



TRAVEL INDUSTRY COUNCIL OF ONTARIO

2002

ANNUAL REPORT



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Message from the Chair



June 1, 2002

Honourable Tim Hudak
Minister of Consumer and Business Services
250 Yonge Street, 35th. Floor
Toronto Ontario
M5B 2N5

Dear Minister Hudak:

I am pleased to submit this fifth Annual Report of the Travel Industry Council of Ontario (TICO), which covers the period April 1, 2001 to March 31, 2002. This report also incorporates the activities of the Ontario Travel Industry Compensation Fund for which TICO assumed direct responsibility in June 1998.

At the beginning of this fiscal year, the TICO Board looked to the future and set new goals and priorities for the organization. A long-term Business Plan was released at TICO's AGM in June 2001, which incorporated new strategic priorities and a vision for the future. It captured objectives in three Horizons over a ten-year period. While TICO's main focus was to continue to promote consumer protection and a healthy successful travel industry in Ontario, the Board recognized that the Industry was changing and the way business was being conducted was changing. As a result, TICO set objectives to cope with these changes.

During this 12-month period, the global travel industry has experienced several changes that could not be anticipated. New security provisions following the USA terrorist attacks, the failure of Canada's second largest air carrier and the change in commission structure by air carriers have all affected both the travelling public and travel agencies. Despite these actions, more consumers appear to be willing to travel, which is born out by higher reported gross sales in Ontario for fiscal 2001/2002. However, the number of travel agencies in Ontario is shrinking.

This report confirms TICO's mission statement and its commitment to its stakeholders to promote a fair and informed marketplace where consumers can be confident in their travel purchases.

Yours truly,
Travel Industry Council of Ontario

Richard Vanderlubbe
Chair of the Board of Directors



MISSION

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

VISION

Enhance confidence in the travel industry by becoming:

- ▶ 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.

VALUES

TICO will be:

- ▶ Fair, but firm in our conduct with Registrants and consumers
- ▶ Responsive and open in communicating with consumers and Registrants, while respecting the business confidentiality of our Registrants
- ▶ Visionary in our 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 TICO does.



Chief Executive Officer's Report

EXECUTIVE SUMMARY

Unprecedented changes that have occurred in the travel industry during the last year have influenced the results that are posted in this report. There are significantly fewer travel agencies in Ontario and for the first time since TICO received delegation in 1997, the figure has dropped, from 3,055 in 2000/01 to 2,968 in 2001/02. Claims against the Compensation Fund increased with several unforeseen closures, totalling a net pay out of \$932,978 compared to \$98,729 in 2000/01. Apart from repatriation expense, the failure of Canada 3000 is not included in this report as no direct claims were paid in the fiscal year.

Despite the weakening financial climate, TICO has been able to keep claims against the Compensation Fund within acceptable levels, due largely to its proactive assessment of the Industry through selective financial inspections and site visits. This programme also assisted with increased recoveries from failed Registrants during this period of \$128,711, compared to \$116,467 in 2000/01. Assistance with restitution to consumers, through TICO's mediation of complaints process, also increased by 49% to \$89,863.

Compensation Fund contributions exceeded forecast, despite the full rate reduction from 2000 becoming effective, creating a surplus in operating expenses of \$1.6 million. The Compensation Fund balance of \$21.4 million presently exceeds the targeted maximum of \$20 million.

TICO's Committee work is now focusing on E-Commerce and Governance. The E-Commerce Committee has been involved in furthering standards through liaison with Industry Canada. The Governance Committee is charged with reviewing governance standards for TICO and the Board of Directors and has already commenced this task.

TICO continues to be committed to provide a high level of service to its stakeholders through fair administration of the Ontario *Travel Industry Act*.

Yours truly,

Travel Industry Council of Ontario

Michael Gerrard
President & C.E.O.



TICO Operating Structure



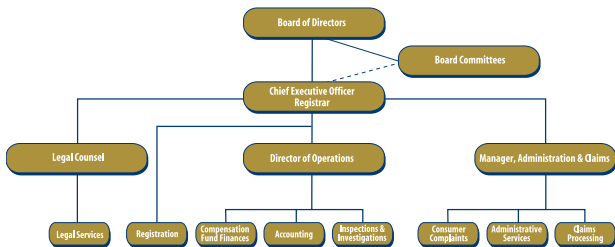
Organization

The Travel Industry Council of Ontario (TICO) is a not-for-profit corporation financed through fees from its approximately 3,000 Ontario travel retail and wholesale Registrants. In order to effect self-management in the travel industry, the Ministry of Consumer and Business Services delegated responsibility for the administration of the Ontario *Travel Industry Act* (the Act) and Regulation to TICO in June 1997. The *Travel Industry 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 Compensation Fund from the Ontario Travel Industry Compensation Fund Corporation (OTICF). The OTICF Corporation was subsequently dissolved on August 28 1998.

TICO Operating Structure



Governance

The TICO Board of Directors consists of 15 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 Consumer and Business Services. There are also 3 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	\$5,000/annum

(where Director is not an employee)

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.

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 44 of Part III of the current Regulation (O. Reg. 806/93) enacted pursuant to the Act states: *"Every Registrant shall participate in the Compensation Fund and shall comply with the terms of the Fund set out in this Part."*

A Registrant is defined as a person who is registered as a travel agent or travel wholesaler under the *Travel Industry Act*. 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.



Compensation Fund

Management of the Compensation Fund

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

Section 44.1 of the current Regulation (O. Reg. 806/93) provides that the affairs of the Compensation Fund shall be administered and managed by the Travel Industry Council of Ontario, a corporation without share capital incorporated under Part III of the Corporations Act.

Section 45(5) of Regulation 806/93 requires that all money in the Compensation 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 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 and as of January 1, 2002, a Regulation change approved by the Government provided for claims against the Compensation Fund from customers of registered travel agents for eligible claims 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 event that gave rise to the claim. The maximum payout for claims arising out of an event is \$5 million in total. The Government also passed a Regulation change providing for the increase of the maximum payout per person from \$3,500 to \$5,000 as of January 1, 2002.

The Director under the *Travel Industry Act*, may direct payment out of the Fund of up to an additional \$2 million where immediate funds and facilities are necessary for the repatriation 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*. 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 nine committees to oversee various responsibilities and undertake a variety of tasks. These committees and mandates include the following:

Executive Committee

(Chair: Richard Vanderlubbe)

- ▶ 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.

Audit Committee

(Chair: Mark Lampert)

- ▶ 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.
- ▶ Review directors and officers liability insurance prior to renewal.
- ▶ Review TICO's annual budget.

Business Strategy Committee

(Chair: Lise Beaulieu)

- ▶ Produce TICO's Business Plan and monitor performance measures.
- ▶ Develop a system of administrative penalties.
- ▶ Develop business policies on key issues of TICO authority. (e.g. misleading advertising and financial compliance)

- ▶ Refer issues for legislative and regulatory review.
- ▶ Conduct an annual review of the Registrant's Code of Ethics and the Board of Director's Code of Conduct.
- ▶ Make recommendations to the Board with respect to alternate methods of financing the Fund that would address industry concerns while meeting consumer needs.
- ▶ Development and planning of a 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: Ted Warren, Q.C.)

- ▶ Review and resolve, as appropriate, complaints against TICO.
- ▶ Provide fair, transparent and accountable procedure 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, C.A.)

- ▶ Review and recommend to the Board the payment of claims in accordance with Regulation 806/93.
- ▶ Review and monitor the status of appeals to the Licence Appeal Tribunal of denied claims.

E-Commerce Committee

(Chair: Richard Vanderlubbe)

- ▶ Review TICO's services to determine any areas in which such services 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.
- ▶ Identify any challenges posed by regulating the sale of travel services in an electronic 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.

Minimum Standards Committee

(Chair: Robert McChleary)

- ▶ Develop mandatory minimum educational standards on a two-tier basis. (Supervisor/manager and travel counsellor)
- ▶ Standards to include knowledge of the Travel Industry Act and Regulation, Code of Ethics, business practices and basic travel knowledge.
- ▶ Define basic travel knowledge on a two-tier basis.
- ▶ Oversee the development of the Minimum Standards Curricula.
- ▶ Develop the implementation and enforcement mechanism.
- ▶ Develop a communications plan for Minimum Standards.
- ▶ Ensure the minimum educational standards are updated on a regular basis.
- ▶ Explore the feasibility of other educational initiatives.

Legislative & Regulatory Review Committee

(Chair: Jill Wykes)

- ▶ Achieve regulatory and legislative reform necessary to meet TICO's business objectives, as set out in the TICO Business Plan by:
 - Consulting with MCBS on policy and legal issues.
 - Securing and managing stakeholder input.
 - Working with MCBS to move recommendations forward through the legislative process.
- ▶ Make recommendations to the Board with respect to requirements for individuals who conduct business outside the office of a Registrant. Any requirements 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: Martin Toller)

- ▶ Clarify the Board's role, purpose, core values and responsibilities.
- ▶ Determine and articulate TICO's governance model.
- ▶ Review current board member recruitment process.
- ▶ Set criteria for board member recruitment and selection.
- ▶ Communicate board member criteria to groups eligible to make appointments to the Board.
- ▶ Review TICO's Board Orientation Process.
- ▶ Examine the issue of board member retention.
- ▶ Devise a set of basic performance benchmarks to measure board effectiveness.
- ▶ Develop a system for evaluating the Board's performance.
- ▶ Communicate results of board evaluation.
- ▶ Develop a work plan to enhance Board performance.
- ▶ Review TICO's Committee structure.
- ▶ Responsible for policies in relation to corporate governance.

Business Accomplishments 2001/2002



Legislative and Regulatory Review

- ▶ Implemented new Regulation change, which came into force on January 1, 2002 providing for end supplier coverage (airline, cruise line) from the Compensation Fund.
- ▶ Communicated Regulation change to all Registrants by distributing an Advisory to increase Industry understanding and awareness.
- ▶ Worked with the Ministry of Consumer and Business Services on specific proposals for reform that required further input from TICO.

Consumer Awareness Campaign

- ▶ Continued a Consumer Awareness Campaign to bring consumers' and Registrants' attention to the benefits of dealing with Ontario Registrants. TICO's campaign utilized a variety of tools to reach its target audience including newspaper, radio interviews and a TICO television commercial.
- ▶ Conducted several speaking engagements and media interviews promoting consumer and Industry awareness with consumer groups, travel schools, television, radio and newspaper media and Industry Associations.
- ▶ Participated in 6 consumer and industry trade shows during the last 12 months.

Development of TICO Database

- ▶ Continued enhancements on TICO's database to house all Registrant information including financial information, compensation fund contributions, claims on the Compensation Fund, complaints, inspections, investigations and prosecutions.
- ▶ Completed first phase of interface of TICO's database with Internet website to allow stakeholders to search for Ontario registered travel retailers and travel wholesalers.

Communications

- ▶ Maintained a Communications Plan for TICO stakeholders, which addresses internal communications to the Board of Directors and staff through orientation, meetings and policy manuals.
- ▶ Participated in regular liaison meetings with the Ministry.
- ▶ Maintained an ongoing dialogue with Registrars and Regulators in other jurisdictions and self-managed Industries to share best practices.
- ▶ Provided Business Plan to stakeholders.
- ▶ Continued distribution of a quarterly newsletter (TICO Talk) to all Registrants.
- ▶ Maintained TICO's website to provide information and assistance to all TICO stakeholders including industry advisories, notice of closures and accompanying immediate departure information, consultation process information and updates and information regarding TICO's Consumer Awareness Campaign.
- ▶ Developed and implemented a Communications Plan for Registrant Code of Ethics.

Operational

- ▶ Met the terms of the Administrative Agreement by maintaining and implementing operations and systems for effectively administering the terms of reference of TICO's mandate with the Ministry.
- ▶ Maintained the Registrant inspection programme and continued to focus on new Registrants and areas of risk to protect the Compensation Fund, the interest of consumers and Registrants. TICO's inspection program is proactive and works with Registrants to ensure compliance with the Act and the Regulation.

Governance

- ▶ Established a Governance Committee to deal with Board governance issues.
- ▶ Developed Terms of Reference.

Operational Performance Review

Registration

On March 31, 2002, TICO had a total of 2,968 registrations. This is the first year since TICO's inception in June 1997, that there has been a decline in the total number of Registrants. This total comprises of 2,489 retail travel outlets, who sell travel services directly to consumers and 479 travel wholesalers, who sell travel product to travel retailers (Fig.2).

A total of 1,827 registrations were processed under the *Travel Industry Act* in 2001/2002, which included 246 new registrations (Fig. 3) and 1,581 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 296 written consumer complaints in 2001/2002, a decrease of 11% compared to last year (Fig. 5). In processing these complaints, TICO successfully assisted consumers in obtaining \$89,863 in restitution, an increase of 49% compared to last year. In addition to this, TICO receives approximately 100-150 telephone and walk-in complaint inquiries each month.

The top 10 written complaint issues received by TICO in 2001/2002 were:

1. Issues relating to outstanding refunds.
2. Issues relating to incomplete or incorrect information provided by the Registrant to the consumer. (i.e. information regarding what travel documents are required for the consumer to travel.)
3. Invoicing (i.e. no receipt or invoice issued to consumer)
4. Issues relating to dissatisfaction of customer service received from a Registrant.
5. Incorrect ticketing.
6. Misrepresentation by Registrant, advertisement or brochure.
7. Consumer dissatisfaction with services and accommodation in destination or quality of service issues.
8. Issues relating to terms and conditions of travel

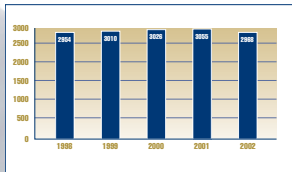


Figure 1: Total Registrations under *Travel Industry Act*



Figure 2: Breakdown of Registrations

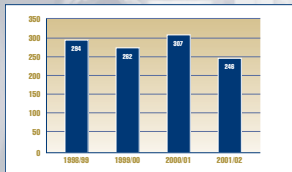


Figure 3: Total New Applications Processed

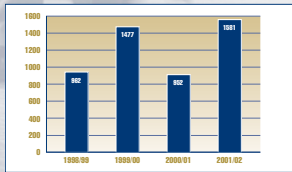


Figure 4: Total Renewal Applications Processed

services not being communicated or provided to consumer at the time of booking.

9. False and misleading advertising.
10. Changes of accommodation or the standard of accommodation that was purchased by the consumer.

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 the Regulation. The bench review process produces information, which may determine those Registrants that should be targeted for site inspections (Fig. 6). During the fiscal period 2001/2002, TICO completed 472 site inspections compared to 480 in the prior year. (Fig.7)

Non-Financial Inspections

TICO performed 41 compliance site inspections during the 2001/2002 fiscal year to address various issues such as advertising guidelines, invoicing and operating without registration. In 2001/2002, a total of 103 warnings for operating without registration and 82 advertising warnings were issued to Registrants and/or individuals who appeared to be carrying on business in contravention of the *Travel Industry Act* and Regulation. In addition, 149 invoicing warnings were issued to Registrants who did not provide proper invoices and/or receipts in accordance with the provision in Regulation 806/93.

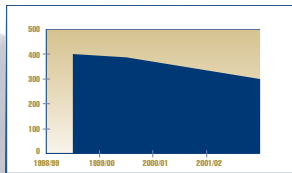


Figure 5: Written Complaints Handled

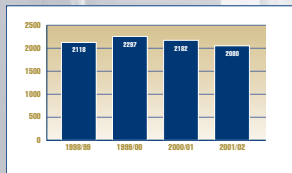


Figure 6: Total Financial Bench Reviews

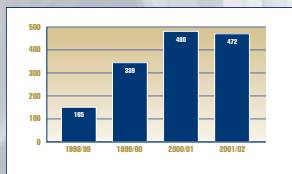
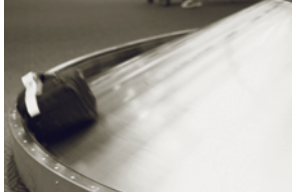


Figure 7: Financial Site Inspections

Travel Compensation Fund



Claims and Repatriation

Claims paid during the fiscal year ended March 31, 2002 compared to the previous year ended March 31, 2001 were as follows:

	<u>2001/02</u>	<u>2000/01</u>
Number of claims paid	331	217
Number of consumers assisted	696	515
Claims paid	\$1,007,577*	\$215,196
Repatriation	\$54,112	\$—
Less recoveries	\$(128,711)	\$(116,467)
Net claims paid	\$932,978	\$98,729

* Total claims paid amount includes imminent departure payments totalling \$74,898 resulting from the failures of Golden Escapes (\$40,973) and The Ultimate Travel Brokers (\$33,925). Imminent departures are not included in the number of claims paid for statistical purposes.

Repatriation

Repatriation costs paid to assist consumers during the fiscal year ended March 31, 2002 resulted from the failures of Marine Expeditions Travel and Canada 3000 Holidays. The breakdown is as follows:

	<u>No. Consumers Assisted</u>	<u>Repatriation Cost</u>
Marine Expeditions Travel	23	\$ 8,274
Canada 3000 Holidays	134	\$45,838
Total	157	\$54,112

Most Significant Closures 2001/02

Canadian Venture Travel Ltd. o/a Marine Expeditions Travel

On June 06, 2001, Canadian Venture Travel Ltd. of Toronto voluntarily terminated its registration as a travel retailer and travel wholesaler under the *Travel Industry Act* as a result of the failure of an end supplier cruise line, 1414847 Ontario Inc o/a Marine Expeditions. Marine Expeditions Travel primarily specialized in cruise packages. To March 31, 2002, a total of \$514,149 was paid out of the Compensation Fund, assisting 216 consumers. In addition, 23 stranded consumers were repatriated at a cost of \$8,274.

I'm Proud To Be Me Travel Inc. o/a Golden Escapes

On October 4, 2001, Golden Escapes voluntarily terminated its registration as a travel retailer and travel wholesaler under the *Travel Industry Act*. Golden Escapes primarily specialized in customized tours and packaged holidays. To March 31, 2002, a total of \$192,177 was paid out of the Compensation Fund to assist 63 consumers.

1163954 Ontario Inc. o/a The Ultimate Travel Brokers

The Registrar revoked the registration for The Ultimate Travel Brokers to operate as a travel retailer under the *Travel Industry Act* on December 27, 2001. The Ultimate Travel Brokers primarily sold packaged holidays. To March 31, 2002 a total of \$164,137 was paid out of the Compensation Fund to assist 205 consumers.

Other Significant Closures 2001/02

Canada 3000 Airlines, Canada 3000 Holidays, Canada 3000 Tickets and Canada 3000 Sales

Although the failure of the Canada 3000 Companies in November 2001 has, to date, not resulted in claims against the Compensation Fund, a total of \$45,838 was paid to repatriate 134 consumers stranded as a result of the failure of Canada 3000 Holidays during the fiscal year ended March 31, 2002. Claims against the Compensation Fund are anticipated, however, the estimated exposure to the Fund is unknown. The Trustee in Bankruptcy, PricewaterhouseCoopers, is currently processing claims against the monies held in trust and the bankruptcy Estate. Upon completion of its claims process, PricewaterhouseCoopers will distribute TICO claim forms to those who purchased their Canada 3000 travel services from an Ontario registered travel agency and who have not received a full refund from the Trustee for the unused portion of the travel services.

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

REGISTRANTS	CLAIMS PAID 2001/02 \$	RECOVERIES 2001/02 \$	CLAIMS PAID 2000/01 \$	RECOVERIES 2000/01 \$
Air International Travel, Toronto (R)	2,207		7,431	—
A-Plus Travel, Toronto (R)			12,714	10,000
Blyth & Company Travel, Toronto (R)/(W)	20,308			
Canada 3000 Holidays, Toronto (R)/(W) *	45,838	10,000		
Canatours, Windsor (R)/(W)	22,825	5,000		
Carifest Holidays, Toronto (R)	17,878		45,861	10,000
Cliffside International Travel, Toronto (R)			24,974	—
Golden Escapes, Toronto (R)/(W)	192,177	3,937		
Lakeshore Travel Counter, Toronto (R)			3,852	3,852
Marine Expeditions Travel, Toronto (R)/(W)**	522,422	76,957		
Orient Fortune, Richmond Hill, (R)	4,220			
Premier Holidays, Mississauga (R)/(W)	350		51,361	
Shalom-K Tours, North York (R)/(W)			14,102	8,428
Sunjet Holidays, North York (R)/(W)			48,822	80,432
TEC Travel, Toronto (R)			2,324	
The Beaches Travel Centre, Toronto (R)	561			
The Marian Pilgrimage Centre of Canada, Toronto (R)	10,020	10,000		
The Ultimate Travel Brokers, Toronto (R)	164,137			
Tourasia, North York (R)		2,417		
Travel Search Inc., Toronto (R)/(W)	31,723			
Travelpack, Toronto (R)/(W)	26,623	20,000		
Uncle Tommy's Travel, Hamilton (R)	400	400	3,755	3,755
TOTAL CLAIMS PAID (GROSS)	\$1,061,689	(\$128,711)	\$215,196	(\$116,467)

(R) = Retailer (W) = Wholesaler

* Canada 3000 Holiday's expense is repatriation.

** Marine Expeditions includes \$8,274 for repatriation.

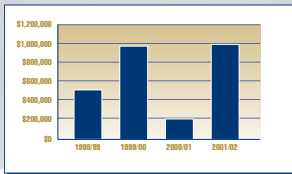


Figure 8: Claims on the Fund in Dollars

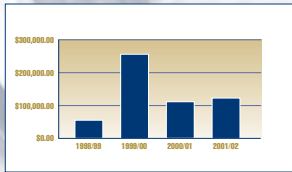


Figure 9: Recoveries to the Fund

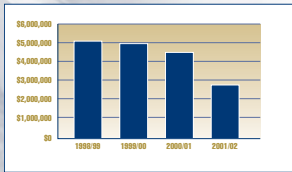


Figure 10: Contributions to the Fund

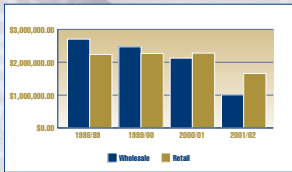


Figure 11: Contributions on the Fund - Retail vs Wholesale

Figure 8 illustrates that, in 2001/2002, claims paid by the Fund increased by \$846,493 from the previous year.

There was an increase in recoveries received by TICO in 2001/2002, with \$128,711 recovered compared to \$116,467 in 2000/2001, as there was an increase in the total number of claims against the Fund this past fiscal year. (Fig. 9)

Contributions to the Fund from Registrants (Fig.10) have decreased by \$1,835,603 over 2000/2001 (Fig.11) as Registrant assessment rates were reduced, effective May 1, 2000.

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, 2002, LAT held 3 hearings regarding claims. LAT overruled the decision of the Board and directed the Council to make payment from the Fund in 1 matter. In the remaining 2 matters, LAT confirmed the decision of the Board and directed the Council to disallow the claims.

Investigations and Prosecutions

TICO will initiate and will perform investigations when it becomes apparent that there may have been a breach of the *Travel Industry Act*, which can result in charges being laid under the *Travel Industry Act*. Investigations conducted in 2001/2002 have resulted in the following prosecutions:

Golden Globe Inc. and its principal, Ms. Vida Miri, were each convicted of acting or holding themselves out as being available to act as a travel agent without first being registered by the Registrar, *Travel Industry Act*, contrary to subsection 3(1) of the *Travel Industry Act*. Golden Globe Inc. was ordered to pay a fine of \$2,000.00. Ms. Miri was ordered to pay a fine of \$1,000.00 and directed to comply with the conditions prescribed in a two year probation order including the condition that she not act or hold herself out as being available to act as a travel agent without first being registered by the Registrar, *Travel Industry Act* and the condition that she not work as an employee or outside sales agent of a travel agent, except with prior written approval of the Registrar.

Mr. Patrick Flynn was convicted of 17 counts of acting or holding himself out as a travel agent without being registered, contrary to subsection 3(1) of the *Travel Industry Act*. Mr. Flynn was ordered to pay \$300 per count plus a victim of crime surcharge of \$60 per count.

Mr. Robert Davies was convicted of acting or holding himself out as being available to act as a travel agent without first being registered by the Registrar, *Travel*

Industry Act, contrary to subsection 3(1) of the *Travel Industry Act*. Mr. Davies was ordered to pay a fine of \$4,000.00 and directed to comply with the conditions prescribed in a two year probation order including the condition that he not act or hold himself out as being available to act as a travel agent and the condition that he not work as an employee or outside sales agent of a travel agent, except with prior written approval of the Registrar.

Josefina Arabia o/a The Marian Pilgrimage Centre of Canada was convicted of 1 count of acting or holding herself out as a travel agent without being registered, contrary to s. 3(1) of the *Travel Industry Act*. Ms. Arabia was also convicted of 1 count of failing to comply with trust account requirements to protect customer funds, by failing to deposit and hold the said funds in a designated *Travel Industry Act* trust account until payment was made to the supplier of travel services for which the money was received or to provide a refund to the customer, contrary to section 36 of Ontario Regulation 806/93, made under the *Travel Industry Act*. Ms. Arabia was ordered to pay a fine of \$1000.00 plus \$200.00 victim of crime surcharge per count and ordered to comply with a two year probation order, which included the condition that she not act or hold herself out as being available to act as a travel agent without first being registered by the Registrar, *Travel Industry Act* and the condition that she make full restitution to a consumer in the amount of \$3,424.85.

1361153 Ontario Limited, and 1361008 Ontario Limited carrying on business as Northern Exposures and Signature Weekends and their principal, Mr. Jasen Earl Plunkett, were each convicted of 2 counts of acting or holding themselves out as a travel agent without being registered, contrary to subsection 3(1) of the *Travel Industry Act*. The numbered companies and their principal, Mr. Plunkett, were also convicted of engaging in an unfair business practice by making false, misleading or deceptive consumer representations by offering to provide services when they knew or ought to have known that those services would not be provided to consumers, contrary to subsection 3(1) of the Business Practices Act. Mr. Plunkett and each of the numbered companies were ordered to



pay a fine of \$5,000.00. Mr. Plunkett was also made subject to a two-year probation order, which included the condition that he will not be involved in the travel industry for the duration of his probation and the condition that he will make full restitution of \$6,981.38 within 12 months to those consumers who unwittingly paid for travel services that they did not receive.

Marine Expeditions Inc. was convicted of 1 count of acting as an unregistered travel agent, contrary to subsection 3(1) of the *Travel Industry Act* and 1 count of acting as an unregistered travel wholesaler contrary to subsection 3(2) of the *Travel Industry Act*. The company was ordered to pay a fine of \$100,000.00.

1414857 Ontario Inc. o/a Marine Expeditions was convicted of 1 count of acting as an unregistered travel agent, contrary to subsection 3(1) of the *Travel Industry Act* and 1 count of acting as an unregistered travel wholesaler contrary to subsection 3(2) of the *Travel Industry Act*. The company was ordered to pay a fine of \$100,000.00.

World Cruise Company Inc. was convicted of 1 count of acting as an unregistered travel agent, contrary to subsection 3(1) of the *Travel Industry Act* and 1 count of

acting as an unregistered travel wholesaler contrary to subsection 3(2) of the *Travel Industry Act*. The company was ordered to pay a fine of \$100,000.00.

Proposals to Revoke Registration

A total of 67 proposals to revoke registration were issued during 2001/2002. The proposals were issued for the following reasons:

Failure to File Form 1 Contributions	20
Failure to File Financial Statements	4
Failure to maintain Working Capital	26
Other Breaches of the Act and Regulation	17

During the year, 21 registrations were revoked as a result of proposals issued. TICO attended at 2 hearings before LAT in response to appeals of the proposals by the Registrant. The registrations were revoked in both of these appeals. During the year, 23 proposals were withdrawn and 17 were settled by consent order. At the beginning of 2001/2002, there were 6 outstanding proposals and as at the end of March 2002, there were 12 outstanding proposals.

Legislative and By-law Changes

At the end of November 2001, the Government of Ontario announced changes to the *Travel Industry Act* Regulation. These changes were made to help protect travelers and travel agents who suffered losses due to the insolvency of the Canada 3000 group of companies. The changes came into force on January 1, 2002. A brief description of the changes follows:

Customer Claims

Under the new Regulation, a customer who dealt with an Ontario registered travel agent will be eligible to claim on the Compensation Fund in the event of an end supplier failure of an airline or cruise line provided that certain conditions outlined in the Regulation are met. Prior to this change to the Regulation, a customer was not entitled to be reimbursed for a claim arising out of the failure of an end supplier to provide travel services. In order to have a claim on the Compensation Fund, there had to be a Registrant failure. Under the new regulation, no Registrant failure will be required in order for a customer

to make a claim against the Compensation Fund in the event of an airline or cruise line failure.

It should be noted that if a consumer booked travel services with a Registrant and paid by credit card and the credit card payment flowed directly to the end supplier, then the Registrant did not receive money from the customer and the customer has no claim on the Compensation Fund. In that case, the consumer should request a refund from his or her credit card company for the services that were not received.

Travel Agent and Travel Wholesaler Claims

In the event of an end supplier airline or cruise line failure, a travel agent or travel wholesaler who reimburses their customers or provides alternate travel services for their customers will be eligible to make a claim on the Compensation Fund for the portion of the customer's money that the travel agent received and passed on to a travel wholesaler, an airline or a cruise line or that the travel wholesaler received and passed on to the airline or

cruise line, as the case may be, provided certain conditions outlined in the Regulation are met.

Travel agencies and travel wholesalers that are not operating at arms length with an end supplier will not have an eligible claim on the Compensation Fund. The travel agent or travel wholesaler is only entitled to be reimbursed if the customer would have had a claim against the Compensation Fund if the Registrant had not reimbursed them or provided alternate travel services. The travel agent and travel wholesaler are not entitled to be reimbursed for any commission or other remuneration, including travel service charges.

Travel agents and travel wholesalers are not entitled to be reimbursed for the cost of the alternate travel services. The Compensation Fund will only reimburse for the portion of the customer's money that the travel agent passed to the travel wholesaler or the failed end supplier airline or cruise line or that the travel wholesaler received and passed on to the failed end supplier airline or cruise line.

If a travel wholesaler has booked the travel services through another travel wholesaler, only the travel wholesaler who actually passed the customer's money to the airline or cruise line has a claim on the Compensation Fund.

All Claims

The maximum claim amount has been increased from \$3,500 to \$5,000 for each person whose travel services were paid for by the customer. This change does not alter the total maximum compensation from the Fund, which remains limited to \$5 million per major event. Where a customer does not receive a full refund from the Compensation Fund, either, because the amount exceeded \$5,000 or the payments had to be pro-rated because of the Fund cap, Registrants may be liable for the difference under Section 13 of the *Travel Industry Act*.

The new regulation requires that Registrants pay to the Council all commissions and other remuneration received, including service charges when a customer has not been provided the travel services for which he or she has paid, if the Registrant has not already reimbursed those funds to the customer.

The changes to the Regulation came into force on January 1, 2002. Claims must be made in writing to the board of directors within six months after the event that gave rise to the claim. That means that claims that resulted from an event that occurred in the six months prior to January 1, 2002 may be eligible for payment from the Fund subject to the new Regulation.



Complaint Handling Process

TICO staff receive numerous telephone enquiries on a daily basis including those from consumers, Registrants, applicants, government and industry stakeholders. TICO staff provide callers with information with respect to consumer and business complaints, registration processes and acceptable business practice.

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 45 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 2001/2002 fiscal period, the Committee received two complaints.

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.

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 to all French language enquiries. Correspondence received in French is responded to in French.

Travel Industry Council of Ontario

FINANCIAL REVIEW

The financial review is based on the audited financial statements for the year ended March 31, 2002 with comparative figures for March 31, 2001.

Overview

At March 31, 2002, the Net Assets for TICO were \$22,950,052 compared to \$21,343,136 for the year ended March 31, 2001. This increase in Net Assets was a result of revenue exceeding expenses by \$1,606,916 for the year. Excess revenue for 2000/2001 was \$4,268,627.

TICO is required to hold all Compensation Fund monies in trust. At the end of March 31, 2002, the balance of the assets held for the Fund were \$21,423,068 compared to \$20,010,988 at the end of March 31, 2001.

Revenue

Total Revenue for the year ended March 31, 2002 was \$4,804,565 and derived from semi-annual assessments based on gross sales of Registrants (\$2,923,700), applications for renewal of registration (\$609,665) and from new applications for registration (\$503,500). A total of \$767,700 in interest was earned for the year.

Semi-Annual Assessments

Effective May 1, 2000, the assessment rates for contributions to the Fund were reduced. The rate for wholesale sales went from \$1.60 per \$1,000 of sales to \$0.50 per \$1,000 and from \$0.40 per \$1,000 to \$0.25 per \$1,000 for retail sales.

Revenue for 2001/2002 from the semi-annual assessments decreased by \$1,835,603 from 2000/2001. Although the rate reduction took place in the prior year, the full effect of the change was only realized in 2001/2002.



The following is the breakdown of revenue between wholesale and retail sales:

	<u>2002</u>	<u>2001</u>
Wholesale	\$1,147,090	\$2,274,865
Retail	<u>1,776,610</u>	<u>2,484,438</u>
	<u>\$2,923,700</u>	<u>\$4,759,303</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 2001/2002, there were fewer new applications for registration and registration fees decreased by \$131,012 from the prior year. Renewals increased by \$197,446 as there were more renewals in the second year of the two-year renewal cycle.

Expenses

Total expenses for the operation were \$3,197,649 in 2001/2002 compared to \$2,603,280 in 2000/2001. The significant variances in expenses are as follows:

Total claims for the year ended March 31, 2002 were \$1,007,577 with an additional \$54,112 for repatriation costs. Included in the net claim expense are professional fees incurred in relation to closures and recoveries, and also an amount for closure expenses, which included the cost of overflow phone services and temporary staff. There was no expense for claims insurance in 2001/2002 as the Board of Directors decided not to renew the excess insurance policy in 2000/2001. Recoveries from security deposits and repayments from Registrants totalled

\$128,711 for the year, which reduces the total claim expense. This resulted in a net claim expense for 2001/2002 of \$1,022,398 compared to \$336,782 for 2000/2001.

Inspections, Compliance and Prosecutions expense decreased by \$48,934 from 2000/2001. This decrease relates to legal fees incurred in the prior year relating to prosecutions. TICO now has its full compliment of financial inspectors and investigators anticipated with the enhanced risk management programme.

Consumer and Registrant awareness expense has decreased by \$51,055 from the prior year. Expenses in this category include TICO's province wide consumer awareness campaign, continuation of TICO's quarterly newsletter, maintenance of TICO's website and participation at consumer trade shows. The decrease in the expense is due to a reduction in money being spent on the consumer awareness campaign.

Regulatory reform and minimum standards expense includes expenses related to the legislative review. In the prior year, TICO incurred significant expense in relation to distributing the Government's paper, *Travel Industry Act Proposals for Reform* and producing TICO's own explanatory paper. As the legislative package is now with the Government, TICO's expense in 2001/2002 for regulatory reform has been minimal. However, TICO anticipates increased expenditures in the current year, once the Government passes the new legislation.

Governance Committee expenses relate to the formation of a governance committee by TICO's Board of Directors in 2001/2002.

APPENDIX I

Travel Industry Council of Ontario

**AUDITED FINANCIAL STATEMENTS
MARCH 31, 2002**

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AUDITORS' REPORT

To the Board of Directors of
Travel Industry Council of Ontario

We have audited the statement of financial position of Travel Industry Council of Ontario as at March 31, 2002 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Council'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 the Council as at March 31, 2002 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

Chartered Accountants

TORONTO, Canada
May 3, 2002

2005 Sheppard Avenue East, Suite 503, Toronto, Ontario, Canada, M2J 5B4
Telephone: (416) 496-1234 - Fax: (416) 496-0125 - E-Mail: info@mhc-ca.com - Website: www.mhc-ca.com

Travel Industry Council of Ontario

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2002

	2002 \$	2001 \$
		(Note 12)
ASSETS		
CURRENT		
Cash and short-term investments (Note 4)	23,111,561	21,566,870
Prepaid expenses and deposits	<u>51,333</u>	<u>50,768</u>
	23,162,894	21,617,638
CAPITAL (Note 5)	<u>281,561</u>	<u>270,765</u>
	<u>23,444,455</u>	<u>21,888,403</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	157,480	202,944
Deposits from Registrants	<u>336,923</u>	<u>342,323</u>
	494,403	545,267
NET ASSETS		
Net assets per statement	<u>22,950,052</u>	<u>21,343,136</u>
	<u>23,444,455</u>	<u>21,888,403</u>

APPROVED ON BEHALF OF THE BOARD:

"RICHARD VANDERLUBBE", Chair

"W.H. BRUCE FRASER", Director

Travel Industry Council of Ontario

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2002

	Invested In Capital Assets \$	Restricted For The Ontario Travel Industry Compensation Fund \$	Unrestricted \$	2002 Total \$	2001 Total \$
					(Note 12)
Balance, beginning of year (Note 12)	270,765	20,010,988	1,061,383	21,343,136	17,088,118
Change in accounting policy (Note 3)	—	—	—	—	(13,609)
Excess of revenues over expenses	—	1,418,018	188,898	1,606,916	4,268,627
Purchase of capital assets	109,216	(60,069)	(49,147)	—	—
Amortization of capital assets	<u>(98,420)</u>	<u>54,131</u>	<u>44,289</u>	<u>—</u>	<u>—</u>
Balance, end of year	<u>281,561</u>	<u>21,423,068</u>	<u>1,245,423</u>	<u>22,950,052</u>	<u>21,343,136</u>

Travel Industry Council of Ontario

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001
	\$	\$
		(Note 12)
REVENUE		
Semi-annual payments from Registrants	2,923,700	4,759,303
Renewals	609,665	412,219
New Registrants	503,500	634,512
Interest and sundry income	767,700	1,065,873
	<u>4,804,565</u>	<u>6,871,907</u>
EXPENSES		
Claims	1,007,577	215,196
Professional fees and services	74,734	11,205
Repatriation costs	54,112	—
Closure expenses	14,686	—
Claims insurance	—	226,848
	1,151,109	453,249
Less: Recoveries	<u>(128,711)</u>	<u>(116,467)</u>
	1,022,398	336,782
Salaries and benefits	893,079	814,788
Inspections, compliance and prosecutions	355,305	404,239
Consumer and Registrant awareness	210,664	261,719
General and office	181,906	187,053
Rent	159,334	160,264
Board meeting expense	98,134	91,020
Computer expense	77,590	87,604
Professional fees	24,463	21,467
Insurance	23,447	21,520
Ontario Government transition fees	21,449	20,744
Credit checks	16,580	19,116
Travel	6,905	7,130
Regulatory reform and minimum standards	4,975	68,926
Governance committee	3,000	—
Loss on disposal of assets	—	240
Amortization	98,420	100,668
	<u>3,197,649</u>	<u>2,603,280</u>
Excess of revenues over expenses	<u>1,606,916</u>	<u>4,268,627</u>

Travel Industry Council of Ontario

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2002

1. NATURE OF OPERATIONS

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* (The Act). TICO's responsibilities are to carry out delegation of "The Act" in accordance with the Administrative Agreement signed on April 29, 1997 and to achieve the Minister of Consumer and Business 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* and Regulation to reimburse consumers for prepaid travel services when they have dealt with 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. Pursuant to a regulation change dated November 23, 2001, with an effective date of January 1, 2002, the Fund also pays claims resulting from the failure of cruiselines and airlines (end suppliers) to provide travel services. Prior to this date, claims resulting from the failure of end suppliers were not paid.

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.

Investments:

Short-term investments are recorded at cost. Discounts are amortized to income over the term of the investment.

Capital Assets and Amortization:

Capital assets are 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 event that gives rise to the claim.

Recoveries:

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

Reparation Costs:

Reparation 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 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.

3. ACCOUNTING CHANGES

During the year, TICO retroactively adopted the accounting policy of amortizing its computer hardware, computer software and database on the straight-line basis. Previously, amortization of these capital assets was recorded using the diminishing balance basis.

The effect of this change is to reduce previously reported net assets at April 1, 2000 by \$13,609, and previously reported excess of revenues over expenses for 2001 by \$18,596.

Had this change in accounting policy not been adopted, excess of revenues over expenses for 2001 would have been increased by \$10,460.

4. CASH AND SHORT-TERM INVESTMENTS

	2002	2001
	\$	\$
Cash on hand and in bank Government of Canada treasury bills, Government of Canada and Provincial bonds and other debentures, at cost plus amortized discounts, (market value \$22,466,864; 2001 - \$10,227,737)	1,823,347	12,103,515
	<u>21,288,214</u>	<u>9,463,355</u>
	<u>23,111,561</u>	<u>21,566,870</u>

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2002 Net	2001 Net
	\$	\$	\$	\$
				(Note 12)
Furniture and equipment	141,510	67,032	74,478	91,191
Computer hardware	186,973	149,735	37,238	41,932
Computer software	37,357	23,628	13,729	2,668
Database	244,416	94,240	150,176	127,954
Leasehold improvements	<u>24,744</u>	<u>18,804</u>	<u>5,940</u>	<u>7,020</u>
	<u>635,000</u>	<u>353,439</u>	<u>281,561</u>	<u>270,765</u>

6. RESTRICTED NET ASSETS

Article 2.01 of By-law one of TICO requires that all monies held by the Corporation shall be used in promoting its objects. Section 45(5) of Regulation 806/93 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 accordance with the Regulation.

Regulation 806/93 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 repatriation costs. Pursuant to a regulation change dated November 23, 2001, with an effective date of January 1, 2002, the Fund pays a maximum claim of \$5,000 per person. Prior to this date, the maximum claim was \$3,500.

7. INCOME TAX

As a non-profit corporation, Travel Industry Council of Ontario is not subject to income taxes, in accordance with section 149(1)(w) of the Income Tax Act.

8. COMMITMENTS

- (a) Under terms of an administrative agreement dated April 29, 1997 between TICO and the Ministry of Consumer and Business Services, TICO is obligated to pay a minimum annual fee of \$20,000 per year for five years, adjusted once per year to the Consumer Price Index, to the Province of Ontario, commencing April 1, 1998. On March 31, 2002, this agreement expired. A new administrative agreement, based on cost recovery, is currently being negotiated.

- (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 \$610,416. Minimum rental commitments for successive years approximate:

2003	\$ 87,606
2004	87,606
2005	93,258
2006	93,258
2007	93,258
Subsequent years	<u>155,430</u>
	<u>\$ 610,416</u>

9. CONTINGENT LIABILITY

TICO is committed to paying eligible claims resulting from the failure of a Canada 3000 group of companies in November 2001. All claims relating to this event are being received first by the bankruptcy trustee, and secondly by TICO. As a result, no claims have been received as of the year ended March 31, 2002, and no provision has been recorded in these financial statements. Management is not able to reasonably determine the extent to which claims may be payable with regards to this event.

10. 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.

11. STATEMENT OF CASH FLOWS

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

12. COMPARATIVE FIGURES

Certain of the 2001 comparative figures have been reclassified to conform with financial presentation adopted for 2002 and to reflect an accounting policy change described in Note 3.

APPENDIX II

TICO Board of Directors

Industry Representatives

Richard Vanderlubbe - Chair
President
Travel Superstore Inc.
Hamilton

Mark Lampert - Vice Chair
Vice President, Finance and
Information Technology
Signature Vacations
Toronto

Lise Beaulieu
President
Raybridge Travel Inc.
Kingston

Ray DeNure, C.A.
President
DeNure Tours
Lindsay

Paul Foster
Executive Vice President
World of Vacations
Toronto

Moe Jeppesen
President
Sherwood Village Travel
Mississauga
Robert McChery
Regional Sales Manager, Canada
Barbados Tourism Authority
Toronto

Martin Taller
President
Ports of Call Travel Services Ltd.
Ottawa

Brett Walker
President
Collette Tours
Toronto

Jill Wykes
Vice President, Sales
Sunquest & Alba Tours
Toronto

Ministerial Appointments

Sue Corke
Assistant Deputy Minister of Policy
and Consumer Protection Services
Division
Ministry of Consumer and Business
Services
Toronto

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

Robert Pentland
Retired Educator
Ottawa

Edward J. W. Warren, Q.C.
Solicitor
Warren & Jansen
Kemptville

APPENDIX III

Statutory Appointments

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

Michael Pepper
Statutory Registrar,
Travel Industry Act

TICO Staff

Chief Executive Officer
Michael Pepper

Director of Operations & Treasurer
Mary-Ann Harrison, C.A.

Manager, Administration & Claims
Dorian Werda

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

Legal Counsel
Trevor Branion, 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

Financial Inspections Co-ordinator
Pamela Stout

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
Forbes Stanway

Administrative Assistant
Karen Campbell
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