



TRAVEL INDUSTRY COUNCIL OF ONTARIO



2003 ANNUAL REPORT



## MESSAGE FROM THE CHAIR

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June 1, 2003

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

Dear Minister Hudak:

I am pleased to submit this sixth Annual Report of the Travel Industry Council of Ontario, which covers the period April 1, 2002 to March 31, 2003. This report also incorporates the activities of the Ontario Travel Industry Compensation Fund for which TICO assumed direct responsibility in June 1998.

The six main objectives set out in last year's Business Plan have been the focus of the TICO Board during the past 12 months with the following results:

- Significant progress has been made with TICO's new Governance initiative, which when completed, should lead to a higher level of Board accountability.
- The legislative review moved forward with the government introducing legislation to modernize and update consumer protection laws in the province. Legislative approval was received for the Consumer Protection Statute Law Amendment Act, 2002. Proclamation of the new statute is eagerly anticipated.
- With respect to e-commerce, TICO facilitated the participation of several Registrants in a website certification pilot project by Industry Canada. The ultimate goal of this initiative is to ensure that travel Registrants in Ontario will meet any national e-commerce standards that are introduced.
- TICO is working on developing Minimum Education Standards at the travel counsellor level to ensure those selling travel services in Ontario have the knowledge required to transact business in today's marketplace.
- TICO is maintaining an ongoing dialogue with Ministry officials to ensure it is up to date with respect to Privacy issues in light of anticipated changes in privacy law.
- Finally, TICO's work on its sixth objective, to liaise with other jurisdictions to eliminate gaps in consumer protection, led to the initiation of an independent study, commissioned in partnership with MCBS. The study, which commenced in February 2003, should be completed by June 2003. The results of the study will identify options to address gaps in consumer protection and should assist TICO and the government in enhancing consumer protection.

TICO is mindful of the global events that are affecting the travel and hospitality industries. TICO is being vigilant and monitoring risks facing the industry and adjusting its programs as necessary. This will go a long way towards achieving TICO's mission statement and to ensuring that consumers are protected when making their travel purchases.

Yours truly,  
Travel Industry Council of Ontario



Paul Foster  
Chair of the Board of Directors





## TABLE OF CONTENTS

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Mission, Vision, Values .....	1
Chief Executive Officer's Report .....	2
TICO Structure .....	3
Organization .....	3
Governance .....	3
Travel Compensation Fund .....	4
Financial Inspections .....	5
Committees .....	6
Business Accomplishments .....	8
Operational Performance Review .....	13
Registration .....	13
Complaints .....	13
Financial Inspections .....	14
Non-financial Inspections .....	14
Travel Compensation Fund .....	15
Legal Matters .....	18
Legislative and By-law Changes .....	20
Complaint Handling Process .....	20
Complaints Committee .....	21
French Language Services .....	21
Financial Review .....	22
Appendices	
Appendix I - Audited Financial Statements	
Appendix II - Listing of TICO Board of Directors	
Appendix III - Statutory Appointments and Listing of TICO Staff	

## 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

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### Executive Summary

During this last 12-month period, the global travel industry has faced continuing challenges stemming from the downturn in global travel due to security and health concerns and restrictions. The airline industry was particularly hard hit with several international carriers filing for bankruptcy protection, including Air Canada. It is clear that the industry will continue to face challenges. Despite these ongoing challenges, the Ontario travel industry has demonstrated resilience. Surprisingly, the events of the last year and a half have not lead to significant decreases in the overall number of travel agencies in Ontario. TICO's statistics indicate that the number of registrations is only down 15 from the previous year, from 2,968 to 2,953. Industry contributions on gross sales have decreased by only 4%.

TICO is trying to do its part to monitor risk and ensure that consumers are protected during these difficult times. As part of that protection, TICO has focussed on increasing efforts to maintain the strength of the Compensation Fund. Part of that effort is evidenced by the increased recoveries from failed Registrants. This year recoveries increased by almost \$300,000 to \$426,958, bringing net claims down to a remarkable \$371,429, based on gross claims of \$798,387. While TICO is doing all that it can to protect consumers and preserve the Compensation Fund for stakeholders, there are some risks, such as end supplier failure, which TICO has no ability to control and that could pose a serious risk to the Compensation Fund asset. Please



note that the results in this report do not include payment of claims in respect of the failure of Canada 3000. It is anticipated that those claims will be addressed in the next fiscal year.

Through the commitment of a strong TICO Board and Committees, TICO will continue to work to ensure that Ontario has a strong and healthy travel industry. Electronic commerce, minimum education standards and board governance will be priorities in the next year. This will lead to increased standards and accountability for Registrants and Board members. The implementation of new travel legislation is also anticipated and significant work has already been completed in preparation for this long awaited change.

TICO is mindful of its mission statement, to promote a fair and informed marketplace where consumers can be confident in their travel purchases, and this annual report confirms TICO's commitment to its stakeholders.

Yours truly,  
Travel Industry Council of Ontario

A handwritten signature in black ink, appearing to read 'M. Pepper', written in a cursive style.

Michael Pepper  
President & C.E.O.

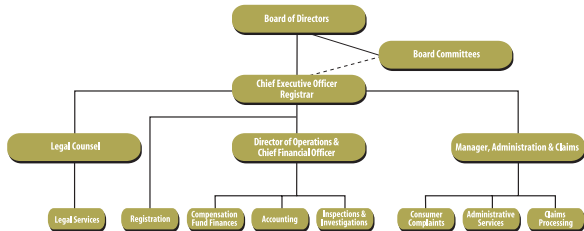
# TICO STRUCTURE

## Organization

The Travel Industry Council of Ontario (TICO) is a not-for-profit corporation financed through fees from its approximately 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 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 Compensation Fund from the Ontario Travel Industry Compensation Fund Corporation (OTICF). The OTICF Corporation was subsequently dissolved on August 28, 1998.



## 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 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

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## 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.

## 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 maximum payout per person is \$5,000.

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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: Paul Foster)

- 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: Ray DeNure, C.A.)

- 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 officer's liability insurance prior to renewal.
- Review TICO's annual budget.

## Business Strategy Committee (Chair: Paul Foster)

- 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.
- Make recommendations to the Board with respect to alternate methods of financing the Fund that would address industry concerns while meeting consumer needs.

## Complaints Committee (Chair: Ted Warren, Q.C.)

- 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, 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.
- 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.



## Minimum Standards Committee

(Chair: Mike Foster)

- Determine what the minimum education standards should be 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 Minimum Standards Curricula including reviewing, testing and approving the curricula.
- Determine how the minimum educational 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.
- Develop a communications plan for minimum standards.
- Devise a plan to enforce the standards.
- Ensure the minimum educational standards are updated on a regular basis.
- Explore the feasibility of other educational initiatives.

## Legislative & Regulatory Review Committee

(Chair: Trish McTavish)

- Recommend regulatory and legislative reform necessary to achieve TICO's business objectives, as established by the Business Strategy Committee in TICO Business Plan by:
  - Consulting with MCBS on policy and legal issues.
  - Securing and managing stakeholder input.
  - Working with MCBS to move the recommendations forward through the legislative process.
- Consider revision of the voluntary Registrant Code of Ethics in the event that TICO wishes to set up a Discipline Committee and implement 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: Simon Bala)

- 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.

## BUSINESS ACCOMPLISHMENTS 2002/2003

BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2002/2003	ACCOMPLISHMENTS
<b>Assess the Efficiency and Effectiveness of the TICO Board of Directors (Board Governance)</b>	Complete a Board Evaluation.	Hired an outside consultant to assist with establishing a Board Evaluation Process. Governance Committee work on the Board evaluation is underway.
	Report on skill set required for board members.	Established TICO Board Member Profile, which sets out the skills, knowledge and experience required by the Board.
	Develop and implement a work plan on Board governance.	Developed and implemented a Board Governance Work Plan.
		Articulated TICO's Governance Model. The Governance Model was approved by the Board of Directors in January 2003.
		Completed Terms of Reference for a Board Member. This document sets out the responsibilities of a TICO Board Member.
		Introduced a TICO Board and Committee Attendance Policy.
<b>Continue the Legislative Review Process and Subsequent Implementation of Legislative Changes</b>	Work with the Ministry on specific proposals for reform that require further input from TICO.	Worked with the Ministry of Consumer and Business Services on specific proposals for reform that required further input from TICO.
		Consulted with MCBS on the <i>Consumer Protection Statute Law Amendment Act, 2002</i> , (Bill 180).
		Continued the legislative and regulatory review analyzing where changes may be beneficial to address emerging issues.
		Provided TICO Board Recommendations regarding Regulatory Reform to MCBS in March 2003.
	Achieve Industry understanding and awareness of any changes to the <i>Travel Industry Act</i> .	Developed a Communications Plan to communicate to all stakeholders and promote understanding of possible legislative and regulatory changes to the <i>Travel Industry Act</i> and Regulation.
	Implement a communications plan to advise all stakeholders as to any changes to the <i>Travel Industry Act</i> .	

<b>BUSINESS PLAN OBJECTIVES</b>	<b>PERFORMANCE MEASURES 2002/2003</b>	<b>ACCOMPLISHMENTS</b>
	Develop a process for implementing administrative penalties for non-compliance.	Research has been conducted on various models to implement administrative penalties to determine the best way to set up a Discipline process in accordance with the legislation.
<b>Review and Update TICO Processes and Programs in Light of E-Commerce and Improve Operational Efficiency</b>	Enhance Internet website to provide on-line information services and allow more timely updates.	Improved service delivery by making the TICO Registration Kit, New Branch Application and Notice of Business Change Application available to stakeholders on TICO's website.  Various TICO informational materials added to website.
	Develop informational literature to educate stakeholders on e-business.	Developed informational literature to educate stakeholders on e-business.
		Maintained a dialogue and facilitated travel sector participation in Federal Government Website Certification (Seal Programme) Pilot Project.
<b>Minimum Education Standards</b>	Develop and complete curricula for Minimum Standards.	Continued work on draft curriculum for Minimum Education Standards.
	Develop a plan for implementation of Minimum Standards.	Have partnered with CITC and ACCESS and are working on an implementation plan.
	Establish a plan to enforce Minimum Standards.	Preliminary discussions have taken place with respect to enforcement. A formal plan has yet to be drafted.
	Develop a communications plan for Minimum Standards.	Yet to be completed.
<b>Review, Update and Keep Current all TICO Policies with Respect to Privacy Issues</b>	Evaluate TICO's policies with respect to privacy issues and determine where improvements are necessary.	Monitoring developments in privacy law to ensure TICO is ready to comply with anticipated federal privacy legislation or with any provincial legislation that may be introduced.

## BUSINESS ACCOMPLISHMENTS 2002/2003

<b>BUSINESS PLAN OBJECTIVES</b>	<b>PERFORMANCE MEASURES 2002/2003</b>	<b>ACCOMPLISHMENTS</b>
<b>Liaise with Other Jurisdictions to Eliminate Gaps in Consumer Protection</b>	Contact provincial counterparts, Federal and Provincial Government to initiate a dialogue and garner support for a consumer protection plan with respect to airline failures at the Federal level.	Maintained an ongoing dialogue with Registrars and Regulators in other jurisdictions and self-managed Industries to share best practices.  Contacted and liaised with provincial counterparts, Federal and Provincial Governments to initiate a dialogue and garner support for a consumer protection plan with respect to airline failures at the Federal level.
		Partnered with MCBS on a Market Place Study to identify gaps in consumer protection in the travel industry.

<b>CONTINUING BUSINESS PLAN OBJECTIVES</b>	<b>CONTINUING PERFORMANCE MEASURES 2002/2003</b>	<b>ACCOMPLISHMENTS</b>
<b>Assess TICO's Operational Effectiveness</b>	Preparation of a report on the plan to assess stakeholder feedback and any results obtained to date.	Initiated the development of stakeholder surveys to assess TICO's operational effectiveness in the area of claims processing and complaint handling.
<b>Improve Operational Efficiency</b>	Enhance TICO's Information Management System.	Sent out registrant profile information document to all Registrants to obtain additional information. TICO updated its records enhancing the quality and accuracy of the information housed in TICO's Registrant database.  Continued enhancements to TICO's database to house all Registrant Information including, financial information, compensation fund contributions, claims on the Compensation Fund, complaints, inspections, investigations and prosecutions.
	Enhance TICO's website to increase service delivery and information to stakeholders.	Enhanced TICO's website to increase service delivery by developing the capability to update and maintain the website internally.

CONTINUING BUSINESS PLAN OBJECTIVES	CONTINUING PERFORMANCE MEASURES 2002/2003	ACCOMPLISHMENTS
		<p>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 programme is proactive and works with Registrants to ensure compliance with the Act and the Regulation.</p>
<p><b>Communications and Government Liaison</b></p>	<p>Publish and distribute TICO Talk newsletter.</p>	<p>Continued distribution of a quarterly newsletter (TICO Talk) to all Registrants</p>
	<p>Increase consumer awareness in the Province.</p>	<p>Increased consumer awareness of TICO and the benefits of dealing with Ontario Registrants by continuing its Consumer Awareness Campaign, which uses various forms of media such as television, radio, print media and public relations initiatives to reach its target audience. An Omnibus survey completed in February 2003 resulted in a 5% increase in consumer awareness of TICO compared to TICO's 2002 Omnibus survey results.</p> <p>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.</p> <p>Participated at 7 consumer and industry trade shows during the last 12 months.</p>
	<p>Update and keep current TICO's website.</p>	<p>Launched an enhanced TICO website to provide more timely online information services to all TICO stakeholders. The website contains industry advisories, notice of closures and accompanying immediate departure information, consultation process information, information regarding TICO's Consumer Awareness Campaign, Frequently Asked Questions, a downloadable section and a reference section for Registrants.</p>

## BUSINESS ACCOMPLISHMENTS 2002/2003

CONTINUING BUSINESS PLAN OBJECTIVES	CONTINUING PERFORMANCE MEASURES 2002/2003	ACCOMPLISHMENTS
	Continue to liaise with MCBS on issues.	TICO participated in regular liaison meetings with the Ministry to maintain communications and address timely issues.
	Continue to communicate and restate Code of Ethics.	Continued to communicate and restate TICO Registrant Code of Ethics. The Code of Ethics was restated in TICO's newsletter, on TICO's website and was distributed at trade shows.
	Provide Business Plan to all stakeholders.	Provided Business Plan to stakeholders in June 2002.
		By maintaining and implementing operations and systems, TICO met the terms of the administrative agreement.
		Maintained a Communications Plan for TICO stakeholders including internal communications to the Board of Directors and staff through orientation, meetings and policy manuals.

# OPERATIONAL PERFORMANCE REVIEW

## Registration

On March 31, 2003, TICO had a total of 2,953 registrations (**Fig. 1**). This total is comprised of 2,476 retail travel outlets, who sell travel services directly to

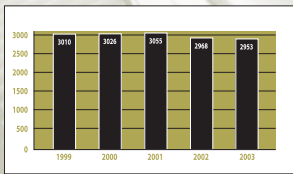


Figure 1: Total Registrations under Travel Industry Act

A total of 1,309 registrations were processed under the *Travel Industry Act* in 2002/2003, which included 258 new registrations (**Fig. 3**) and 1,051 renewals (**Fig. 4**). As registrations are renewed bi-annually on the

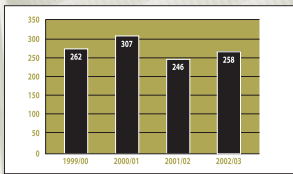


Figure 3: Total New Applications Processed

## Complaints

TICO handled 206 written consumer complaints in 2002/2003, a decrease of 30% compared to last year (**Fig. 5**). In processing these complaints, TICO successfully assisted consumers in obtaining \$61,226 in restitution, a decrease of 23% compared to last year. In addition TICO received approximately 100-150 telephone and walk-in complaint inquiries each month.

consumers and 477 travel wholesalers, who sell travel product to travel retailers (**Fig. 2**).



Figure 2: Breakdown of Registrations

anniversary date of the Registrant's original approval date, there is a fluctuation in the number of renewals each year.

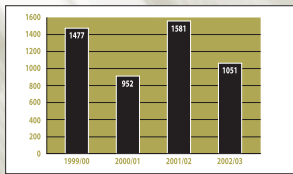


Figure 4: Total Renewal Applications Processed

The top 10 issues of written complaints received at TICO in 2002/2003 are:

1. Incomplete or incorrect information provided to the consumer by the Registrant. (i.e. information regarding what travel documents are required for the consumer to travel.)
2. Misrepresentation of travel services by Registrant, advertisement or brochure.



3. Cancellation of bookings and outstanding refunds.
4. Incorrect ticketing.
5. Consumer dissatisfaction with services and accommodation in destination or quality of service issues.
6. Dissatisfaction with customer service provided by a Registrant.
7. Cancellation of travel services by the travel wholesaler or travel agency.
8. Changes to accommodation or the standard of accommodation that was purchased by the consumer.
9. False and misleading advertising.
10. Terms and conditions of travel services not being communicated or provided to consumer at the time of booking.

## 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 produces information, which may determine those Registrants that should be targeted for site inspections (Fig. 6). During the fiscal period 2002/2003, TICO completed 573 site inspections, an increase from 472 in the prior year. (Fig. 7)

## Non-Financial Inspections

TICO performed 50 compliance site inspections during the 2002/2003 fiscal year to address various issues such as advertising guidelines, invoicing and operating without registration. In 2002/2003, a total of 155 warnings for operating without registration and 169 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. Advertising warnings increased by 52% compared to the prior year. In addition, 135 invoicing warnings were issued to Registrants who did not provide proper invoices and/or receipts in accordance with the provision in the Regulation.

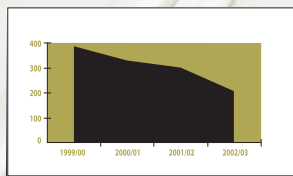


Figure 5: Written Complaints Handled

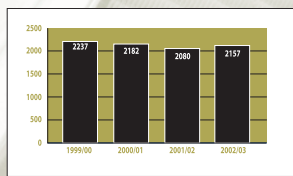


Figure 6: Total Financial Bench Reviews

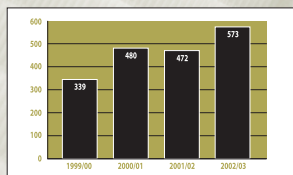


Figure 7: Financial Site Inspections

# TRAVEL COMPENSATION FUND

## Claims and Repatriation

Claims paid during the fiscal year ended March 31, 2003 compared to the previous year ended March 31, 2002 were as follows:

	2002/03	2001/02
Number of claims paid	256	331
Number of consumers assisted	619	696
Claims paid - Registrant failure	\$ 352,281	\$ 1,007,577
Claims paid - End supplier failure	\$ 380,444	—
Total Claims paid	\$ 732,725	\$ 1,007,577
Repatriation	—	\$54,112
Less recoveries	\$ (426,958)	\$ (128,711)
Net claims paid	\$ 305,767	\$ 932,978

## Repatriation

There were no consumers repatriated during the 2002/2003 fiscal year.

## Most Significant Closures 2002/03

### **Amral's Travel Canada Ltd. o/a Amral's Travel Canada Ltd.**

On August 02, 2002, Amral's Travel Canada Ltd. of Toronto voluntarily terminated its registration as a travel retailer and travel wholesaler under the *Travel Industry Act*. Amral's Travel sold primarily air only to various destinations. To March 31, 2003, a total of \$43,654 was paid out of the Compensation Fund, assisting 113 consumers.

### **Louis S. Farah o/a Farah Travel**

On August 21, 2002, Farah Travel of Ottawa voluntarily terminated its registration as a travel retailer under the *Travel Industry Act*. Farah Travel sold primarily air only to various destinations. To March 31, 2003, a total of \$30,274 was paid out of the Compensation Fund to assist 28 consumers.

## Other Closures Resulting in Significant Claims

The following Registrants ceased operations during the prior fiscal year, however, claims were paid during the 2002/03 fiscal year:

### **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. During the 2002/03 fiscal year, \$112,052 was paid out of the Compensation Fund for a total of \$276,189 to March 31, 2003, assisting 347 consumers.

### **Renaissance Cruises**

Renaissance Cruises, a non-registrant end supplier cruise line ceased operations on September 25, 2001. The amendment to Regulation 806/93 in January 2002 allowed end supplier claims against the Compensation Fund. As a result, to March 31, 2003, TICO paid a total of \$366,132 out of the Compensation Fund, assisting 144 consumers.

### **Travel Search Inc. o/a Carlson Wagonlit Travel / Seven Seas Travel**

On October 10, 2001, Travel Search Inc. voluntarily terminated its retail registrations under the *Travel Industry Act* for its retail agency in Toronto and its retail branch agency in Longlake. Travel Search mainly sold packaged holidays. During the 2002/03 fiscal year, \$52,289 was paid out of the Compensation Fund for a total of \$84,012 to March 31, 2003, assisting 100 consumers.

### **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 the payment of claims from the Compensation Fund, TICO did commence its claims process on March 17, 2003 for claims against Canada 3000 Airlines only. The deadline to file a claim against the Compensation

Fund for claims against Canada 3000 Airlines is September 18, 2003. Until the filing deadline has passed, the exposure to the Compensation Fund is unknown. Claims against the Compensation Fund are also anticipated for Canada 3000 Holidays, Canada 3000 Tickets and Canada 3000 Sales. The Trustee in Bankruptcy, PricewaterhouseCoopers, is currently

processing claims for these companies against the monies held in trust. 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 2002/03 \$	RECOVERIES 2002/03 \$	CLAIMS PAID 2001/02 \$	RECOVERIES 2001/02 \$
Airbird Travel, Brampton (R)/(W)	534			
Air International Travel, Toronto (R)			2,207	
Amazonas Travel, Toronto (R)	11,054			
American Hawaii Cruises	4,577			
Amral's Travel, Toronto (R)/(W)	43,654			
Bianca's Starlight Travel, Woodbridge (R)	4,176			
Blyth & Company Travel, Toronto (R)/(W)	13,155		20,308	
Canada 3000 Holidays, Toronto (R)/(W) *			45,838	10,000
Canatours, Windsor (R)/(W)			22,825	5,000
Carifest Holidays, Toronto (R)	500		17,878	
College Travel, Toronto (R)	5,381	5,381		
Dream Holidays Canada Ltd., Toronto (W)		856		
Escape Travel, Toronto (R)	16,848	10,000		
Farah Travel, Ottawa (R)	28,658			
Gell Travel Ltd., Peterborough (W)		3,684		
Getaway Travel, Ottawa (R)	975			
Great Lakes Cruises	8,898			
Golden Escapes, Toronto (R)/(W)	5,559	2,489	192,177	3,937
Just Vacations, Mississauga (R)	828			
Marine Expeditions Travel, Toronto (R)/(W)**	5,564	226,748	522,422	76,957
Orient Fortune, Richmond Hill, (R)			4,220	
Premier Holidays, Mississauga (R)/(W)			350	
Renaissance Cruises	366,132	81,554		
Sabena Air	838			
Scanditours, Toronto (R)/(W)	5,338			
Shalom-K Tours, North York (R)/(W)		7,430		
Silver Fox Tours, London (R)/(W)		87,500		
Speedy Travel & Tours Ltd., Mississauga (R)	4,687			
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)	112,052		164,137	
Tourasia, North York (R)				2,417
Travel Advantages, Scarborough, (R)	1,026	1,026		
Travel Search Inc., Toronto (R)/(W)	52,289		31,723	
Travel Way Services Inc., Rexdale (R)	13,822			
Travelpack, Toronto (R)/(W)	26,180	290	26,623	20,000
Uncle Tommy's Travel, Hamilton (R)			400	400
<b>TOTAL CLAIMS PAID (GROSS)</b>	<b>\$732,725</b>	<b>\$426,958</b>	<b>\$1,061,689</b>	<b>\$128,711</b>

(R) = Retailer (W) = Wholesaler

\* Canada 3000 Holiday's expense is repatriation.

\*\* Marine Expeditions includes \$8,274 for repatriation in 2001/02.

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

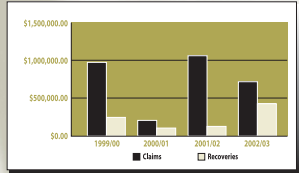


Figure 8: Claims paid and Recoveries to the Fund

Figure 8 illustrates that, in 2002/2003, claims paid by the Fund decreased by 27% from the previous year. Recoveries received by TICO in 2002/2003 were \$426,958 compared to \$128,711 recovered in 2001/2002.

Contributions to the Fund from Registrants (Fig. 9) have decreased by \$119,345 over 2001/2002.

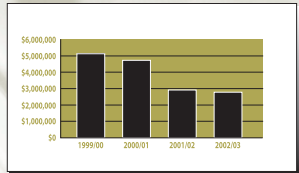


Figure 9: Contributions to the Fund

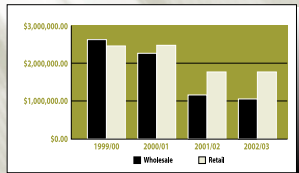


Figure 10: Contributions on the Fund - Retail vs Wholesale

## LEGAL MATTERS

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### 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, 2003, LAT held hearings regarding 19 appeals. LAT upheld the decisions of the Board and directed the Council to disallow the claims in respect of 18 matters. LAT overruled the decision of the Board and directed the Council to make payment from the Fund in the remaining matter. In addition, there was one matter where the decision was outstanding as of March 31, 2002. This decision was received during the period ended March 31, 2003 and LAT upheld the decision of the Board.

### 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 2002/2003 have resulted in the following prosecutions:

**131420 Ontario Inc. o/a Carifest Holidays and Been a Guide** were convicted of failing to deposit and hold customer funds in a designated trust account until payment was made to the supplier of the travel services for which the money was received or to provide a refund to the customers, contrary to section 36 of Regulation 806/93 made under the *Travel Industry Act*. The company was ordered to pay restitution to the Travel Industry Council of Ontario in the amount of \$67,773.00, which represented the amount paid out of the Ontario Travel Industry Compensation Fund in respect of claims against Carifest Holidays. The company was also given a \$20,000.00 fine in respect of this offence. Carifest Holidays was also convicted of three counts of knowingly furnishing false information to the Travel Industry Council of Ontario. Ms Guide was convicted of two counts of furnishing false information. The company was fined \$10,000.00 per count. Ms Guide was given a suspended sentence including a two year

period of probation, which includes the conditions that Ms Guide complete 400 hours in community service and report to her probation officer on a monthly basis.

**Carlos Adolfo Montero Corrales** was convicted of holding himself out as being available to act as a travel agent without being registered, contrary to s. 3(1) of the *Travel Industry Act*. Mr. Corrales was also convicted of engaging in an unfair business practice by making false, misleading or deceptive consumer representations by indicating that he was a member of the Travel Industry Council of Ontario when he was not, contrary to s. 3(1) of the *Business Practices Act*. Mr. Corrales was fined \$6,000.00 for the charge of holding himself out as being available to act as a travel agent without registration and \$2,000.00 for the unfair business practice charge. Mr. Corrales was also subject to a victim of crime surcharge of \$2,000.00.

**Dale Cloutier, 1078371 Ontario Inc. o/a Dale Tours International and 1078370 Ontario Inc. o/a Canatours** were convicted of disbursing funds from a designated *Travel Industry Act* Trust Account to pay loans, payroll, and operating costs not related to the travel services for which the money was entrusted, contrary to section 36(6) of Regulation 806/93. Each company was fined \$5,000.00. Mr. Cloutier was placed on a 15 month probation order, which includes the additional terms that Mr. Cloutier will not act as a travel agent or travel wholesaler and Mr. Cloutier will not operate a *Travel Industry Act* trust account.

**Danh Lam** was convicted of one count of acting or holding himself out as being available to act as a travel agent without first being registered as a travel agent by the Registrar, contrary to section 3(1) of the *Travel Industry Act*. Mr. Lam was given a suspended sentence and placed on a 24 month period of probation, which includes the condition that he completes 200 hours community service and the condition that he not act or hold himself out as a travel agent without registration.

**Winston James** was convicted of acting or holding himself out as being available to act as a travel agent

without first being registered as a travel agent by the Registrar, contrary to section 3(1) of the *Travel Industry Act*. Mr. James was given a suspended sentence and placed on an 18 month period of probation, which includes the condition that he complete 100 hours community service.

**Leticia DePerio** was convicted of one count of acting or holding herself out as being available to act as a travel agent without first being registered as a travel agent by the Registrar, contrary to section 3(1) of the *Travel Industry Act*. Ms DePerio was given a suspended sentence and placed on a 24 month period of probation, which requires her to make restitution in favour of consumers in the amount of \$32,600.00 and make minimum monthly payments of \$50.00 towards that restitution. Ms DePerio is also required to report to her probation officer to monitor compliance.

**James Moss and Escape Travel Ltd.** were each convicted of 1 count of failing to hold all customer funds in trust, contrary to section 36(3) of Regulation 806/93 made under the *Travel Industry Act*. The Court imposed a fine of \$5,000.00 against the company and suspended sentence against Mr. Moss, who was directed to comply with the terms of a 12 month probation order, with the additional conditions that he not act or hold himself out as a travel agent or operate or administer a *Travel Industry Act* trust account.

**Golden Globe Travel Inc. and Hooshang Arashi** were convicted of two counts 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 s. 3(1) of the Act. The Court fined the company \$20,000.00 and suspended sentence against Mr. Arashi on the condition that Mr. Arashi comply with a two year probation order, which included the additional requirements that he make restitution to consumers and travel suppliers in the amount of \$25,889.57, complete 200 hours of community service, and report to his probation officer in person on a monthly basis.

**Greater Hamilton Tours Inc. and its principal, Alistair Brown Hamilton** were convicted of acting or holding themselves out as being available to act as a travel agent without first being registered as a travel agent by the Registrar, contrary to section 3(1) of the *Travel Industry Act*. The Court imposed a fine of \$4,000.00 against Mr. Hamilton. The company was fined \$5,000.00. Each was given three months to pay the fine.

**Jeevan Kumar Gosein** was convicted of one count of acting or holding himself out as a travel agent without being registered, contrary to s. 3(1) of the *Travel Industry Act*. The Court imposed a fine of \$10,000.00 upon Mr. Gosein, who is also subject to a victim of crime surcharge of \$2,500.00. Mr. Gosein was also ordered to pay restitution of \$2,700.00 to one consumer.

**Maple Rhodes Tours Inc.** was convicted of one count of acting or holding itself out as being available to act as a travel agent without first being registered as a travel agent by the Registrar, contrary to section 3(1) of the *Travel Industry Act*. The company was fined \$5,000.00 and placed on probation, which included the condition that it pay restitution in the amount of \$3,000.00 to one of its customers and the condition that it not act or hold itself out as being available to act as a travel agent.

**Norma Heseltine o/a Travel Agents International - Fergus** was convicted of one count of acting or holding herself out as being available to act as a travel agent without first being registered as a travel agent by the Registrar, contrary to section 3(1) of the *Travel Industry Act*. The Court imposed a suspended sentence and directed that Ms Heseltine comply with an 18 month probation order, which included the condition that Ms Heseltine will not act or hold herself out as being available to act as a travel agent. Ms Heseltine shall also perform 100 hours of community service during the period of probation.

**Kamral Khan** was convicted of breaching the terms of his probation order by failing to pay restitution to consumers within 9 months, contrary to section 75 of the Provincial Offences Act. The Court ordered him to perform 75 hours of community service.

**Premier Holidays Ltd.**, was convicted, under section 25(1)(c) of the *Travel Industry Act*, for failing to maintain sufficient funds in its designated *Travel Industry Act* trust account to cover its customer obligations, contrary to section 36(3) of Regulation 806/93 made under the *Travel Industry Act*. The Court fined the company \$20,000.00 plus a \$5,000.00 victim fine surcharge and placed the company on a two year period of probation, which includes the condition that it pay the *Travel Industry Compensation Fund*, \$209,000.00, which represents the net amount paid out from the Ontario *Travel Industry Compensation Fund* for claims against Premier Holidays Ltd.

**Travel Search Inc. and Juanita States** were convicted of failing to hold customer funds in trust, contrary to s. 36(3) of Regulation 806/93 made under the *Travel Industry Act*. The Court imposed a fine of \$20,000.00 plus a 20% victim fine surcharge upon the company. The company was also ordered to make restitution to the Travel Industry Council of Ontario for claims paid out of the Ontario Travel Industry Compensation Fund in the amount of \$66,496.41. Ms States was given a suspended sentence and 18 months probation, which included the condition that she not seek or maintain employment in any profession governed by the *Travel Industry Act*.

**1163954 Ontario Inc. o/a The Ultimate Travel Brokers** and its principal William Cockburn were convicted under section 25(1)(c) of the *Travel Industry Act*, for disbursing trust funds from a designated *Travel Industry Act* trust account to pay loans, payroll, and operating costs not related to the travel services for which the money was entrusted, contrary to section 36(6) of Regulation 806/93 made under the *Travel Industry Act*. The Court imposed a suspended sentence against Mr. Cockburn, which includes a two year period of probation, during which time Mr. Cockburn may not act or hold himself out as being available to act as a travel agent or operate or administer a *Travel Industry Act* trust account.

Mr. Cockburn must also make restitution to the Travel Industry Council of Ontario in the amount of \$273,353.27, which represents the amount paid out from the Ontario Travel Industry Compensation Fund for claims against 1163954 Ontario Inc. o/a The Ultimate Travel Brokers. The company was fined \$50,000.00 in respect of the offence and given 24 months to pay.

## Proposals to Revoke Registration

A total of 56 proposals to revoke registration were issued during 2002/2003. The proposals were issued for the following reasons:

Failure to File Form 1 Contributions	11
Failure to File Financial Statements	31
Failure to maintain Working Capital	4
Other Breaches of the Act and Regulation	10

During the year 22 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, 21 proposals were withdrawn and 17 were settled by consent order. At the beginning of 2002/2003, there were 12 outstanding proposals and as at the end of March 2003, there were 8 outstanding proposals.

## LEGISLATIVE AND BY-LAW CHANGES

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This past year, the government introduced legislation to modernize and update consumer protection laws in the province. In December 2002, this new legislation received legislative approval. Upon proclamation, the Consumer Protection Statute Law Amendment Act, 2002, will consolidate six core consumer protection laws into a single act while modernizing three sector statutes, including the *Travel Industry Act*.

The new *Travel Industry Act*, 2002, which has yet to be proclaimed, provides authority to establish a code of ethics for the industry as well as a discipline committee

and an appeal committee. Registrants found to be in breach of their code of ethics could be fined up to \$25,000, or a lesser prescribed amount. In addition, changes consistent throughout Ontario's consumer protection laws would result in greater deterrence by increasing maximum fines for a person who is guilty of an offence under the Act. Maximum fines under the *Travel Industry Act*, 2002 would increase from \$25,000 to \$50,000 for individuals and from \$100,000 to \$250,000 for corporations.

## COMPLAINT HANDLING PROCESS

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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 2002/2003 fiscal period, the Committee did not receive any complaints 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.

## **FRENCH LANGUAGE SERVICES**

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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.







## FINANCIAL REVIEW

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The financial review is based on the audited financial statements for the year ended March 31, 2003 with comparative figures for March 31, 2002.

### Overview

As at March 31, 2003, the Net Assets of TICO were \$25,176,141 compared to \$22,950,052 for the year ended March 31, 2002. This increase in Net Assets was a result of revenue exceeding expenses by \$2,226,089 for the year. Excess revenue for the year ended March 31, 2002 was \$1,606,916.

TICO is required to hold all Compensation Fund monies in trust. As of March 31, 2003 the assets held for the Fund were \$23,759,037 compared to \$21,423,068 as of March 31, 2002.

### Revenue

Total Revenue for the year ended March 31, 2003 was \$5,043,063 and derived from semi-annual assessments based on gross sales of Registrants (\$2,804,355), applications for renewal of registrations (\$424,708) and from new applications for registration (\$480,106). A total of \$1,333,894 in interest was earned for 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 decreased for 2002/2003 to \$2,804,355 from \$2,923,700 for 2001/2002. The following is the breakdown of revenue between wholesale and retail sales:

	<u>2002/2003</u>	<u>2001/2002</u>
<b>Wholesale</b>	\$1,051,668	\$1,147,090
<b>Retail</b>	<u>\$1,752,687</u>	<u>\$1,776,610</u>
	<u>\$2,804,355</u>	<u>\$2,923,700</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 2002/2003, there were fewer new applications for registrations and registration fees decreased by \$23,394. Renewals decreased by \$184,957 as there were fewer renewals in the first year of the two year renewal cycle.

## Expenses

Total expenses for TICO decreased to \$2,816,974 for 2002/2003 from \$3,197,649 in 2001/2002. The significant variances are as follows:

Total claims for the year ended March 31, 2003 were \$732,725 which consists of claims from registrant failures of \$352,281 and \$380,444 from failures of non-registrant end suppliers. Included in the net claims expense are professional fees incurred in relation to closures and recoveries and also an amount for closure expenses which included the cost of temporary staff and additional telephone expenses. Recoveries from security deposits and repayments from Registrants totalled \$426,958 for the year which reduces the total claim expense. This resulted in a net claim expense for 2002/2003 of \$371,429 which is substantially less than the net claim expense for 2001/2002 of \$1,022,398.

Consumer and Registrant Awareness expense has increased by \$22,438 from the prior year. Expenses in this category include TICO's province wide consumer awareness campaign, continuation of TICO's quarterly newsletter and participation in consumer trade shows. In addition this expense includes the maintenance of TICO's website which was substantially enhanced in 2002/2003.

General and Office expense has increased in 2002/2003 by approximately \$20,000 from 2001/2002. This is due mainly to an increase in LAT (Licence Appeal Tribunal) hearings that TICO conducted during the year.

Ontario Government Oversight Fees expense total \$151,349 for 2002/2003 compared to \$21,449 for 2001/2002. These fees are paid to the Ministry of Consumer and Business Services under the terms of TICO's Administrative Agreement. The original agreement was dated April 29, 1997 and expired on March 31, 2002. As of March 31, 2003 a new agreement was still being negotiated with MCBS. The original agreement obligated TICO to pay MCBS a minimum annual fee \$20,000 adjusted once per year to the Consumer Price Index. Under the proposed new agreement TICO will pay MCBS on a cost recovery basis and the fee is anticipated to be substantially more than \$20,000 per annum. As of March 31, 2003 TICO has accrued an amount to cover the expense for 2002/2003 once the agreement is finalized.

Regulatory reform and minimum standards expense includes expenses related to the legislative review. In the fall of 2002, the Government made amendments to the *Travel Industry Act*. These amendments require additional work for TICO to ensure that TICO is ready to implement the new legislation when it is proclaimed. In addition TICO is working on a discipline process as well as continuing the work on the minimum educational standards and other changes as proposed to the Government in the fall of 2000.



## Appendix I

# TRAVEL INDUSTRY COUNCIL OF ONTARIO

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**FINANCIAL STATEMENTS  
MARCH 31, 2003**

INDEX	PAGE
AUDITORS' REPORT .....	1
STATEMENT OF FINANCIAL POSITION .....	2
STATEMENT OF CHANGES IN NET ASSETS .....	3
STATEMENT OF OPERATIONS .....	4
NOTES TO THE FINANCIAL STATEMENTS .....	5-6



**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, 2003 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, 2003 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 6, 2003

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, 2003

	2003 \$	2002 \$
<b>ASSETS</b>		
CURRENT		
Cash and short-term investments (Note 3)	25,668,814	23,111,561
Prepaid expenses and deposits	<u>55,637</u>	<u>51,333</u>
	25,724,451	23,162,894
CAPITAL (Note 4)	<u>248,815</u>	<u>281,561</u>
	<u>25,973,266</u>	<u>23,444,455</u>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	321,202	157,480
Deposits from Registrants	<u>475,923</u>	<u>336,923</u>
	797,125	494,403
<b>NET ASSETS</b>		
Net assets per statement	<u>25,176,141</u>	<u>22,950,052</u>
	<u>25,973,266</u>	<u>23,444,455</u>

APPROVED ON BEHALF OF THE BOARD:

"PAUL FOSTER", Chair

"RAY DENURE", Director

See accompanying notes to the financial statements.

# TRAVEL INDUSTRY COUNCIL OF ONTARIO

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2003

	Invested In Capital Assets \$	Restricted For The Ontario Travel Industry Compensation Fund \$	Unrestricted \$	2003 Total \$	2002 Total \$
Balance, beginning of year	281,561	21,423,068	1,245,423	22,950,052	21,343,136
Excess of revenues over expenses (expenses over revenues)	—	2,317,960	(91,871)	2,226,089	1,606,916
Purchase of capital assets	72,381	(39,810)	(32,571)	—	—
Amortization of capital assets	<u>(105,125)</u>	<u>57,819</u>	<u>47,306</u>	<u>—</u>	<u>—</u>
Balance, end of year	<u>248,817</u>	<u>23,759,037</u>	<u>1,168,287</u>	<u>25,176,141</u>	<u>22,950,052</u>

See accompanying notes to the financial statements.

# TRAVEL INDUSTRY COUNCIL OF ONTARIO

## STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2003

	2003	2002
	\$	\$
<b>REVENUE</b>		
Semi-annual payments from Registrants	2,804,355	2,923,700
Renewals	424,708	609,665
New Registrants	480,106	503,500
Interest and sundry income	<u>1,333,894</u>	<u>767,700</u>
	<u>5,043,063</u>	<u>4,804,565</u>
<b>EXPENSES</b>		
Claims	732,725	1,007,577
Professional fees and services	39,567	74,734
Repatriation costs	—	54,112
Closure expenses	<u>26,095</u>	<u>14,686</u>
	798,387	1,151,109
Less: Recoveries	<u>(426,958)</u>	<u>(128,711)</u>
	371,429	1,022,398
Salaries and benefits	979,030	893,079
Inspections, compliance and prosecutions	353,750	355,305
Consumer and Registrant awareness	233,102	210,664
General and office	202,791	181,906
Rent	161,081	159,334
Ontario Government oversight fees	151,349	21,449
Board meeting expense	107,969	101,134
Computer expense	69,801	77,590
Insurance	28,776	23,447
Credit checks	15,832	16,580
Regulatory reform and minimum standards	12,501	4,975
Professional fees	12,473	24,463
Travel	11,965	6,905
Amortization	<u>105,125</u>	<u>98,420</u>
	<u>2,816,974</u>	<u>3,197,649</u>
Excess of revenues over expenses	<u>2,226,089</u>	<u>1,606,916</u>

See accompanying notes to the financial statements.

# TRAVEL INDUSTRY COUNCIL OF ONTARIO

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2003

### 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 travel services when they have been paid to 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 cruiseslines 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.

#### 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 of the event that gives rise to the claim.

#### Recoveries:

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

#### Repatriation Costs:

Repatriation 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. CASH AND SHORT-TERM INVESTMENTS

	2003	2002
	\$	\$
Cash on hand and in bank	3,093,349	1,823,347
Government of Canada treasury bills, Government of Canada and Provincial bonds and other investments, at cost plus amortized discounts, (market value \$22,819,321; 2002 - \$22,466,864)	22,575,465	21,288,214
	<u>25,668,814</u>	<u>23,111,561</u>

continued..



#### 4. CAPITAL ASSETS

	Accumulated	2003	2002	
	Cost	Amortization	Net	
	\$	\$	\$	
Furniture and equipment	170,668	84,844	85,824	74,478
Computer hardware	212,982	175,571	37,411	37,238
Computer software	39,544	33,640	5,904	13,729
Database	244,416	143,124	101,292	150,176
Leasehold improvements	<u>39,771</u>	<u>21,387</u>	<u>18,384</u>	<u>5,940</u>
	<u>707,381</u>	<u>458,566</u>	<u>248,815</u>	<u>281,561</u>

#### 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 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. The Fund pays a maximum claim of \$5,000 per person.

#### 6. INCOMETAX

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

#### 7. COMMITMENTS

- (a) Under terms of an administrative agreement dated April 29, 1997 between TICO and the Ministry of Consumer and Business Services, TICO was obligated to pay a minimum annual fee of \$20,000 per year for five years to the Province of Ontario, adjusted once per year by the Consumer Price Index, commencing April 1, 1998. On March 31, 2002, this agreement expired. Charges under a new administrative agreement, which is currently being negotiated, will be based on cost recovery. Provision for these Ministry costs has been made in the financial statements.
- (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 \$522,900. Minimum rental commitments for successive years approximate:

2004	\$ 87,600
2005	93,300
2006	93,300
2007	93,300
2008	93,300
2009	<u>62,100</u>
	<u>\$ 522,900</u>

#### 8. CONTINGENT LIABILITY

TICO is committed to paying eligible claims resulting from the failure of the 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 paid as of March 31, 2003, 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.

#### 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.

# Appendix II

## TICO BOARD OF DIRECTORS 2002-03

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### Industry Representatives

Paul Foster – Chair  
Executive Vice President  
World of Vacations  
Toronto

Richard Vanderlubbe – Vice Chair  
President  
Travel Superstore Inc.  
Hamilton

Simon Bala  
Vice President, Finance  
Conquest Vacations  
Toronto

Ray DeNure, C.A.  
President  
DeNure Tours  
Lindsay

Mike Foster  
President  
Uniglobe Instant Travel  
London

Moe Jeppesen  
President  
Sherwood Village Travel  
Mississauga

Mike Merrithew  
President  
Merit Travel Group  
Toronto

Trish McTavish  
Vice President  
McTavish Travel  
Oakville

Brett Walker  
President  
Collette Tours  
Toronto

Kathleen Warren  
Manager  
Meconi Travel Agency Ltd.  
Windsor

Jill Wykes  
Vice President, Sales  
Sunquest, Alba Tours,  
The Holiday Network  
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 & Jensen  
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/ Chief Financial  
Officer & Treasurer  
Mary-Ann Harrison, C.A.

Manager, Administration & Claims  
Dorian Werda

Legal Counsel & Corporate Secretary  
Tracey McKernan, 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  
Trevor Branion, LL.B.

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  
Susan Janko

Reception  
Paula Oliveira

### Auditors

McGovern, Hurley, Cunningham, LLP  
2005 Sheppard Avenue East, Suite 503  
Toronto, Ontario



Travel Industry Council of Ontario • 2700 Matheson Blvd. E.  
Suite 402, West Tower • Mississauga • Ontario • L4W 4V9  
Tel: (905) 624-6241 • Fax: (905) 624-8631 • Toll: 1-888-451-TICO  
E-mail: [tico@tico.on.ca](mailto:tico@tico.on.ca) • Web: [www.tico.on.ca](http://www.tico.on.ca)