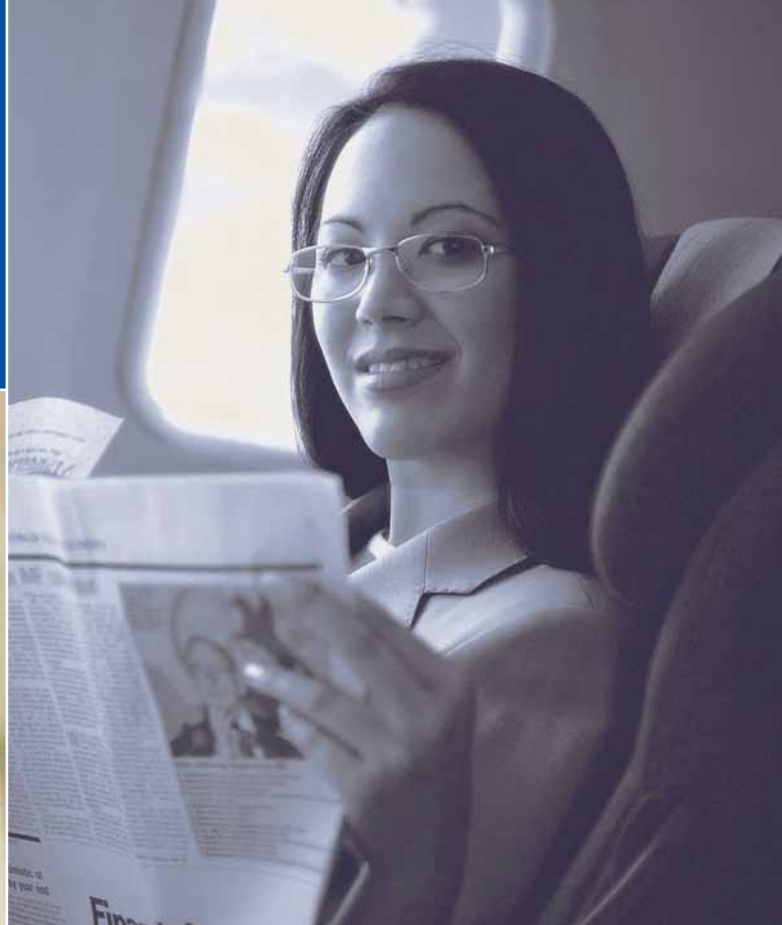




TRAVEL INDUSTRY COUNCIL OF ONTARIO



2006 ANNUAL REPORT





June 1, 2006

Honourable Gerry Phillips
Minister of Government Services
99 Wellesley St. W., Room 4320
Whitney Block
Toronto, Ontario
M7A 1A1



Dear Minister Phillips:

I am pleased to submit the ninth Annual Report of the Travel Industry Council of Ontario (TICO), which covers the period April 1, 2005 to March 31, 2006. This report also incorporates the activities of the Ontario Travel Industry Compensation Fund, for which TICO assumed direct responsibility in June 1998.

During fiscal 2005/2006, TICO's Board focused on the main objectives set out in last year's Business Plan, with the following key results:

- TICO informed and educated stakeholders about the legislative and regulatory changes contained in the *Travel Industry Act, 2002* and Ontario Regulation 26/05, which came into force on July 1, 2005. TICO conducted 11 town hall meetings across the province, which provided stakeholders with an opportunity to have the reforms explained to them and to ask any questions that they had. TICO also prepared and distributed a detailed Explanatory Paper regarding the new legislative and regulatory requirements as well as interpretive guidelines relating to disclosure, advertising and trust accounting. Then, TICO implemented compliance programs related to trust accounting, working capital and advertising to ensure compliance with the new provisions.
- In the spring of 2005, TICO was instrumental in the formation of the Travellers' Protection Initiative, a Canada-wide alliance of consumer protection and industry groups that wanted to advocate for more consumer protection at the federal level for airline passengers. In particular, the group advocated for the following changes to the Canada Transportation Act: greater financial monitoring of airlines, protection for advance ticket sales, full price disclosure in all advertising, reinstatement and strengthening of the position of the Air Travel Complaints Commissioner and creation of a national compensation fund to assist consumers in the event of airline failures. Members of the Travellers' Protection Initiative met with representatives of all political parties to further their consumer protection mandate.
- TICO has been hard at work on developing curricula for its minimum education standards, which will come into effect in July of 2008. TICO is working with the Canadian Institute of Travel Counsellors (CITC) and Assessment Strategies Inc. (ASI) on this initiative. A draft Travel Counsellor Study Manual has been completed and questions prepared for the Travel Counsellor Exam Bank. Once the study manual and questions have been focus tested, the manual will be finalized and released to the industry. A detailed FAQ regarding the new educational requirements was prepared and is available on both the TICO and CITC websites.

- TICO hired an Actuary to review and assess at what level the Compensation Fund should be maintained to ensure adequate protection for consumers. TICO has been attempting to persuade the government for a number of years to change the regulations to reduce Compensation Fund contributions. It is TICO's hope that the results of the Actuarial Report will enable TICO to make a compelling case to government that a reduction in contributions is warranted and would pose no foreseeable risk to consumers.
- TICO developed and distributed a Code of Practice for E-Commerce to assist its registrants operating on the internet. As part of its compliance program, TICO focused on registrant websites to ensure that such sites complied with provincial law.
- TICO conducted a Communications Audit to obtain feedback on how well it was communicating with registrants. Many registrants volunteered their time to participate in the survey and focus groups and their input and feedback was invaluable. The results were outstanding and are detailed in this report.
- TICO established an eleven member Consumer Advisory Committee to provide a consumer perspective on issues. The role of the Committee is to provide end user input and feedback on TICO policies, products and services. The Committee will provide observations, advice and recommendations on consumer protection issues and assist TICO to find innovative solutions to further the organization in achieving its mandate.

It has been a busy and rewarding year at TICO and the organization seems well positioned to continue to promote a fair and informed marketplace where consumers can be confident in their travel purchases for years to come.

Yours truly,
Travel Industry Council of Ontario

A handwritten signature in blue ink, appearing to read 'M. Merrithew', with a long horizontal line extending to the right.

Michael Merrithew
Chair of the Board of Directors

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TICO's Mission

TICO's founding Board established a mission that informs internal and external audiences why TICO exists, and against which it will measure all programs, services and initiatives.

TICO's mission is:

"To promote a fair and informed marketplace where consumers can be confident in their travel purchases."

TICO's Vision

TICO's vision sets the direction for what it wants to achieve as an organization.

TICO will be known as:

- A leader in developing an improved system of consumer protection
- A model for a progressive, fair and firm administrator of industry regulations
- A developer, promoter and advocate of good business ethics and harmonized standards in the travel industry.

TICO's Values

TICO has a set of values that show how business will be conducted, what is important in how it deals with people and the basis for how its vision will be achieved.

TICO will be:

- Fair, but firm in its conduct with registrants and consumers
- Responsive and open in communicating with consumers and registrants, while respecting the business confidentiality of registrants
- Visionary in its approach to improving the industry and industry practices, while remaining accountable to all stakeholders for the cost-effectiveness and practicality of solutions and initiatives.

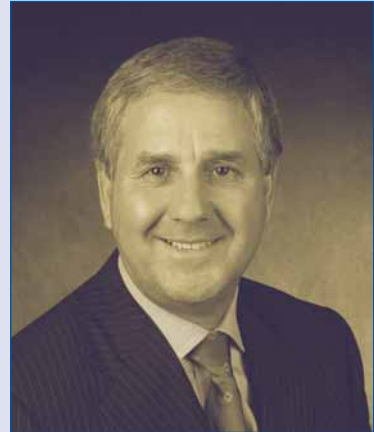
Above all, TICO will be ethical in everything it does.



Chief Executive Officer's Report

EXECUTIVE SUMMARY

The travel industry has been going through a significant period of change as it struggles to meet the challenges of the marketplace and the demands of consumers. High oil prices, global conflicts, natural disasters, industry consolidation, supplier failures and the rising use of the internet have all had an impact on travel agents and travel wholesalers in the province. In an attempt to respond to the changing environment, the Ontario government introduced new travel legislation, which came into force in July of 2005. The *Travel Industry Act, 2002* and Ontario Regulation 26/05 established higher standards for the industry including mandatory trust accounting, higher working capital requirements and full price disclosure in advertising.



TICO has been busy this past year educating registrants about the legislative and regulatory changes and ensuring that they are being properly implemented. New trust accounting requirements were introduced, which eliminated the grandfathering of approximately 800 registrants. TICO's registration department followed up with those registrants to ensure that a designated "Travel Industry Act Trust Account" had been set up. Then, TICO's financial inspectors have been confirming that the trust accounts are being properly used. TICO's compliance officers have been reviewing advertising and invoicing to ensure compliance with the new rules. The number of advertising and invoicing warnings has increased significantly as a result of the changes. TICO staff is working with registrants to bring them into compliance.

In addition to all the communications surrounding the legislative and regulatory changes, TICO also continued its Consumer Awareness Campaign, which encourages consumers to look for the TICO sign when they book their travel time. Again this year, TICO had an Omnibus Survey conducted to measure the success of the campaign. The survey found that awareness of the existence of a travel compensation fund has continued to climb – up to 45% from 40% last year. Further, in 2006, 40% of respondents claimed awareness of the Travel Industry Council of Ontario specifically, again up from previous years, and continuing the strong trend. As expected, respondents advised that the main source of awareness is television. TICO continues to receive positive comments from stakeholders on its television advertising.

In addition to the implementation of the new Act and regulations and the Consumer Awareness Campaign, TICO has made progress on a number of other initiatives during this fiscal year, which are outlined in the body of this report. As always, TICO strives to be fair but firm in its conduct with registrants and consumers and aspires to be a leader in promoting consumer protection for the benefit of both the travelling public and the industry itself.

Yours truly,
Travel Industry Council of Ontario

A handwritten signature in blue ink, appearing to read "Michael Pepper". The signature is stylized and fluid.

Michael Pepper
President & C.E.O.

TICO Structure

Organization

The Travel Industry Council of Ontario (TICO) is a not-for-profit corporation financed through fees from its approximately 2,900 Ontario travel retail and wholesale registrants. In order to effect self-management in the travel industry, the Ministry of Consumer and Commercial Relations delegated responsibility for the administration of the Ontario Travel Industry Act and regulations to TICO in June 1997. The Act governs Ontario retailers and wholesalers and provides for the operation of a travel industry Compensation Fund.

Following a regulation change in June 1998, TICO assumed direct responsibility for the Ontario Travel Industry Compensation Fund (the Fund) from the Ontario Travel Industry Compensation Fund Corporation (OTICF). The OTICF Corporation was subsequently dissolved on August 28, 1998.

Currently, the Ministry of Government Services is responsible for the new *Travel Industry Act, 2002* (the Act) and Ontario Regulation 26/05 (the Regulation) which came into force on July 1, 2005.



Governance

The TICO Board of Directors consists of fifteen members. There are three individuals appointed by the Association of Canadian Travel Agents (ACTA-Ontario), three from the Canadian Association of Tour Operators (CATO), one from the Ontario Motor Coach Association (OMCA), one from the Canadian Institute of Travel Counsellors (CITC) and four appointed by the Minister of Government Services. There are also three members that are elected by the Industry at large. (See Appendix II)

Remuneration of Board and Committee Members (Per Diems)

TICO's by-laws provide for the remuneration of Directors. TICO's Remuneration Policy provides for the following per diem levels:

Board Meetings:

Chair	\$350
Vice-Chair	\$275
Member	\$225

The remuneration policy for committee meetings for board members and non-board members is as follows:

Committee Meetings:

Committee Chair	\$225
Committee Member	\$175
Director under the TIA (where Director is not an employee)	\$5,000/annum

The per diem is the amount payable for work periods in excess of three hours. If the work period is less than three hours, one-half of the established per diem is paid. Preparation time may be included in the calculation of hours. In addition, board and committee members may claim for travelling expenses such as mileage or accommodation for which set rates have been approved.

Travel Compensation Fund

Background on the Ontario Travel Compensation Fund

In 1975, the Government of Ontario passed the Travel Industry Act. This legislation provides the legal basis for the Compensation Fund and ensures that every registered travel business in Ontario participates in the Fund. Section 50 of Part III of the current Regulation (O. Reg. 26/05) enacted pursuant to the *Travel Industry Act, 2002* states: “Every registrant shall participate in the Fund.”

A registrant is defined as a travel agent or a travel wholesaler who is registered as a travel agent or a travel wholesaler or as both under the *Travel Industry Act, 2002*. A travel agent is defined as a person who sells to consumers, travel services provided by another person. A travel wholesaler is defined as a person who acquires rights to a travel service for the purpose of resale to a travel agent or who carries on the business of dealing with travel agents or travel wholesalers for the sale of travel services provided by another person.

Management of the Compensation Fund

The Regulation relating to the Compensation Fund sets forth in detail the operation and management of the Fund.

Section 51 of the current Regulation (O. Reg. 26/05) provides that the affairs of the Compensation Fund shall be administered and managed by the TICO Board of Directors.

Section 52(2) of Ontario Regulation 26/05 requires that TICO shall hold all money in the Fund in trust for the benefit of claimants whose claims for compensation, the Board of Directors approves in accordance with this Regulation.

Fund Financing

The Compensation Fund is totally financed by Ontario registrants. During the fiscal year, registered travel agents paid to TICO the greater of \$25 or 25¢ per \$1,000 of sales and registered travel wholesalers paid the greater of \$25 or 50¢ per \$1,000 of sales, both on a semi-annual self

assessment basis. These payments are to be made within forty-five days after the end of the registrant’s fiscal and fiscal half-year.

The Regulation permits TICO to borrow money to supplement the Fund and to require that registrants make additional payments to TICO if necessary to reduce such borrowing.

Surplus Funds

The Corporation may invest any funds of the Compensation Fund, which are surplus to the immediate requirements of TICO in securities provided for under sections 26 and 27 of the Trustee Act.

Claims

The Compensation Fund reimburses customers of registered travel agents for eligible claims arising from the bankruptcy or insolvency of an Ontario registrant or arising from the failure of an end supplier airline or cruise line. The Board of Directors determines whether a claim or a part of one meets the requirements of the Regulation and determines the eligible amount of the claim. Claims must be submitted in writing to the Board within six months after the relevant registrant or end supplier becomes bankrupt or insolvent or ceases to carry on business. The maximum payout for claims arising out of an event is \$5 million in total. The maximum payout per person is \$5,000.

The Director under the *Travel Industry Act, 2002* may direct payment out of the Fund of up to an additional \$2 million where immediate funds and facilities are necessary for trip completion and accommodation of customers of registrants who are outside of Ontario. When customers of registrants are preparing for immediate departure and have been placed in circumstances where funds are required to alleviate suffering or to protect the interests of the Fund, the Board, with the approval of the Director, may pay out of the Fund an amount sufficient to enable such departure, up to a maximum of \$5,000 per person.

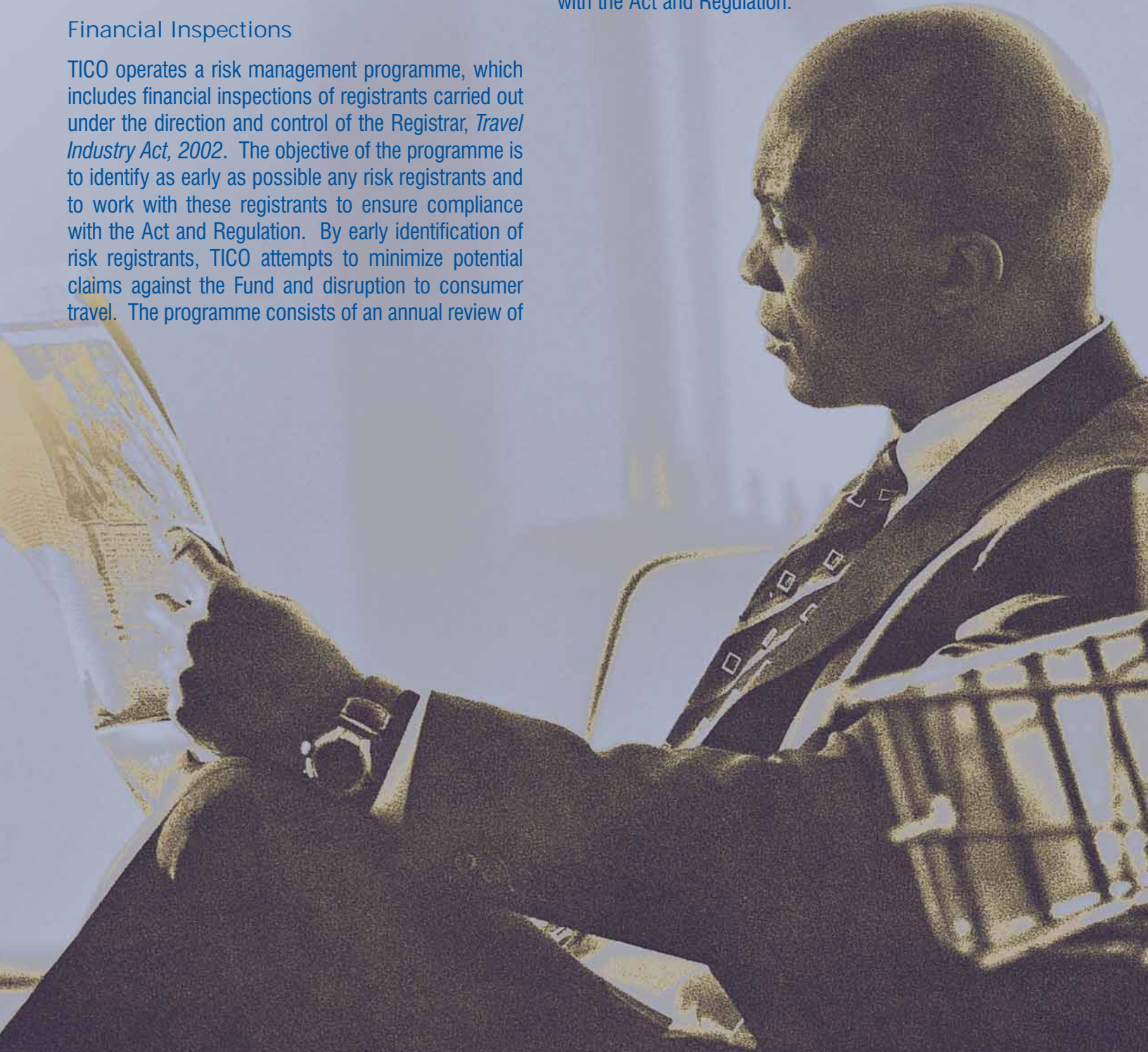
Appeal of Decisions

Claimants are entitled to appeal a decision of the Board of Directors to the Licence Appeal Tribunal. Decisions of the Tribunal may be further appealed to the Divisional Court of Ontario.

Financial Inspections

TICO operates a risk management programme, which includes financial inspections of registrants carried out under the direction and control of the Registrar, *Travel Industry Act, 2002*. The objective of the programme is to identify as early as possible any risk registrants and to work with these registrants to ensure compliance with the Act and Regulation. By early identification of risk registrants, TICO attempts to minimize potential claims against the Fund and disruption to consumer travel. The programme consists of an annual review of

the financial statements of all registrants, a more frequent review of the financial statements of larger registrants and site inspections. The programme is proactive as TICO has undertaken to visit all new registrants to ensure understanding and compliance with the Act and Regulation.



TICO Committees

TICO has established eleven committees to oversee various responsibilities and undertake a variety of tasks. These committees and mandates include the following:

Executive Committee

(Chair: Michael Merrithew)

- Manage emergency issues on an ad hoc basis.
- Interim support for CEO between board meetings.
- Review of large closures.
- Make recommendations regarding composition of board committees.
- Conduct an annual review of the TICO Employee Code of Ethics.

Audit Committee (Chair: Bruce Fraser)

- Review internal controls operating throughout TICO.
- Review accounting and investment policies on an annual basis.
- Review quarterly investment report and financial statements.
- Review audited financial statements and recommend their approval to the Board.
- Confer with TICO's auditors as required, to discuss examination into the financial affairs of TICO.
- Make recommendations to the Board with respect to the appointment and remuneration of external auditors.
- Review insurance coverage annually.
- Review TICO's annual budget.

Business Strategy Committee

(Chair: John Kennedy)

- Produce TICO's Business Plan and monitor performance measures.
- Refer issues for legislative and regulatory review.
- Planning of TICO's Consumer Awareness Campaign.
- Review and keep current TICO's policies with respect to privacy issues.

- Develop a plan to assess TICO's operational effectiveness and report findings.

Complaints Committee

(Chair: Michael Janigan)

- Review and resolve, as appropriate, complaints against TICO.
- Provide fair, transparent and accountable procedures for handling registrant and consumer complaints against TICO.
- Develop standards for handling complaints.
- Make recommendations with respect to TICO's complaint handling procedures.
- Review trends of complaints to determine if recommendations can be made to address the cause of complaints.

Compensation Fund Committee

(Chair: Bruce Fraser)

- Review and recommend to the Board the payment of claims in accordance with Ontario Regulation 806/93 or Ontario Regulation 26/05.
- Review and monitor the status of appeals to the Licence Appeal Tribunal of denied claims.
- Develop and recommend administrative policies to the Board regarding the administration of the Fund.
- Review and recommend recovery procedures to offset the cost of claims.

E-Commerce Committee

(Chair: Richard Vanderlubbe)

- Review TICO's programs, services and initiatives to determine any area which could be improved through the use of the Internet.
- Identify areas where consumers may not be protected when they purchase travel services online and provide options as to how TICO may address these issues.
- Consider privacy issues in respect of e-commerce.
- Identify any challenges posed by regulating the sale of travel services in an e-commerce environment and provide any potential solutions.

- Recommend legislative and regulatory changes in relation to e-commerce.
- Liaise with provincial counterparts and federal authorities on emerging e-commerce issues and the development of a standard.
- Play a role in educating the Board and TICO stakeholders about e-commerce issues including the development of informational literature.

Travel Industry Act, 2002 Minimum Education Standards Committee
(Chair: Mike Foster)

- Determine the curriculum for the *Travel Industry Act, 2002* Minimum Education Standards for travel counsellors and supervisor/managers and identify the type of information that should be covered in the minimum standards curriculum at each level.
- Oversee the development of the *Travel Industry Act, 2002* Minimum Education Standards Curricula including reviewing, testing and approval.
- Determine how the *Travel Industry Act, 2002* Minimum Education Standards should be implemented, the timeline for implementation and the costs.
- Oversee the printing and distributing of the educational courses and the development of on-line versions of the courses.
- Consider equivalency options.
- Develop a communications plan for the delivery of Minimum Education Standards.
- Devise a plan to enforce the standards.
- Ensure the *Travel Industry Act, 2002* Minimum Education Standards are updated on a regular basis.
- Explore the feasibility of other educational initiatives.

Legislative & Regulatory Review Committee
(Chair: Trish McTavish)

- Recommend legislative and regulatory reform necessary to achieve TICO's business objectives by:
 - Consulting with Ministry of Government Services on policy and legal issues.

- Securing and managing stakeholder input.
- Working with the Ministry of Government Services to move the recommendations forward through the legislative process.
- Consider revision of the voluntary registrant Code of Ethics in preparation for the establishment of a Discipline Committee and implementation of a system of administrative penalties.
- Develop policies in relation to administrative penalties.
- Make recommendations to the Board with respect to requirements for individuals who conduct business outside the office of a registrant. Any requirements recommended should:
 - ensure there is a level of professionalism even if the business is being conducted outside the registrant's office;
 - raise industry standards;
 - ensure that consumer monies are protected;
 - ensure that consumers receive quality service; and
 - ensure that consumers are fully informed.
- Develop a Recommended Best Practices document to assist registrants and outside sales representatives.

Governance Committee
(Chair: Michael Merrithew)

- Determine and articulate TICO's governance model.
- Clarify the Board's role, purpose, core values and responsibilities.
- Review current board member recruitment process and the election process.
- Set criteria for board member recruitment and selection.
- Communicate board member criteria to groups eligible to make appointments to the Board.
- Conduct an annual review of the Board of Directors Code of Conduct.
- Develop a Board and Committee Attendance Policy including a process to deal with attendance problems.
- Examine the issue of board member retention and review of remuneration.

- Review TICO's Board and Committee Structure.
- Develop a system for evaluating the Board's performance.
- Devise a set of basic performance benchmarks to measure board effectiveness.
- Develop a work plan to enhance Board performance.
- Communicate results of board evaluation.
- Review TICO's Board Orientation Process.
- Be responsible for policies in relation to corporate governance.
- Recommend any changes required to TICO's By-law in relation to governance issues.

Alternate Finance Committee (Chair: Bruce Fraser)

- Assess at what level the Fund should be maintained to ensure adequate protection for consumers.
- Review who should be contributing to the Fund.
- Determine a fair and workable method to assess contributions to the Fund.
- Explore whether there should be higher financial requirements for entry to the industry.
- Identify potential models for compensation by examining different models from other jurisdictions.
- Conduct a comparative analysis of potential models against Ontario's current system.
- Identify best practices from the various models analyzed.
- Identify key areas of risk in registrant business practices.
- Consider steps that could be taken to reduce those risks.
- Explore whether fee reductions could be used as an incentive to encourage registrants to meet higher standards and reward financially stable registrants.
- Consider whether registrants should be required to pay into the Fund on sales where no commission is earned.
- Consider whether registrants should be required to pay into the Fund if the transaction is not covered by the Fund.
- Consider whether registrants should be required to pay for end supplier failures.

Consumer Advisory Committee

An eleven member Consumer Advisory Committee for TICO was established and the first meeting held in March 2006. The purpose of the Committee is to provide TICO with observations, advice and recommendations related to consumer protection and to provide a forum for two-way communication with consumers and consumer interest groups. The Terms of Reference for this Committee are currently under development.

Business Accomplishments 2005/2006



BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2005/2006	ACCOMPLISHMENTS
Implement the New Act and Regulation	Establish policies regarding the interpretation of the new Regulation.	Established policies and guidelines regarding the interpretation of the changes to the <i>Travel Industry Act, 2002</i> and Ontario Regulation 26/05 and made them available to stakeholders such as Disclosure Guidelines, Advertising and Representation Guidelines, FAQ's on <i>Travel Industry Act, 2002</i> Minimum Education Standards and Trust Accounting Guidelines.
	Prepare and distribute to stakeholders an Explanatory Paper detailing the legislative and regulatory changes.	Produced and distributed to stakeholders an Explanatory Paper detailing the changes to the <i>Travel Industry Act, 2002</i> and Ontario Regulation 26/05. TICO's Communications Plan to communicate to all stakeholders and promote understanding of the legislative and regulatory changes to the <i>Travel Industry Act, 2002</i> and Ontario Regulation 26/05 implemented and ongoing.
	Conduct town hall meetings regarding the new Act and Regulation throughout the Province so that stakeholders have an opportunity to ask questions on the changes.	Conducted 11 town hall meetings throughout the Province for the purpose of educating stakeholders on the <i>Travel Industry Act, 2002</i> and Ontario Regulation 26/05.
	Work with the Ministry to educate stakeholders on the new Act and Regulation through a joint communications plan.	Worked with the Ministry to educate stakeholders on the new Act and Regulation through a joint communications plan.
	Commence a specific Financial Inspections Programme to ensure that all registrants comply with the trust accounting requirements of the new Regulation.	Implemented a specific Financial Inspections Programme to ensure that all registrants comply with the new trust accounting requirements under Ontario Regulation 26/05.
	Revise TICO forms, documents, informational literature, internal policies and procedures as necessary in response to the legislative and regulatory changes.	Revised all TICO forms, documents, informational literature, TICO website, internal policies and procedures as necessary in response to legislative and regulatory changes.

Business Accomplishments 2005/2006

BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2005/2006	ACCOMPLISHMENTS
<p>Liaise with Other Jurisdictions to Eliminate Gaps in Consumer Protection</p>	<p>Contact provincial counterparts and other industry and consumer associations to garner support for more consumer protection with respect to airlines at the federal level.</p>	<p>Contacted provincial counterparts and other industry and consumer associations to garner support for more consumer protection with respect to airlines at the federal level.</p>
	<p>Continue to work with The Strategic Counsel to advocate for changes at the federal level and specifically with respect to federal regulations pertaining to airlines.</p>	<p>During the fiscal year, TICO met with several members of Parliament representing all political parties to advocate for changes to the Canada Transportation Act. In particular, TICO advocated for the following changes:</p> <ul style="list-style-type: none"> – Protection of consumer advance payments to airlines – Stronger financial monitoring and criteria – Full disclosure in price advertising
	<p>Keep abreast of proposed changes to travel legislation in other provinces.</p>	<p>Continued to keep abreast of proposed changes to travel legislation in other provinces.</p>
	<p>Promote the benefits of having harmonized standards in the travel industry across Canada.</p>	<p>Continued to promote the benefits of having harmonized standards in the travel industry across Canada.</p> <p>Continued communications with the Provincial Government and the Consumer Measures Working Group regarding consumer protection issues, specifically end supplier failure coverage and the harmonization of standards.</p>
	<p>Develop Guidelines for the establishment of Business Relationships for carrying out non-delegated activities (Schedule “J” to Administrative Agreement). This would enable TICO to explore business opportunities to export the TICO model beyond the scope of Ontario.</p>	<p>A draft of Schedule “J” to the Administrative Agreement for the establishment of Business Relationships for carrying out non-delegated activities has been prepared and is awaiting TICO Board and Ministry approval. This would enable TICO to explore business opportunities to export the TICO model beyond the scope of Ontario.</p>



BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2005/2006	ACCOMPLISHMENTS
<p>Develop Travel Industry Act, 2002 Minimum Education Standards</p>	<p>Finalize curricula for <i>Travel Industry Act, 2002</i> Minimum Education Standards for travel counsellors and for supervisor/managers.</p>	<p>Final draft of curriculum for TIA, 2002 Minimum Education Standards for travel counsellors produced and awaiting TICO Board approval.</p> <p>Development of curriculum for supervisor/managers is underway.</p> <p>Contracted with ASI (Assessment Strategies Inc.) to assist TICO with the development of the exam and testing.</p>
	<p>Develop a plan for implementation of <i>Travel Industry Act, 2002</i> Minimum Education Standards.</p>	<p>Development of plan for implementation of TIA, 2002 Minimum Education Standards is underway.</p>
	<p>Establish a plan to enforce <i>Travel Industry Act, 2002</i> Minimum Education Standards.</p>	<p>Establishment of a plan to enforce TIA, 2002 Minimum Education Standards is in progress.</p>
	<p>Devise a Communications Plan for <i>Travel Industry Act, 2002</i> Minimum Education Standards.</p>	<p>Development and implementation of a communications plan for TIA, 2002 Minimum Education Standards is ongoing. Worked with the CITC to develop FAQ's on <i>Travel Industry Act, 2002</i> Minimum Education Standards document and this information was made available to registrants and is posted on TICO's website.</p>
	<p>Educate stakeholders on <i>Travel Industry Act, 2002</i> Minimum Education Standards.</p>	<p>Education of stakeholders on TIA, 2002 Minimum Education Standards is in progress.</p>
<p>Explore Alternate Sources of Revenue to Finance the Compensation Fund</p>	<p>Assess at what level the Fund should be maintained to ensure adequate protection for consumers.</p>	<p>Hired an Actuary to prepare a report to assess what level the Compensation Fund should be maintained at to ensure adequate protection for consumers.</p>
	<p>Identify key areas of risk in registrant business practices.</p> <p>Consider steps that could be taken to reduce those risks.</p>	<p>Identified key areas of risk in registrant business practices and considered steps that could be taken to reduce those risks.</p>
	<p>Develop recommendations on alternate sources of financing the Compensation Fund.</p>	<p>Continued to explore alternate sources of financing for the Compensation Fund.</p>

Business Accomplishments 2005/2006

BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2005/2006	ACCOMPLISHMENTS
Develop and Implement Discipline Process	Draft new mandatory Code of Ethics.	Preliminary work completed for the development of a framework for a discipline process for non-compliance.
	Develop discipline process for non-compliance. This process will involve the assessment of monetary penalties for infractions.	
	Consult with stakeholders on the proposed discipline process.	
	Implement discipline process for non-compliance.	
Develop E-Commerce Code for TICO and Special Compliance Program for E-Business	Distribute informational literature to educate stakeholders on e-business.	Informational literature produced, distributed and posted on TICO's website to educate stakeholders on e-business.
	Finalize and distribute E-Commerce Code for Registrants Operating on the Internet.	Code of Practice for E-Commerce for Registrants operating on the Internet developed, distributed and posted on TICO's website.
	Maintain a specific compliance program specifically targeted at monitoring registrants operating on the Internet.	In light of the new legislation this year, the focus of TICO's compliance program in relation to e-commerce was to ensure that registrant's websites complied with the requirements.
Review and Enhance Board Governance	Develop a plan for Board member recruitment/selection/retention.	Board member recruitment/selection and retention reviewed and enhancements made to the package of information provided to industry associations and the Ministry including criteria for appointees and responsibilities of TICO Directors to assist industry associations and the Ministry with their recruitment/selection and retention process.
	Continue work on new Board member orientation.	Enhancements made to TICO's new Board member orientation program to include further useful information relevant to new Board members and include a complete review of the TICO Board of Directors Manual.



BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2005/2006	ACCOMPLISHMENTS
	Complete Communications Audit.	A Communications Audit of TICO was completed to obtain feedback from registrants on the effectiveness of TICO's communication with stakeholders. Results of Communications Audit reviewed and opportunities for TICO to enhance its communication with stakeholders were assessed. For a summary on the results of the Communications Audit, please refer to page 27.
	Review results of Communications Audit and determine if there are opportunities for TICO to enhance its communication with stakeholders. Implementation of any recommendations as a result of the Communications Audit to enhance communications with stakeholders.	Developed a strategy and plan for the implementation of the recommendations, as a result of the Communications Audit, to enhance communication.
	Review consultant's report on the Board Chair Position and make recommendations to the Board.	Received independent Report from Renaud Foster on the Role of the Board Chair. Reviewed the recommendations of the report and completed a Board Chair Profile.
	Establish a Consumer Advisory Council.	An eleven member Consumer Advisory Committee for TICO has been established. The first meeting of the Consumer Advisory Committee was held in March 2006.
Increase Consumer and Registrant Education and Awareness	Implement TICO's Communications Plan to advise all stakeholders as to the changes to the <i>Travel Industry Act, 2002</i> and Ontario Regulation 26/05.	TICO's Communications Plan to advise all stakeholders as to the changes to the <i>Travel Industry Act, 2002</i> and Ontario Regulation 26/05 implemented and ongoing.
	Continue radio and television campaign promoting the benefits of purchasing travel services from Ontario registrants.	Continued television and radio ad campaign promoting consumer awareness of TICO and the benefits of dealing with Ontario registrants with the use of the tag line: "Always look for the TICO sign when you book your travel time."

Business Accomplishments 2005/2006

BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2005/2006	ACCOMPLISHMENTS
<p>Increase Consumer and Registrant Education and Awareness <i>(continued)</i></p>		<p>An Omnibus survey completed in March 2006 resulted in an increase to 45% consumer awareness of the existence of the Ontario Travel Industry Compensation Fund from 40% the previous year and an increase to 40% consumer awareness of TICO compared to 37% in the previous year.</p>
	<p>Encourage registrants to display collateral materials, for example, posters to support TICO's radio and television campaign.</p>	<p>Distributed collateral materials to registrants such as posters, window decals and information leaflets. Encouraged registrants to display the materials and support TICO's Consumer Awareness Campaign.</p>
	<p>Participate at travel related consumer shows providing educational literature.</p>	<p>Participated at 9 consumer and industry trade shows during the last 12 months.</p>
	<p>TICO's CEO to conduct radio and television interviews to promote knowledge of TICO.</p>	<p>Conducted more than 13 speaking engagements and media interviews promoting consumer and industry awareness with consumer groups, travel schools, television, radio and newspaper media and industry associations. Media interviews included such television programs as Legal Briefs (CP24), City Pulse, Michael Coren Show and Goldhawk Live.</p>
	<p>Obtain editorial coverage and take out ads in the press aimed at promoting consumer awareness.</p>	<p>Produced weekly Travel Registrar Q&A column in the National Post newspaper.</p> <p>Sponsored the month of September in the Ministry of Government Services' 2006 Fraud Free Calendar. The calendar contains valuable consumer protection information and tips on how to avoid fraud in the marketplace. The Fraud Free Calendar is distributed to over 200,000 consumers across Ontario.</p>

Continuing Business Objectives 2005/2006



CONTINUING BUSINESS PLAN OBJECTIVES	CONTINUING PERFORMANCE MEASURES 2005/2006	OUTCOME
Assess Effectiveness of What TICO has Done to Date	Continue to distribute consumer survey to assess TICO's operational effectiveness in the area of claims processing and complaint handling.	Continued to distribute consumer survey to assess TICO's operational effectiveness in the area of claims processing and complaint handling.
	Report results of completed consumer surveys.	Results of completed consumer surveys reported in TICO 2006 Annual Report on pages 18 and 23.
	Review the results and implement changes to procedures if necessary.	Reviewed the results of the completed consumer survey and any dissatisfaction was as a result of issues that were outside the scope of TICO. No changes to procedures were required.
Maintain and Improve Operational Efficiency	Enhance TICO's Information Management System.	Enhanced and upgraded TICO's Information Management System to improve operational efficiency.
	Review TICO's internal procedures and make amendments to policies to keep up to date.	Continued to review TICO's internal procedures and make amendments to policies to keep up to date.
	Review TICO's Privacy Policy and TICO's internal processes to determine where enhancements could be made to better ensure privacy is protected.	Reviewed TICO's Privacy Policy and TICO's internal processes. No changes were made to the policy in the last year.
	Complete TICO's internal Disaster Recovery Plan which will set out policies and procedures for TICO in the event of a disaster (i.e. force majeure).	Commenced TICO's internal Disaster Recovery Plan testing for recovery of TICO's internal Information Management Systems in the event of a disaster (e.g. force majeure)
Communications and Government Liaison	Publish and distribute TICO Talk quarterly newsletter to registrants, develop and distribute informational literature on various topics and distributed Industry Advisories and Registrar Bulletins to all stakeholders on significant and timely issues.	Prepared and distributed a quarterly newsletter (TICO Talk) to all registrants and distributed Industry Advisories and Registrar Bulletins.

Continuing Business Objectives 2005/2006



CONTINUING BUSINESS PLAN OBJECTIVES	CONTINUING PERFORMANCE MEASURES 2005/2006	OUTCOME
Communications and Government Liaison <i>(continued)</i>	Update and keep current TICO's website with information to benefit stakeholders such as Industry Advisories, Business Plan, Annual Report and the TICO Talk Newsletter.	Maintained TICO website and provided timely online information to benefit stakeholders. Information provided to stakeholders included the Explanatory Paper on the legislative changes, press releases, industry advisories, guidelines, Business Plan, Annual Report and the TICO Talk Newsletter.
	Continue to liaise with Ministry of Government Services on issues that require TICO's input.	Continued to liaise with Ministry of Government Services on issues that require TICO's input and participated in regular liaison meetings.
	Continue to communicate and restate Code of Ethics to all registrants. Update and keep current TICO's website with information to benefit stakeholders.	Continued to communicate and restate TICO registrant Code of Ethics.
	Make available a Business Plan to all stakeholders by June 30, 2005.	Provided annual Business Plan for 2005-2008 to stakeholders.
	Work with the Ministry to finalize outstanding items on the Administrative Agreement to administer the legislation and further TICO's mandate.	Worked with the Ministry to finalize outstanding items on the Administrative Agreement. Met the terms of the Administrative Agreement by maintaining and implementing operations and systems.

Operational Performance Review

Registration

On March 31, 2006, there were a total of 2,838 registrations with TICO (Fig. 1). This total is comprised of 2,390 retail travel outlets, who sell travel services directly to consumers and 448 travel wholesalers, who sell travel product through travel retailers (Fig. 2).

A total of 1,518 registrations were processed under the *Travel Industry Act, 2002* in 2005/2006, which included 225 new registrations (Fig. 3) and 1,293 renewals (Fig. 4). As registrations are renewed bi-annually on the anniversary date of the registrant's original approval date, there is a fluctuation in the number of renewals each year.

Complaints

TICO handled 188 written consumer complaints in 2005/2006 compared to 220 in the previous year (Fig. 5). In processing these complaints, TICO successfully assisted consumers in obtaining \$49,655.07 in restitution compared to \$30,391.42 the previous year. In addition, TICO handled 2,485 telephone complaint inquiries and 173 email complaint inquiries.

The top 10 types of written complaints received at TICO in 2005/2006 were:

1. Misrepresentation of travel services by registrant in an advertisement or brochure.
2. Consumer dissatisfaction with services or accommodation in destination (quality of service issues).
3. Outstanding refunds.
4. Incomplete or incorrect information provided to the consumer by the registrant. (i.e. information regarding the travel product or services being sold.)
5. Changes to the standard of accommodation that was purchased by the consumer. (services/amenities advertised not available)
6. Incorrect ticketing / ticketing errors.

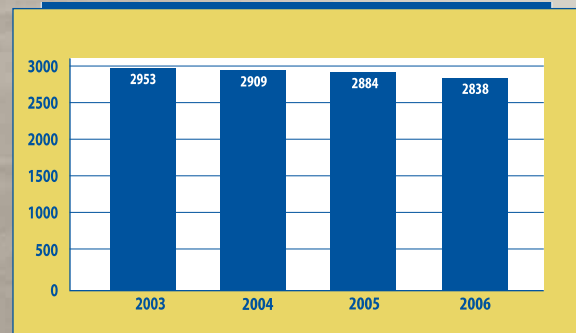


Figure 1: Total Registrations under Travel Industry Act

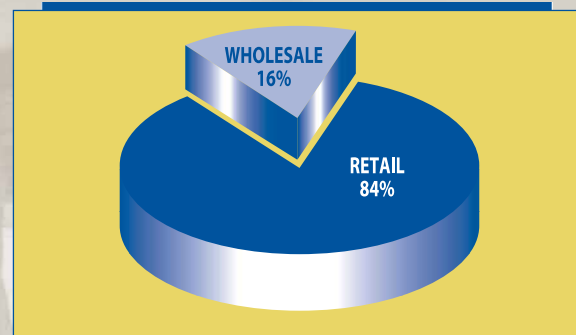


Figure 2: Breakdown of Registrations

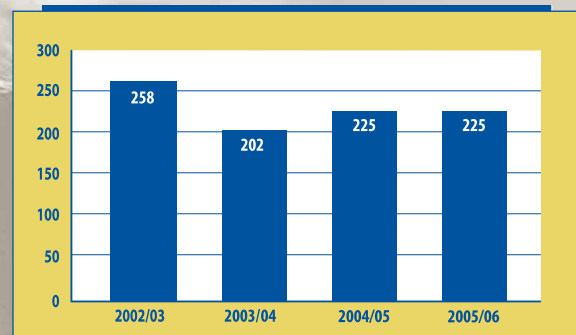


Figure 3: Total New Applications Processed

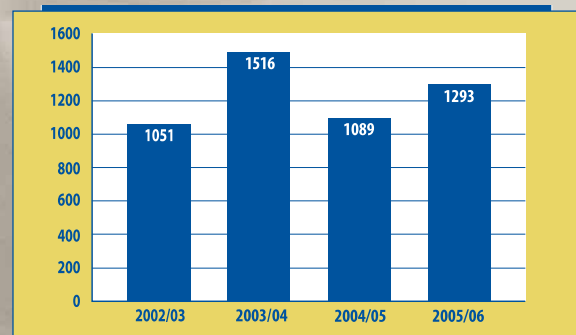


Figure 4: Total Renewal Applications Processed

7. Customer service issues.
8. Cancellation/Terms & Conditions. As a result of Hurricane Wilma and the damage caused by the hurricane in destination, consumers were reluctant to travel.
9. Information/Documentation. Issues related to passports and other travel documents.
10. Accommodation purchased by the consumer changed and not provided in destination.

Consumer Survey Results – Complaints Process

During the fiscal year 2005/06, TICO distributed consumer surveys to 188 consumers who filed complaints against registrants with TICO inviting feedback as to their experience with TICO’s complaint’s process. At the end of March 2006, there were 18 completed surveys returned to TICO.

The results of the 18 completed survey’s received are as follows:

When asked to rate their overall satisfaction with TICO’s handling of their complaint, 10 consumers advised they were satisfied; 6 consumers were dissatisfied and 2 consumers had no opinion.

When asked to rate their satisfaction with the fairness of the process, 8 were satisfied; 6 were dissatisfied and 4 had no opinion.

TICO reviewed the survey results and established that the consumers who expressed dissatisfaction had filed a complaint which contained issues that are not covered by the legislation and therefore were outside the scope of TICO. As such, TICO was unable to assist them.

Financial Inspections

Under the direction of the Registrar, the Travel Industry Council of Ontario is responsible for conducting a financial inspection programme. All registrant financial statements are subject to a bench review to ensure compliance with the financial standards required by regulation. The bench review process

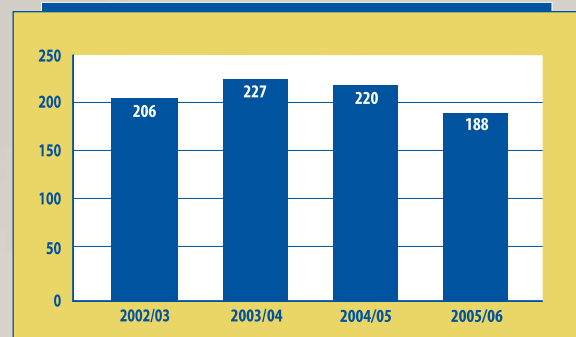


Figure 5: Written Complaints Handled

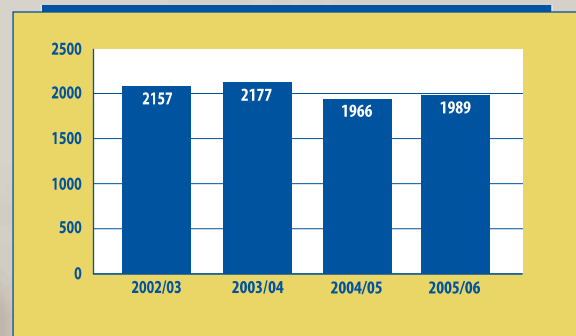


Figure 6: Total Financial Bench Reviews

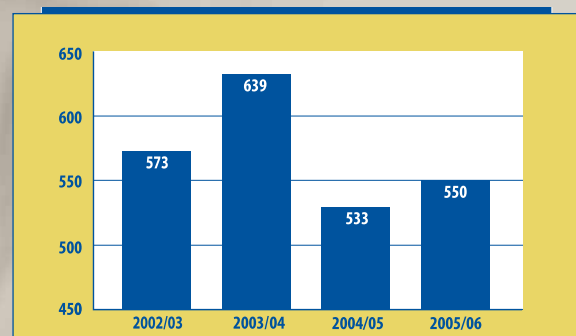


Figure 7: Financial Site Inspections

produces information, which may determine those registrants that should receive site inspections (Fig. 6). During the fiscal period 2005/2006, TICO completed 550 site inspections compared to 533 in the prior year. (Fig.7)

Non-Financial Inspections

TICO performed 23 compliance site inspections during the 2005/2006 fiscal year to address various issues such as advertising guidelines, invoicing and operating without registration. In 2005/2006, a total of 166 warnings for operating without registration (Fig. 8) and 211 advertising warnings (Fig. 9) were issued to registrants and/or individuals who appeared to be carrying on business in contravention of the *Travel Industry Act, 2002* and Ontario Regulation 26/05. Advertising warnings increased by 42% compared to the prior year. In addition, 252 invoicing warnings (Fig. 10) were issued to registrants who did not provide proper invoices and/or receipts in accordance with the provision in the Regulation. Invoice warnings increased by 62% compared to the prior year.

The increase in warnings issued for advertising and invoicing was a result of the new legislation, which came into force on July 1, 2005.

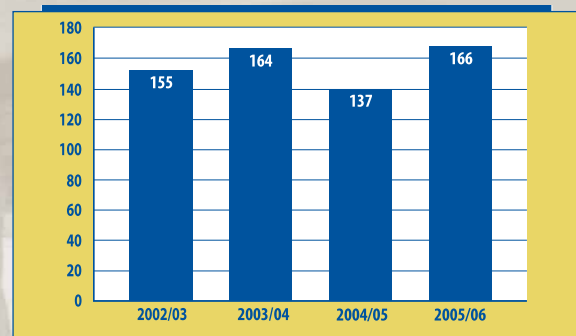


Figure 8: Total Warnings Issued for Operating without Registration

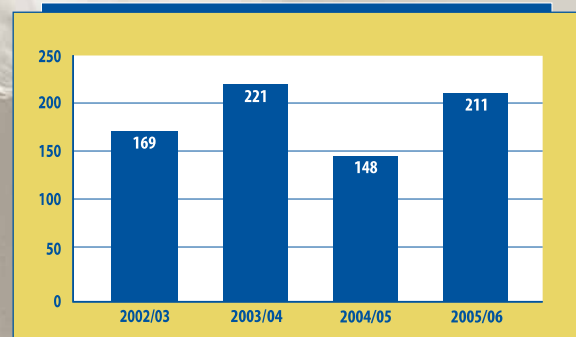


Figure 9: Total Warnings Issued for Advertising

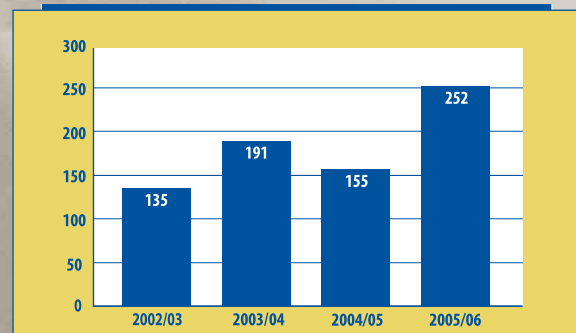


Figure 10: Total Warnings Issued for Invoicing

Travel Compensation Fund

Claims and Repatriation

Claims paid during the fiscal year ended March 31, 2006 compared to the previous year ended March 31, 2005 were as follows:

	<u>2005/06</u>	<u>2004/05</u>
Number of claims paid	294	234
Number of consumers assisted	770	1,112
Claims paid - Registrant failure	\$ 228,337	\$ 113,618
Claims paid - End supplier failure	\$ 160,217	\$ 271,039
Total Claims paid	\$ 388,554	\$ 384,657
Repatriation	\$ NIL	\$ NIL
Less recoveries	\$ (43,574)	\$ (70,507)
Net claims paid	\$ 344,980	\$ 314,150

Repatriation

There were no consumers repatriated during the 2005/2006 fiscal year.

Closures Resulting in Significant Claims Paid in 2005/06

Ceylon Tours & Travel Inc.

On February 09, 2005, Ceylon Tours and Travel Inc. voluntarily terminated its registration to operate as a travel retailer under the Ontario Travel Industry Act. Ceylon Tours and Travel sold mainly air only to various destinations. During the year ended March 31, 2006, a total of \$105,079 was paid out of the Compensation Fund, assisting 73 consumers.

Jetsgo Corporation

Jetsgo, a non-registrant end supplier airline, ceased operations on March 11, 2005 leaving thousands of consumers stranded and without travel services over the 2005 March Break period. On May 13, 2005, Jetsgo officially declared bankruptcy. TICO released claim forms, however, it deferred payment of claims until the total exposure to the Compensation Fund could be established. TICO needed to determine whether or not the claims would reach or exceed the legislated maximum

payout of \$5 million per event. On September 12, 2005, six months after the failure of Jetsgo, TICO determined that the exposure to the Fund would be less than the legislated maximum and commenced paying eligible claims. During the year ended March 31, 2006, a total of \$94,171 was paid out of the Compensation Fund, assisting 470 consumers.

Other Closures

The following entities ceased operations during the 2001/2002 or 2002/2003 fiscal years, however, they resulted in claims paid during the 2005/06 fiscal year.

Travel Way Services

On November 05, 2002, Travel Way Services Inc. voluntarily terminated its registration to operate as a travel retailer under the Ontario Travel Industry Act. Travel Way Services was an IATA agency and sold mainly air only to various destinations. Several Travel Way customers holding tickets on Air Canada were denied boarding by the airline as they had not received payment from the failed travel agency. The Air Travel Complaints Commissioner of the Canadian Transportation Agency (CTA) attempted to obtain refunds for these consumers. The Canadian Transportation Agency (CTA - an independent federal quasi-judicial tribunal) reviewed the matter and directed airlines to take corrective measures after carriers refused to transport individuals presenting valid tickets issued by Travel Way Services. The Decision stated that by refusing to transport persons presenting tickets issued by Travel Way, the airlines failed to respect certain terms and conditions of carriage, which are contained in their tariffs, contrary to the Air Transportation Regulations.

In April 2003, Air Canada filed for and was granted bankruptcy protection to make way for major restructuring and cost-cutting. In June 2004, ACE Aviation Holdings Inc. was incorporated for the purposes of becoming the parent company of Air Canada and its subsidiaries upon the

implementation of the consolidated plan of reorganization, compromise and arrangement. In October 2004, Air Canada emerged from bankruptcy protection with financial claims extinguished. In January 2005, due to the bankruptcy-court restructuring, the CTA ruled that Air Canada was not required to compensate Travel Way ticket-holders. Based on this ruling, the TICO Board of Directors allowed consumers to file claims against the Compensation Fund for the non-provision of travel services. During the year ended March 31, 2006, a total of \$67,320 was paid out of the Compensation Fund, assisting 79 consumers.

Festival Cruises

On May 26, 2004, Festival Cruises of Genoa, Italy, a non-registrant end supplier cruise line ceased operations. Consumers who purchased their travel services from Ontario registrants and who did not receive the cruise they purchased due to this failure were eligible to claim on the Fund. During the year ended March 31, 2006, a total of \$57,460 was paid out of the Compensation Fund, assisting 81 consumers.

Canada 3000 Airlines

Canada 3000 Airlines, a non-registrant end supplier airline ceased operations on November 09, 2001. The amendment to Ontario Regulation 806/93 in January 2002 allowed end supplier claims against the Compensation Fund. On March 17, 2003, the Trustee in Bankruptcy for Canada 3000 Airlines

declared that there would be no payments from the estate of Canada 3000 Airlines. This allowed TICO to commence its claims process and claims were distributed to Canada 3000 Airlines claimants with a claim filing deadline of September 18, 2003. During the year ended March 31, 2006, a total of \$8,586 was paid out of the Compensation Fund assisting 11 consumers. There are still additional Canada 3000 Airlines claims pending, which will be processed once all the required documentation has been received.

Canada 3000 Holidays

The failure of Canada 3000 Holidays occurred in December 2001. TICO did not commence payment of eligible claims as the Judicial Trustee had not completed its claims process. In December 2005, the Trustee advised TICO that the Courts in British Columbia and Ontario authorized the Judicial Trustee to pay the balance of beneficiaries' claims, without interest after December 16, 2005. PricewaterhouseCoopers distributed its final distribution cheques representing a full and final payment of consumer claims against the Trust Funds, equal to \$0.50 on the dollar of approved claims. Previously, all beneficiaries had received a total of \$0.50 on the dollar of their proven claims. The final distribution payment provided beneficiaries with a full refund. As consumers were fully refunded by the Trustee, there were no claims against the Compensation Fund as a result of the failure of Canada 3000 Holidays.

SUMMARY OF CLOSURES RESULTING IN CLAIMS AGAINST
THE COMPENSATION FUND AND CORRESPONDING RECOVERIES

REGISTRANTS	CLAIMS PAID 2005/06 \$	RECOVERIES 2005/06 \$	CLAIMS PAID 2004/05 \$	RECOVERIES 2004/05 \$
Airpool 2000 Travel Services Inc (R)	11,107			
Amazonas Travel Agency Inc (R) (W)		3,600		3,300
Amrals Travel Canada Ltd (R)		9,600		3,200
Anza Travel Ltd (R)			68,272	
Aviacion Corporation (R) (W)			968	968
Canada 3000 Airlines *	8,586		231,309	
Canada 3000 Sales (R) (W)			2,065	
Canada 3000 Tickets (R)			7,143	7,143
Centro Tours & Travel (R)			321	
Ceylon Tours & Travel Inc (R)	105,080			
Ella's Travel (R)	18,459		21,585	10,000
Festival Cruises *	57,460		39,731	
Global Travel (R)			1,796	
Jetsgo *	94,171	50		
Jubba World Travel (R)	4,920			
Maxsaver International Tours Inc (R) (W)	895		9,911	
PC Holidays (R) (W)			856	
Premier Holidays (R) (W)		20,000		20,000
Prespa Travel (R)	5,840			
Rosa Franzini Travel (R)		3,817		4,595
Samson Holidays (R) (W)			700	
Travel Route (R) (W)	6,474			
Travel Way Services (R)	67,320			
Travelpack Marketing (R) (W)	8,242	1,320		21,301
The Ultimate Travel Brokers (R)		5,187		
TOTAL CLAIMS PAID (GROSS)	\$ 388,554	\$ 43,574	\$ 384,657	\$ 70,507

(R) = Retailer (W) = Wholesaler
(*) = Non-registrant End Supplier (Airline or Cruise line)

Note: Recoveries listed may relate to claims paid out in previous years.

Figure 11 illustrates the total claims paid by the Fund in 2005/06 compared to previous years. Overall, over the past four fiscal years, more claims have been paid out of the Fund as a result of end supplier failures compared to TICO registrant failures since January 1, 2002, when the legislation was amended to allow end supplier claims against the Fund (Fig.12). Recoveries received by TICO from former registrants in 2005/2006 were \$43,574 compared to \$70,507 recovered in 2004/2005.

Consumer Survey Results – Claims Process

During the fiscal year 2005/06, TICO distributed consumer surveys to 332 consumers who filed claims against the Compensation Fund inviting feedback on their experience with TICO’s claims process. At the end of March 2006, there were 8 completed surveys returned to TICO.

The results of the 8 completed surveys received are as follows:

When asked to rate their overall satisfaction with TICO’s handling of their claim, 7 consumers advised they were satisfied and 1 consumer was dissatisfied.

When asked to rate their satisfaction with the fairness of the process, 7 were satisfied and 1 was dissatisfied.

The one consumer who expressed dissatisfaction felt that there was too much supporting documentation required to prove a claim. TICO is required to ensure all claims meet the requirements under the Regulation.

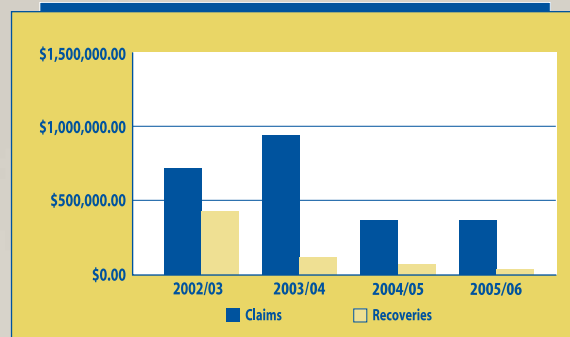


Figure 11: Claims paid and Recoveries to the Fund

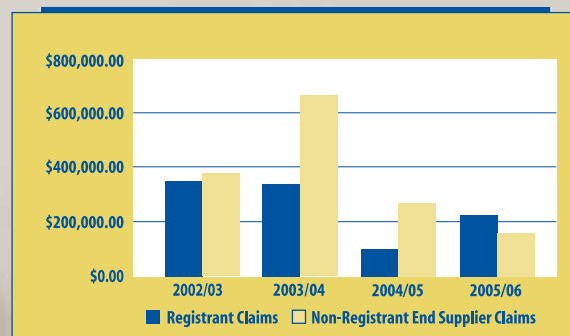


Figure 12: Registrant Claims vs Non-Registrant End Supplier Claims

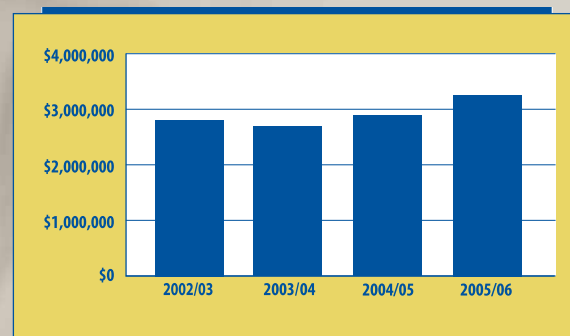


Figure 13: Contributions to the Fund

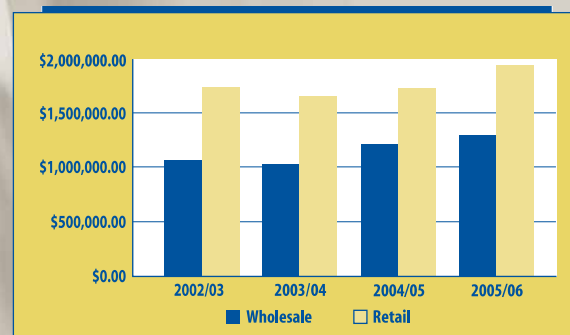


Figure 14: Contributions on the Fund - Retail vs Wholesale

Legal Matters

Claims

The Licence Appeal Tribunal (LAT) hears appeals from decisions of the Board relating to the eligibility of claims for payment from the Compensation Fund. During the period ended March 31, 2006, LAT held hearings regarding 2 appeals. LAT upheld the decisions of the Board to disallow the claims in respect of both matters.

Investigations and Prosecutions

TICO will initiate and will perform investigations when it becomes apparent that there may have been a breach of the legislation. Investigations may result in charges being laid under the statute. Investigations conducted in 2005/2006 have resulted in the following prosecutions:

Harish Sharma and 1620185 Ontario Inc. o/a Avon Travels & Tours Company were each convicted of one count of acting without registration contrary to Section 3(1) of the *Travel Industry Act*. Mr. Sharma and 1620185 Ontario Inc. o/a Avon Travels & Tours received fines of \$3,000.00 each payable within one year. Mr. Sharma was also placed on a two-year period of probation.

Hilda Dinglasan was convicted of two counts of acting as a travel agent without registration contrary to Section 3(1) of the *Travel Industry Act*. Ms. Dinglasan was fined \$1,000 per count concurrently.

Jasen Earle Plunkett carrying on business as Access Services and Access Vacation Services was convicted of ten counts of acting as an unregistered travel agent contrary to Section 3(1) of the *Travel Industry Act*. Mr Plunkett was previously convicted in 2002 under the *Travel Industry Act* for acting as an unregistered travel agent. Mr. Plunkett was sentenced to 6 months in jail for all ten counts to be served concurrently. Upon appeal and after serving almost 4 months in jail, Mr. Plunkett's sentence was reduced to two days.

Proposals to Revoke Registration

A total of 70 proposals to revoke registration were issued during 2005/2006. The proposals were issued for the following reasons:

Failure to File Form 1 Contributions	16
Failure to File Financial Statements	35
Failure to Maintain Working Capital	6
Other Breaches of the Act and Regulation	13

During the year, 30 registrations were revoked as a result of proposals issued. TICO was required to attend 11 pre-hearings and 2 hearings before LAT in response to the proposals issued to the registrants. Some proposals were settled prior to their scheduled hearing date. During the year, 34 proposals were withdrawn and 8 were settled by consent order. At the beginning of 2005/2006, there were 8 outstanding proposals and at the end of March 2006, there were 6 outstanding proposals.

Legislative and Regulatory Changes

On July 1, 2005, the government introduced the *Travel Industry Act, 2002* and Ontario Regulation 26/05. The new legislation modernized and updated the consumer protection laws in the province. The following are some of the highlights of the changes in the new *Travel Industry Act, 2002* and Ontario Regulation 26/05:

Exemptions – Additional exemptions have been

included in the new Regulation. New exemptions will allow accommodation providers and local tourism operators to package other local services with their own services and market them to consumers. The Regulation also expands exemptions to include unincorporated associations, religious groups and amateur sports teams. There are specific conditions that must be met in order to qualify for the exemptions.

Registration Fees – Registration fees have been removed from the Regulation. The fees are now set by the Administrative Authority and published in a fee schedule.

Operating from a Dwelling – The new Regulation permits registrants to operate from a dwelling provided certain conditions are met, for example, appropriate local zoning. The change is intended to avoid any unnecessary barriers to new business models enabled by e-commerce.

Minimum Educational Requirements – New educational requirements for travel counsellors and supervisor/managers will come into effect on July 1, 2008. The minimum educational standards will be focused on knowledge of the *Travel Industry Act, 2002* and Ontario Regulation 26/05. All individuals selling travel services directly to the public, including supervisor/managers, will be required to take an exam to receive a certification that they have met the travel counsellor standard. All supervisor/managers currently in the industry will be grandfathered and will not be required to take the supervisor/manager exam in order to remain in their current positions. The registrant will be responsible for ensuring their employees have met the standard and for keeping records to verify this. CITC is assisting TICO in developing the curriculum and will conduct the testing and administer the accreditation process for TICO.

Financial Statements – Registrants with wholesale sales over \$10 million will now be required to submit unaudited financial statements quarterly rather than semi-annually.

Working Capital – The working capital requirements increased effective January 1, 2006.

Security – The new Regulation allows the Registrar to keep security until the registrant has filed at least two consecutive financial statements. Security can be held even longer if the Registrar has concerns regarding the registrant's compliance.

Trust Accounting – The new Regulation requires that all registrants be on trust accounting.

Registrants do have the alternative of filing security with TICO in lieu of trust accounting. The registrant must have been in business continuously for at least one fiscal year to exercise this option. The security provided must be equal or greater than one-sixth of the registrant's sales in Ontario for the 12-month period ending on the last day accounted for in the most recent annual, semi-annual or quarterly financial statements. The onus is on the registrant to ensure that if security is filed, the amount of the security is adequate.

Representations – The new Regulation regulates the truthfulness and contents of all representations relating to the provision of travel services, including but not limited to brochures.

Statements Regarding Price – All representations that refer to a price must clearly state the amount that the customer will be required to pay for their travel services. The amount can be expressed as: a total price; or a base price plus total taxes, fees and additional charges; or a base price with a detailed break down of all taxes, fees and additional charges. The representation does not need to deal with PST or GST. The representation must state any conditions that affect or limit the availability of the travel services at that price. The required information must be set out in a clear, comprehensible and prominent manner. A representation shall not refer to a price unless the travel services are actually available at that price during the time to which the representation applies. A representation shall not refer to previous prices.

Pre and Post Sale Disclosure - Key mandatory disclosures are required to be made prior to a sale to a customer and documented in invoices. It is now a requirement to advise the customer about the availability of out-of-province health insurance in addition to trip cancellation insurance.

Discipline Proceedings – The new Act enables the TICO Board to establish a discipline process. TICO does intend to do this in the future and will consult with the Ministry and the industry on the details of the process prior to its introduction.

Offences – The offence provisions in the new Act have been greatly increased from the prior Act. Individuals convicted of an offence are liable to a fine of not more than \$50,000 or to imprisonment for a term of not more than two years less a day, or both. A corporation that is convicted of an offence is liable to a fine of not more than \$250,000. As well, the Act provides more tools for dealing with those who do not pay fines imposed such as reporting those in default to a consumer reporting agency and placing liens on real and personal property of the person liable to pay the fine.

Compensation Fund Claims – A change has been made with respect to the filing deadline for claims. The requirement was that a claim be made within six months after “the event that gave rise to the claim”. The new Regulation requires that claims be made within six months after the relevant registrant or end supplier becomes bankrupt, insolvent or ceases to carry on business. The Fund will not reimburse a customer for a travel counselling fee. Some travel businesses charge a fee to customers for their counselling or booking service. Since this is a fee for services that have been provided, as opposed to the travel services that have not been provided, the Fund will not reimburse this amount to customers. The Compensation Fund will reimburse customers for taxes on travel services they did not receive.

Wholesaler Claims – Under the new Regulation, a travel wholesaler would not have a claim on the Fund where they have acquired the rights to resell travel services and the end supplier that they dealt with fails to deliver. It is the wholesaler’s risk that their suppliers fail to honour obligations to them.

Liability for Deposits – Section 25 of the new Act continues to make registrants liable for any deposits received from customers. However, the new Act removes the liability from registrants if the registrant has properly passed the money received, acted in good faith and at arms length with any person with whom he or she would be jointly and severally liable

and the person with whom the travel agent would be jointly and severally liable is not in breach of a requirement to be registered under the Act.

Minister’s and Delegated Regulations – The new Act permits specified regulations to be made by the Minister, rather than the Lieutenant Governor in Council, if the power to make them is so delegated. Regulations may be further delegated from the Minister to TICO. It is not anticipated that any regulations will be delegated until the new legislation has been in place for a period of time.

For more information, please refer to TICO’s website at www.tico.ca which contains detailed information including the Act, Ontario Regulation and an Explanatory Paper.

Results of TICO's Communications Audit

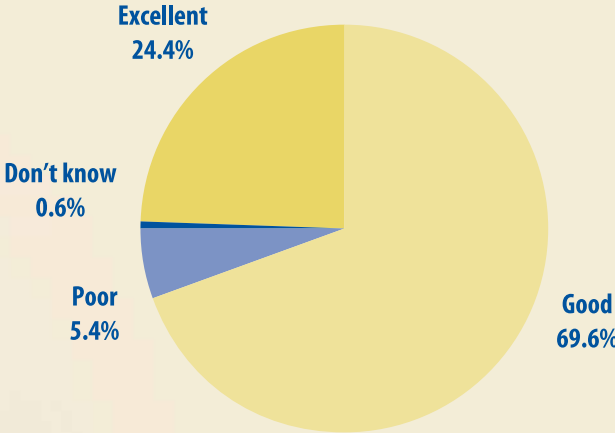
During the fiscal year, Sandown Communications Consulting completed a Communications Audit for TICO. The purpose of the Communications Audit was for TICO to measure and establish a baseline on its communications with registrants. The Audit was completed using a survey developed by Sandown Communications Consulting for registrant participation and feedback. Sandown Communications Consulting randomly called registrants and conducted a ten-minute telephone interview. To ensure that all registrants had the opportunity to participate in the audit, if they were not selected in the random sample, the survey was posted on TICO's website. Registrants could download, complete and fax back the survey to the consultant. In total 352 registrant interviews were conducted and three completed fax responses were received. As well, Sandown Communications Consulting conducted two focus group sessions with a total of 20 registrants in attendance. The attendees were given a brief overview of the results of the telephone survey and asked a series of questions to further probe key areas of the survey.

Overall, the results of the Communications Audit were excellent and TICO would like to thank all the registrants that participated in the process. Some of the results from the Audit are as follows:

When respondents were asked whether they felt there are enough ways to communicate with TICO, 89.2% answered yes, 9.4% answered no and 1.4% answered that they did not know. When asked about their preferred means to receive information from TICO, 46% of respondents stated that they would prefer correspondence by e-mail, with the next most favoured methods being faxes (29%), followed by mail (10%) and both fax and email (7%). Preference for electronic versus hard copy communication was explored at length within the focus groups. While most preferred electronic communication, there were still some respondents that were adamant on receiving a hard copy.


When asked how they would rate TICO's overall communication with registrants, virtually all

respondents (94%) provided a positive rating of either good (70%) or excellent (24%) for the way that TICO communicates with registrants. Only 5% provided a poor rating and 1% did not know. TICO is tremendously pleased with these results.



The following are some of the recommendations from the Communications Audit that TICO found beneficial and intends to explore:

- Make all TICO publications available for download on its website. (It should be noted that TICO has been doing this for some time, although some of the documents may have been in the process of being revised in response to the legislative and regulatory changes at the time when the survey was being conducted.)
- Publicize the availability of publications through an e-blast and an article in TICO Talk since some registrants are not aware of all the publications that TICO has available.
- Send e-mail links of Business Plan and Annual Report, which have lower readership, to all registrants.
- Increase electronic communications with registrants.

- 
- Improve e-mail communication from TICO by allowing more than one e-mail address per registrant so that the information can be received and distributed in a timely way throughout the registrant's office.
 - To increase use of the website, "headlines" could be e-mailed to registrants to advise of new information being added to the site.

- Try to always use plain language and include case studies and examples in information provided to registrants.

For a full report on the results of the Communications Audit, please refer to TICO's website at www.tico.ca

Complaint Handling Process

TICO staff receive numerous telephone and email enquiries on a daily basis including those from consumers, registrants, applicants, government and industry stakeholders. TICO staff provides information with respect to consumer and business complaints, registration processes and acceptable business practices.

TICO provides complaint handling for consumer-to-registrant disputes. After encouraging consumers to pursue all avenues with the registrant, TICO staff will assist with the goal of reaching a mutually acceptable solution. When a complaint involves allegations of non-compliance with the Act, the Registrar will undertake the necessary compliance and enforcement activities. When a mutual solution is not reached, complainants are provided with information regarding options to further pursue matters. TICO undertakes to provide a response to a complainant within 60 days.

Registrant-to-registrant disputes have not been handled traditionally by the Registrar, unless financial issues or other allegations of non-compliance with the Act are involved.

Complaints Committee

Consumers and registrants with complaints about TICO's activities are invited to contact the Complaints Committee of the Board of Directors.

The Complaints Committee's mandate is to review and resolve, as appropriate, complaints against TICO, which are based on dissatisfaction with the quality and fairness of its services to registrants and consumers. The Committee also makes any recommendations with respect to TICO's complaint handling procedures that may arise from reviews of particular complaints. The Committee is composed of representatives of various stakeholders. During the 2005/2006 fiscal period, there were no complaints received against TICO.

Appeals against the Registrar's administrative decisions may proceed, as appropriate, to the Licence Appeal Tribunal. Complaints may be submitted to TICO by telephone, fax, mail or e-mail.

Consumer Awareness Campaign

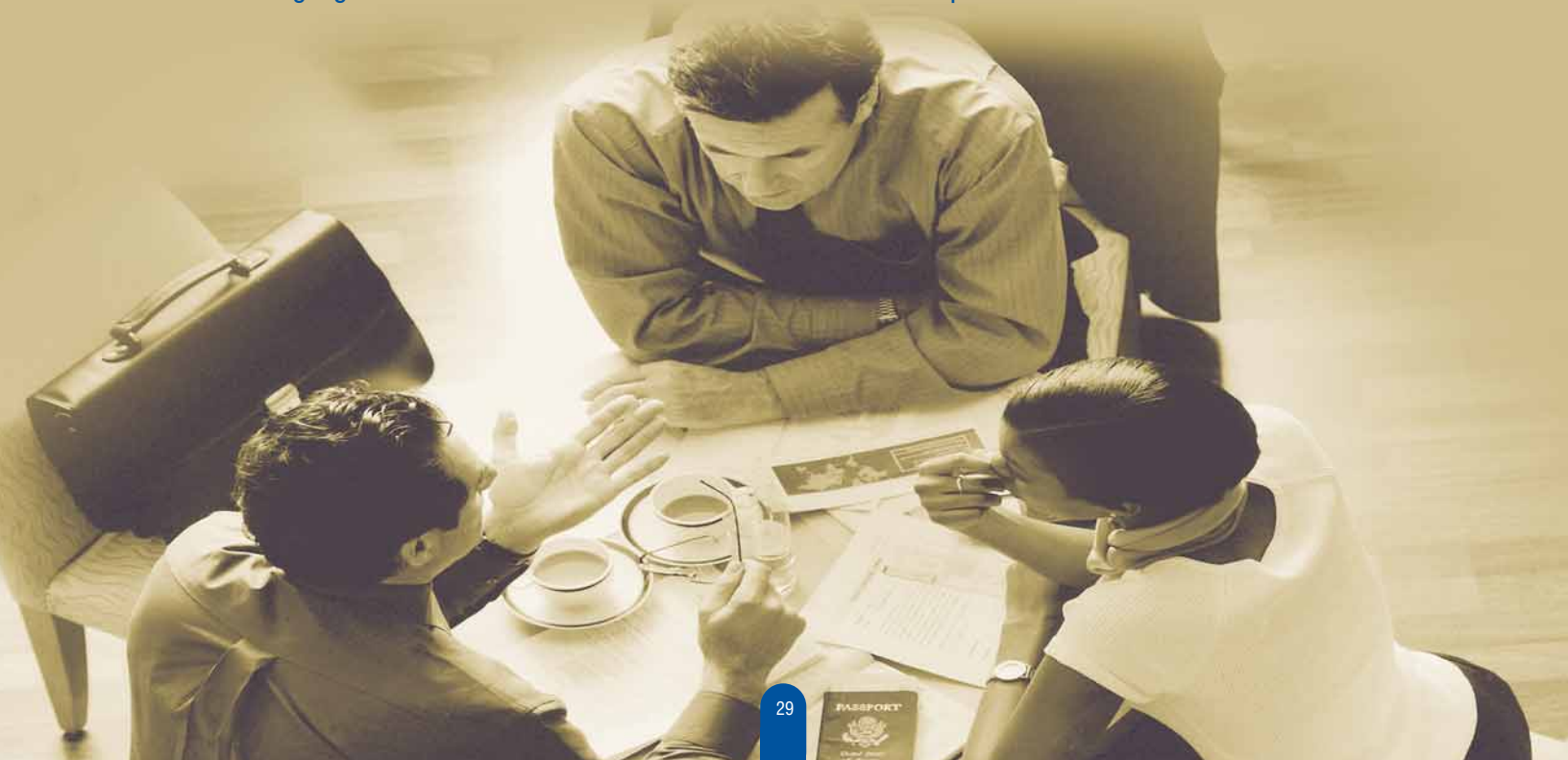
In 1999, TICO launched a Consumer Awareness Campaign with a goal to educate consumers and promote awareness in Ontario about TICO, the Travel Compensation Fund and the protection available to consumers when they purchase their travel services from an Ontario registered retail travel agency. Since then, TICO has promoted awareness by using strategies that incorporated different forms of media such as television, radio and newspaper ad campaigns. The campaigns promoted the benefits of dealing with Ontario registrants and have used the tag line: "Always Look for the TICO sign when you Book your Travel Time." TICO attended consumer trade shows and distributed informational literature. Collateral materials such as posters, ticket stuffers and window decals were also distributed to promote its messages to Ontario registrants in support of the

campaign. TICO has measured its success each year by having an Omnibus Survey completed. Over the years, the survey has shown modest increases in consumer awareness. However, this year an Omnibus survey completed in March 2006 resulted in an increase to 45% consumer awareness of the existence of the Ontario Travel Industry Compensation Fund from 40% the previous year and an increase to 40% consumer awareness of TICO compared to survey results of 37% the previous year. TICO is very pleased with these results and intends to continue to focus on increasing consumer awareness in Ontario and to promote the benefits and the protection available to consumers purchasing travel services through TICO registrants.

French Language Services

TICO receives minimal inquiries in the French language. When it does, it strives to respond to all inquiries received, whether oral or written. A comparable level of service will be provided in either language whenever and wherever demand

and customer service warrant. TICO staff are able to communicate in several languages and provide both registrants and consumers with a timely, courteous and quality response. Correspondence received in French is responded to in French.



Financial Review

The financial review is based on the audited financial statements for the year ended March 31, 2006 with comparative figures for March 31, 2005.

Overview

As at March 31, 2006, the Net Assets of TICO were \$30,367,817 compared to \$28,394,881 for the year ended March 31, 2005. This increase in Net Assets was a result of revenue exceeding expenses by \$1,972,936 for the year. Excess revenue for the year ended March 31, 2005 was \$1,933,023. This has resulted in a small excess of revenues over expenses for the year ended March 31, 2006 compared to the same period ending March 31, 2005.

TICO is required to hold all Compensation Fund monies in trust. As of March 31, 2006 the assets held for the Fund were \$29,675,566 compared to \$27,383,343 as of March 31, 2005.

Revenue

Total Revenue for the year ended March 31, 2006 was \$5,219,709 and derived from semi-annual assessments based on gross sales of registrants (\$3,251,369), applications for renewal of registrations (\$590,991) and from new applications for registration (\$358,947). A total of \$1,018,402 in investment income was earned during the year.

Semi-Annual Assessments

All registrants are required to pay into the Compensation Fund based on their gross travel sales. The rate for wholesale sales is \$0.50 per \$1,000 and the rate for the retail sales is \$0.25 per \$1,000. Revenue from Semi Annual assessments increased for 2005/2006 to \$3,251,369 from \$2,956,287 for 2004/2005. The following is the breakdown of revenue between wholesale and retail sales:

	<u>2006</u>	<u>2005</u>
Wholesale	\$1,286,780	\$1,219,971
Retail	<u>1,964,589</u>	<u>1,736,316</u>
	<u>\$3,251,369</u>	<u>\$2,956,287</u>

Registration Fees

Revenue from registration fees is derived from two sources: new registration fees and renewal fees. New registration fees are \$2,375 and cover a two year period of registration while renewals are \$375. In 2005/2006, revenue from new applications for registrations and new registration fees was \$358,947. Renewals increased by \$158,923 as this was the second year of the two year renewal cycle. The second year typically generates higher renewals than the first year in the cycle.

Expenses

Total expenses for TICO increased to \$3,246,773 for 2005/2006 from \$2,955,656 in 2004/2005. The significant variances are as follows:

Total claims for the year ended March 31, 2006 were \$388,554, which consists of claims from registrant failures of \$228,337 and \$160,217 from failures of non-registrant end supplier airlines and cruise lines. Included in the net claims expense of \$407,323 are professional fees of \$62,302 incurred in relation to closures and recoveries. Recoveries from security deposits and repayments from registrants totalled \$43,574 for the year, which reduces the total claim expense. This resulted in a net claim expense for 2005/2006 of \$407,323, which is more than the net claim expense for 2004/2005 of \$336,704.

Consumer and Registrant Awareness expense has increased by \$53,497 in 2005/2006 from the prior year. Expenses in this category include TICO's province wide Consumer Awareness Campaign with television and radio advertisements that were aired during 2005/2006. This category also includes the cost of the continuation of TICO's quarterly newsletter and TICO's participation in consumer trade shows.

General and Office expenses in 2005/2006 are approximately the same compared to 2004/2005.

Ontario Government Oversight Fees expense total \$127,006 for 2005/2006 compared to \$111,662 for

2004/2005. These fees are paid to the Ministry of Government Services under the terms of TICO's Administrative Agreement. A new Administrative Agreement was signed on August 1, 2005.

Regulatory Reform and Minimum Education Standards expense of \$196,337 includes expenses related to the legislative review. In February 2005, the government released the final *Travel Industry Act, 2002* and its Regulation, which came into force on July 1, 2005. In April and May 2005, TICO held Town Hall meetings across the province to explain the new legislation to stakeholders, and distributed an Explanatory Paper.

During the fiscal year, TICO continued to develop TICO's Minimum Education Standards curriculum for Travel Counsellors. The curriculum is now being focus tested. Once the curriculum is finalized, it will be released to stakeholders.

Governance Committee expense is in line with the 2005/2006 budget.

Appendix I

FINANCIAL STATEMENTS
MARCH 31, 2006

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AUDITORS' REPORT

To the Board of Directors of the
Travel Industry Council of Ontario

We have audited the statement of financial position of the Travel Industry Council of Ontario ("TICO") as at March 31, 2006 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of TICO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of TICO as at March 31, 2006 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants

TORONTO, Canada
May 5, 2006

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2006

	2006 \$	2005 \$
ASSETS		
CURRENT		
Cash and short-term investments (Note 3)	33,269,613	29,107,802
Prepaid expenses and deposits	45,513	46,267
	<u>33,315,126</u>	<u>29,154,069</u>
EQUIPMENT (Note 4)	<u>101,377</u>	<u>98,563</u>
	<u><u>33,416,503</u></u>	<u><u>29,252,632</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	271,610	270,360
Deposits from registrants	<u>2,777,076</u>	<u>587,391</u>
	3,048,686	857,751
NET ASSETS		
Net assets per statement	<u>30,367,817</u>	<u>28,394,881</u>
	<u><u>33,416,503</u></u>	<u><u>29,252,632</u></u>
Commitments and contingencies (Notes 7 and 8)		
APPROVED ON BEHALF OF THE BOARD:		
<u>MICHAEL MERRITHEW</u> , Chair		
<u>W.H. BRUCE FRASER</u> , Director		

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2006

	Invested In Equipment \$	Restricted For The Ontario Travel Industry Compensation Fund \$	Unrestricted \$	2006 Total \$	2005 Total \$
Balance, beginning of year	98,563	27,383,343	912,975	28,394,881	26,461,858
Excess of revenues over expenses (expenses over revenues)	—	2,293,771	(320,835)	1,972,936	1,933,023
Purchase of equipment	49,732	(27,353)	(22,379)	—	—
Amortization of equipment	(46,918)	25,805	21,113	—	—
Balance, end of year	<u>101,377</u>	<u>29,675,566</u>	<u>590,874</u>	<u>30,367,817</u>	<u>28,394,881</u>

See accompanying notes to the financial statements.

Travel Industry Council of Ontario

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2006

	2006 \$	2005 \$
REVENUE		
Semi-annual payments from registrants	3,251,369	2,956,287
Renewals	590,991	432,068
New registrants	358,947	469,162
Investment income, net	<u>1,018,402</u>	<u>1,031,162</u>
	<u>5,219,709</u>	<u>4,888,679</u>
EXPENSES		
Claims	388,554	384,657
Professional fees and services	62,302	15,427
Closure expenses	41	7,127
	<u>450,897</u>	<u>407,211</u>
Less: Recoveries	<u>(43,574)</u>	<u>(70,507)</u>
	<u>407,323</u>	<u>336,704</u>
Salaries and benefits	1,144,946	1,090,371
Inspections, compliance and prosecutions	357,856	345,481
Consumer and registrant awareness	304,060	250,563
Regulatory reform and minimum standards	196,337	130,942
General and office	187,336	189,675
Rent	178,620	170,282
Ontario Government oversight fees	127,006	111,662
Board meeting expense	92,537	86,205
Professional fees	51,478	14,469
Insurance	41,428	40,383
Governance committee	36,712	34,413
Computer	36,132	50,954
Travel	19,438	20,069
Credit checks	18,646	17,600
Amortization	<u>46,918</u>	<u>65,883</u>
	<u>3,246,773</u>	<u>2,955,656</u>
Excess of revenues over expenses	<u><u>1,972,936</u></u>	<u><u>1,933,023</u></u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2006

1. NATURE OF OPERATIONS

The Travel Industry Council of Ontario ("TICO") was incorporated on April 7, 1997 as a not-for-profit corporation without share capital, under the laws of Ontario.

TICO is designated by the Lieutenant Governor in Council, as the Administrative Authority responsible for administration of the Ontario *Travel Industry Act, 2002* ("The Act"). TICO's responsibilities are to carry out delegation of The Act in accordance with the Administrative Agreement and to achieve the Minister of Government Services' goal of maintaining a fair, safe and informed marketplace.

The Ontario Travel Industry Compensation Fund (the "Fund") is a fund established under the Ontario *Travel Industry Act, 2002* and Ontario Regulation 26/05 to reimburse consumers for travel services when they have paid an Ontario registrant, the travel services have not been provided and the registrant is unable to refund their money by reason of bankruptcy or insolvency. Under certain conditions, the Fund also pays claims resulting from the failure of cruiselines and airlines (end suppliers) to provide travel services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of TICO are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant.

Short-term Investments:

Short-term investments are recorded at cost. Discounts and premiums are amortized to income over the term of the investment on a straight-line basis.

Equipment and Amortization:

Equipment is stated at acquisition cost. Amortization is provided as follows:

Furniture and equipment	20% diminishing balance
Computer hardware	3 years straight-line
Computer software	2 years straight-line
Database	5 years straight-line

Leasehold improvements are amortized on a straight line basis over the remaining term of the lease, which expires November 30, 2008.

Revenue Recognition:

The deferral method of accounting for contributions is followed. The application of this method of accounting results in revenue in the form of semi-annual payments from registrants, as well as renewals and application fees from new registrants, being recorded when received. Interest income is recorded on the accrual basis.

Claims:

Claims are recorded at the time of approval by the Board of Directors. Claims must be made within six months after the registrant, or end supplier becomes bankrupt, insolvent or ceases to carry on business.

Recoveries:

Amounts recoverable to offset claims paid, including commissions recoverable from registrants, are recorded when received.

Trip Completion Costs:

Trip completion costs are authorized solely by the Director under The Act and are recorded when paid.

Use of Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported

Travel Industry Council of Ontario

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2006

amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those reported.

accordance with the Regulation. Section 73 of Ontario Regulation 26/05 provides that remuneration of advisors may be paid from the fund.

Ontario Regulation 26/05 made under The Act restricts the maximum amount that may be reimbursed for a failure to provide travel services with respect to all claims arising out of an event or major event to \$5,000,000, plus an additional \$2,000,000 for trip completion costs. The Fund pays a maximum claim of \$5,000 per person.

3. CASH AND SHORT-TERM INVESTMENTS	<u>2006</u> \$	<u>2005</u> \$
Cash on hand and in bank	7,706,243	4,411,144
Government of Canada bonds, Provincial bonds and other investments, at cost, plus amortized discounts and premiums	<u>25,563,370</u>	<u>24,696,658</u>
	<u>33,269,613</u>	<u>29,107,802</u>

6. INCOME TAXES

As a non-profit corporation, TICO is not subject to income taxes, in accordance with section 149(1)(l) of the Income Tax Act.

4. EQUIPMENT	<u>Cost</u> \$	<u>Accumulated Amortization</u> \$	<u>2005 Net</u> \$	<u>2005 Net</u> \$
Furniture and equipment	183,924	129,377	54,547	54,928
Computer hardware	251,050	224,494	26,556	12,975
Computer software	49,786	42,104	7,682	—
Database	244,416	237,952	6,464	20,447
Leasehold improvements	<u>39,771</u>	<u>33,643</u>	<u>6,128</u>	<u>10,213</u>
	<u>768,947</u>	<u>667,570</u>	<u>101,377</u>	<u>98,563</u>

7. COMMITMENTS

(a) Under terms of an Administrative Agreement signed August 1, 2005 between TICO and the Ministry of Government Services (the "MGS"), TICO is obligated to pay a maximum annual fee, based on cost recovery, of \$130,000 per year to the Province of Ontario.

The MGS may increase the maximum amount in any given year in accordance with the terms of the Administrative Agreement.

(b) TICO is committed to minimum rental amounts under a long-term lease for its premises which will expire November 30, 2008. Minimum rental commitments remaining under this lease approximate \$248,700. Minimum rental

5. RESTRICTED NET ASSETS

Article 2.01 of By-law one of TICO requires that all monies held shall be used in promoting its objects. Section 52 of Ontario Regulation 26/05 enacted under The Act requires that all money in the Fund and any income on such money shall be held by TICO in trust for the benefit of claimants whose claims for compensation are approved by TICO in

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

commitments for successive years approximate the following:

2007	\$ 93,300
2008	93,300
2009	62,100
	<u>\$ 248,700</u>

8. CONTINGENT LIABILITIES

TICO is committed to paying eligible claims resulting from the failure of the Canada 3000 group of companies in November 2001. Approximately \$919,000 of claims have been paid as of March 31, 2006. No provision has been recorded in these financial statements for unpaid claims relating to this event.

9. FINANCIAL INSTRUMENTS

Fair Value:

Canadian generally accepted accounting principles require that TICO disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash and short-term investments, accounts receivable, accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

10. STATEMENT OF CASH FLOWS

A statement of cash flows has not been included in these financial statements as management has determined that it would not provide additional useful information.

Industry Representatives

Michael Merrithew - Chair
President
Merit Travel Group
Toronto

Denise Heffron – Vice Chair
Vice President Commercial
Transat Holidays
Etobicoke

Jeff Element
Vice President, Finance &
Director of Operations
Trafalgar Tours of Canada
Toronto, ON

Mike Foster
President
Uniglobe Instant Travel
London

John Kennedy
Vice President
TravelPlus
Toronto

Trish McTavish
Vice President
McTavish Travel
Oakville

Scott Stewart
President
G. Stewart Travel Services Ltd.
Peterborough

Richard Vanderlubbe *
President
Travel Superstore Inc.
Hamilton

Brett Walker
Operations Manager
Collette Tours
Toronto

Kathleen Warren, CTM
Senior Travel Consultant
Allison's Travel Agency Ltd.
Windsor

Jill Wykes
Vice President, Customer Service,
Resort Management & Quality Assurance
MyTravel Canada
Toronto, ON

Ministerial Appointments

W.H. Bruce Fraser, C.A.
Management Consultant
Toronto

Donna Holmes, LL.B. **
Director of Communications
Ministry of Consumer & Business Services
Toronto

Deborah Brown ***
Acting Director - Sector Liaison Branch
Ministry of Government Services
Toronto, ON

Michael Janigan, LL.B.
Executive Director & General Counsel
Public Interest Advocacy Centre
Ottawa

Patricia Jensen
Board Member
Consumers Council of Canada
Toronto

* Resigned March 10, 2006

** Resigned February 1, 2006

*** Appointment effective February 1, 2006

Board of Directors Biographies

W.H. Bruce Fraser, C.A.

Mr. Fraser is a former partner of KPMG LLP. During his career with KPMG he has served as National Director of the firm's airline practice, on a number of committees such as the Professional Standards Committee, Regional Management Committees and as a Member of the Partnership Board. He has spent five years on the Committee of the Canadian Institute of Chartered Accountants and is responsible for setting accounting standards in Canada. He is a former Director of the Air Transport Security Corporation, Rampart Resources Ltd. and the National Cancer Institute of Canada. Presently he sits on the Board of Magnotta Winery Corporation and has been an active member of the Board of Directors for TICO since its incorporation in 1997.

Denise Heffron

In 2006, Denise Heffron, Vice-President Commercial, Transat Holidays, marks her 13th year at Canada's largest tour operator. Denise graduated from the University of Western Ontario with a Bachelor of Arts degree and began her career in the travel industry shortly thereafter. Denise is an active participant in the industry at large and serves on the TICO board as vice-chair and as a representative of the Canadian Association of Tour Operators. She has been a member of the CATO executive for four years and brings with her a thorough knowledge of the commercial activities of outbound tour operation in Ontario. In addition, Denise is a member of the TICO e-commerce, Business Strategy and Executive committees.

Deborah Brown

Deborah Brown is the Acting Director, Sector Liaison Branch, of the Ministry of Government Services. The Sector Liaison Branch is responsible for oversight and relationship management of eight Delegated Administrative Authorities; coordinating agency relations and accountability frameworks for nine agencies, boards and commissions; and providing policy coordination and issues management support relating to various gaming and beverage alcohol statutes.

Deborah is also a member of the Board of Directors for the Canadian Motor Vehicle Arbitration Plan (CAMVAP). Deborah has a degree in journalism.

Jeff Element, CMA, CTM

Jeff Element is a graduate of the University of Toronto with an Honours Bachelor of Arts degree in Commerce and Economics. In 1995, he obtained his professional

designation in management accounting from CMA Canada. Jeff celebrates his tenth anniversary with Trafalgar Tours of Canada in 2006. He began his career with the company in the role of Financial Controller, with an eventual promotion to Vice President of Finance in 1998. Over the past few years, Jeff has become increasingly more involved in the other aspects of the business, including sales and marketing, operations and reservations and he now oversees several other departments, including Air Ticketing, Customer Service, Documentation and Information Technology. He has become an active member of the travel industry, receiving his Certified Travel Manager designation in 2006 and being appointed to the Board of Directors for TICO in 2005 as a representative of the Canadian Association of Tour Operators.

Mike Foster

Mike Foster is President and owner of UNIGLOBE Instant Travel Inc. with two locations in London and a number of home-based travel professionals. Mike started with UNIGLOBE in 1982 and has over the years added a number of high profile agencies through acquisition, building one of the area's largest travel agency companies.

Mike has served a variety of roles in both ACTA Ontario and TICO for the past several years. He has also been a member of the College Advisory Committee for the Tourism and Hospitality Division of Fanshawe College in London, as well as a board member and fund-raiser for a number of charitable organizations in London, including Sunshine Foundation, Junior Achievement, the Small Business Centre and the London Health Sciences Centre.

Mike has also been involved in the submissions of proposed legislative changes by both ACTA and TICO and is focused on bringing real, substantial and positive change to the travel industry. Mike is currently the Chairman for the ACTA Ontario Council and holds a seat on the ACTA National Board of Directors.

Michael Janigan, LL.B.

Michael Janigan is the Executive Director and General Counsel of the Public Interest Advocacy Centre located in Ottawa, Canada. The Centre provides legal services and research on behalf of Canadian consumers and the organisations that represent them. The Centre has been in existence since 1976 and has a small staff of lawyers, researchers and administrative personnel.

The Centre is a founding member of the Canadian Association

of Airline Passengers (CAAP) responsible for the proposed Air Passenger Bill of Rights available for viewing on the PIAC website www.piac.ca. PIAC has made presentations before House and Senate Committees on the subject of consumer protection in a deregulated airline industry.

Mr. Janigan has been the Executive Director of the Centre since 1992. Prior to assuming his current position, Mr. Janigan was a city and regional councillor representing a downtown ward in the City of Ottawa. He was elected to that position in the community where he carried on a busy litigation practice. Mr. Janigan was born in Ottawa and attended the University of Western Ontario, in London, Ontario where he obtained both his undergraduate degree in science and his LLB degree. He was called to the Bar of the Law Society of Upper Canada in 1980.

Patricia Jensen

Patricia joined the TICO Board in 2005 as a ministerial appointee and serves on the Compensation Fund Committee, Minimum Education Standards Committee and the Complaints Committee. She is a member of the Board of Directors of the Consumers Council of Canada where she sits on the Executive Committee and reports to the Council on food safety and travel issues. She also serves on the Consumer Advisory Council of the Technical Standards and Safety Authority. Prior to joining the TICO Board, Patricia served as consumer representative on the Bearing Point Travel Study Group examining consumer protection gaps in Ontario's Travel Industry Act. She has also represented the consumer perspective to consultations on the new Travel Industry Regulations and to the Consumer Measures Committee regarding all-in pricing in the airline industry.

Patricia is a Professor Emeritus, Ryerson University where she taught Consumer Behaviour and Communications in the School of Nutrition. She also served as Director of the School for six years prior to retirement in 2001. She received her undergraduate education at UBC, M.Sc (Consumer Studies) from U. of Guelph and MBA from U. of Toronto.

John Kennedy

John Kennedy has been Vice President of the TravelPlus network of Transat Distribution Canada (TDC) since January 2004. He is responsible for the development and growth of the TravelPlus network. He has been in the travel industry since 1976. He spent 15 years in the retail sector as a travel agency owner and the last 12 years in the travel agency network management business.

Prior to joining TravelPlus he was Vice President, Canada for the GIANTS consortium. He was associated with GIANTS from 1993 until the end of 2003.

John Kennedy has always been a strong advocate of the travel agent distribution system as well as an active participant in travel trade associations including CITC and ACTA where he was president of ACTA Ontario from 1988 until 1991. He has been a board member of the Travel Industry Council of Ontario (TICO) since 2003.

Scott Stewart

Scott Stewart is co-owner and President of G. Stewart Travel Services Ltd. with full service Carlson Wagonlit Travel offices in Peterborough, Barrie, Belleville and Toronto (The Beach). Their family owned and operated agencies, since 1974, hold both retail and wholesale licenses. For 20 years Scott has been very involved in the travel industry. Currently serving TICO representing OMCA as their elected representative. He sits actively on the OMCA board as well as on the Canadian Advisory Council for Carlson Canada.

Trish McTavish

Trish McTavish is co-owner of McTavish Travel in Oakville along with her husband Ross McTavish. This year, McTavish Travel celebrates its 34th year in the travel business. Over the past 11 years, Trish has been very active in the travel industry in Ontario serving terms as Vice President, President and Past President of ACTA Ontario and has also served on the GTAA Consultative Committee, ACTA Canada Board, CITC Ontario Board, Carlson Wagonlit Advisory Board and is currently on the Sheridan College Travel and Tourism Advisory Board. Trish has served on the TICO Board for two elected terms and most recently has chaired the Legislative and Regulatory Review Committee. Trish has been a member of the TICO Legislative and Regulatory Review Committee from inception and was very involved in both the TICO and ACTA submissions of proposed changes to the Travel Industry Act.

Brett Walker

Brett Walker began with Collette Vacations in 1988 as a District Sales Manager. In 1995 he became, Director of Sales for Canada. In 1999 he became Operations Manager. Mr. Walker is responsible for the following departments housed within Collette Vacation's corporate offices in Toronto and Vancouver: Inside Sales, Group Sales, Air, Customer Service and Quality Assurance. He is also responsible for the integration and co-ordination of the corporate offices in

Canada and Collette Vacation's world-wide Head Office in Pawtucket RI. To that extent, he also works closely with the Finance, Product, Inventory, Internet Development and Marketing teams.

Michael Merrithew

Michael Merrithew is the Owner, President & CEO of Merit Holdings Inc. The Merit Group, specializes in Business Travel Management, Specialty Leisure Travel, Loyalty & Affinity travel programs and also has a growing network of Merit retail offices across Canada. The company employs over 260 travel professionals.

Merit-owned brands & programs include Fifty-Plus Adventures, Exclusive Tours, Merit Golf, Ski, Dive & Long Stay Vacations, Marvelous Greece, Rocky Mountain Ski Tours, Uniquely Merit Vacations, Try That!, Golf-Tours.com & AlumniTravel.ca. Merit also operates and/or manages numerous private-branded programs for CIBC Visa, the Canadian Association for the Fifty-Plus, The Retired Teachers of Ontario and Air Canada Vacations - Golf.

Michael has served as National Chair of the Association of Canadian Travel Agents (ACTA) and as Chair of ACTA Ontario. He is also currently a Director of the Canadian Corporate Travel Association (CCTA) and a Member of the Vacation.com International Advisory Board.

Prior to work experience with Xerox Canada, Nortel Networks, deHavilland Aircraft and Coopers & Lybrand, Michael completed his BBA at the University of New Brunswick and later his MBA at IMD, (the International Institute for Management Development) in Geneva, Switzerland.

Kathleen Warren, CTM

Kathleen Warren CTM has been in the travel industry for over 31 years. She graduated from St Clair College in the Travel and Tourism programme and was employed by Meconi Travel Agency Ltd in Windsor Ontario upon graduation. Kathleen is now employed by Allison's Travel in Windsor.

Kathleen has been involved in CITC since 1979 as an area director, Ontario Executive Board member, V-P Education/Publications and is currently a member of the Ontario Regional Council. She sits as the CITC representative on the TICO board and is the Windsor region liason with ACTA.

Kathleen has also worked on a part time basis at St Clair College and the Toronto School of Business in Windsor . She has coordinated the Educator's Update for CITC since 1991 and has edited and revised several of the current publications which CITC sells to the schools. Kathleen has a keen interest in the education mandate of CITC - and hopes to continue working in this portfolio.

Jill Wykes

Jill Wykes is Vice President, Customer Services, Resort Management, Quality Control and Corporate Communications at MyTravel Canada. Jill has been with the MyTravel Canada Group since joining Sunquest Vacations 15 years ago and serving in a variety of positions, initially as VP Communications and Government Affairs. Jill has managed Airport Services, Destination Services, Customer Service and National Sales for all of the MyTravel Canada tour operator and wholesale companies. She has most recently taken over the newly created Customer division for the group and oversees Customer Services, Health & Safety, Resort Management and Corporate Communications for the Group.

Jill has been keenly interested in the regulatory area and has been active in the industry on various committees working with governments to shape legislation for many years. She is past chairman of the Travel Industry Council of Ontario (TICO) and past chairman of CATO, the Canadian Tour Operators' Association and is currently a member of the TICO Board of Directors and the CATO Board.

Appendix III

Statutory Appointments

W.H. Bruce Fraser, C.A.
Statutory Director,
Travel Industry Act, 2002

Michael Pepper
Statutory Registrar,
Travel Industry Act, 2002

TICO Staff

President & Chief Executive Officer
Michael Pepper

Director of Operations/ Chief Financial Officer &
Treasurer
Mary-Ann Harrison, C.A.

Manager, Administration & Claims
Dorian Werda

Legal Counsel & Corporate Secretary
Tracey McKiernan, LL.B.

Registration Co-ordinator
Cora Reyes

Registration Officer
Anabel Linhares

Form 1 and Claims Co-ordinator
Lori Furlan

Complaints Officer
Josie Pereira

Compliance Officer
Rachel Palozzi

Client Services Representative
Tina Shewchuk

Legal Counsel
Maria Abate, LL.B.

Inspection Co-ordinator /
Financial Analyst
Archana Gupta, C.M.A., C.I.A.

Inspector,
Designated by the Registrar
Fred Angus, C.G.A.
Maria Descours, C.M.A.
Jack Foster, C.M.A.
Linda Gilbert, C.A.

Provincial Offences Officer
Doug Fritz

Administrative Assistant
Susan Janko

Reception
Paula Oliveira

Auditors

McGovern, Hurley, Cunningham, LLP
2005 Sheppard Avenue East, Suite 300
Toronto, Ontario M2J 5B4



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