oversee all aspects of providing an air service, except operate the aircraft. They charter the aircraft from air carriers on a wet lease (aircraft with crew) basis. They market and sell the air service on their own behalf and collect funds from consumers. Further, domestic *IASPs* are required to obtain a licence from CTA, while international *IASPs* do not.
9. It seems that the proposed approach strives to remove the existing dual licensing system, while allowing CTA discretion and flexibility to apply legislative and regulatory requirements in a purposive manner to ensure that the objectives underpinning the air licensing regime continue to be met.
10. As a consumer protection agency, TICO supports clarity and transparency in enforcement and application of the regulations, provided consumer protection mechanisms remain intact.
11. TICO understands that currently, there are no *IASPs* operating in Ontario.
12. However, if there were persons operating in Ontario, that have commercial control of the aircraft and sell, market or otherwise advertise air tickets to public, but do not in fact own the aircraft, those persons would be required to register as a travel agent and/or travel wholesaler under the TIA.
13. It is TICO's position that eliminating the requirement to obtain a CTA licence by domestic *IASPs* would certainly relieve the regulatory burden on those persons and bring clarity and uniformity to the licensing process. However, it may also remove additional layer of protection that public would otherwise enjoy because under the CTA licence, *IASPs* would have to comply with certain economic, consumer and industry protection requirements.
14. While in Ontario, *IASPs*, as registered travel agents/wholesalers, will be subject to strict financial, educational and trust compliance requirements and consumers who purchased air tickets from *IASPs* would enjoy protection of the Compensation Fund; this may not be true in other provinces and territories.

15. As such, TICO urges CTA to consider what impact removing of the economic, consumer and industry protection safeguards (currently provided under the CTA licensing regime) from the domestic *IASPs*, would have on the industry in other provinces and territories that do not have benefits of travel regulation.

Should you wish to discuss any of the above further, please do not hesitate to contact the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Smart', is written over a horizontal line.

RICHARD SMART
REGISTRAR
TRAVEL INDUSTRY ACT, 2002