



TRAVEL INDUSTRY COUNCIL OF ONTARIO



2008 Annual Report



MESSAGE FROM THE CHAIR

June 1, 2008

Honourable Ted McMeekin
Minister of Government and
Consumer Services
99 Wellesley St. W., Room 4320
Whitney Block
Toronto, Ontario
M7A 1A1



Dear Minister McMeekin:

I am pleased to submit the eleventh Annual Report of the Travel Industry Council of Ontario (TICO), which covers the period April 1, 2007 to March 31, 2008. This report also incorporates the activities of the Ontario Travel Industry Compensation Fund, for which TICO assumed responsibility in June 1998. This report focuses on the outcomes and achievements made in relation to the objectives that were set in TICO's 2007 Business Plan. Those goals and objectives were prioritized into three horizons. The first horizon covered a 3 year period, the second horizon a five year period and the third horizon a ten year period. Several of the objectives in the first horizon have been achieved in the last fiscal year. Other objectives are works in progress, which will continue into future years. The Executive Summary in this report discusses some of the achievements in greater detail.

Overall, during the past year, TICO's performance has met its mandate. TICO's comprehensive financial inspection programme proactively monitored the activities of all travel retail and wholesale registrants. This resulted in fewer claims against the industry financed Compensation Fund, lower costs to the industry and a higher level of confidence for consumers when they book their travel through a TICO registered travel agency.

The Council continues to have an open relationship with its stakeholders. Registrants are well informed through TICO's website, which is regularly updated by staff. TICO issues a quarterly TICO Talk newsletter that is circulated to all registrants and covers a wide range of topics with valuable information. TICO actively tries to reach out to consumer stakeholders through its Consumer Awareness Campaign and participation at consumer and industry trade shows. TICO staff meets regularly with the Ministry's Sector Liaison Branch, which is considered a valuable line of communication. TICO has also built a good rapport with the media. TICO is considered a trusted and respected resource that is called upon to comment on news events affecting the industry. Of particular note, in the past year TICO was asked to participate in a CBC Marketplace programme that highlighted inequities in airline advertising and disclosure of airfares.

TICO celebrated its tenth anniversary on June 25, 2007 and marked the occasion with a dinner attended by past Board Members and Ministry dignitaries. We are proud of our relationship with our stakeholders and our achievements. TICO will strive to continue to provide high quality services to Ontario consumers.

Yours truly,
Travel Industry Council of Ontario

A handwritten signature in black ink, appearing to read 'Scott Stewart', with a stylized flourish at the end.

Scott Stewart
Chair of the Board of Directors

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A photograph of a sandy beach with a starfish and a seashell. The starfish is on the left, and the seashell is on the right. The background is a soft, golden-yellow sand.

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

On June 25, 2007, TICO celebrated its tenth anniversary since receiving delegation from the Ontario Government to administer the Ontario *Travel Industry Act*. Looking back over those 10 years, there have been significant changes in the travel sector. However, self-management has proven to be extremely effective. Travel agencies are stronger today than they were 10 years ago. Despite negative factors such as the decrease or elimination of commissions by airlines, the industry has adapted and responded by changing business models to remain viable in today's marketplace.

This year has seen the cost of oil double, causing further turmoil in an already troubled airline industry. Operationally, TICO has continued to focus this year on the financial viability of its registrants. TICO's proactive inspection programme has been successful in identifying agencies that are experiencing financial difficulty and working with those agencies to achieve compliance. TICO has also continued to focus its financial inspections on those registrants that were previously grandfathered from the trust accounting requirements. Ontario Regulation 26/05 has made it mandatory for all travel agencies to operate a trust account, unless the agency opts to provide security in lieu of trust accounting. This exercise has been very successful and has contributed to increased awareness of the 'real time' financial position of registrants.



One challenge confronting TICO is the increase in fraudulent activity in the industry. There has been a concern with agencies changing ownership without notifying TICO. Before TICO even finds out that there is a problem, the perpetrators are gone. In many cases, the unsuspecting former owner is left with the liability. TICO encourages any registrant who is thinking of selling an agency to ensure that they obtain TICO approval before the sale is made. The TICO registration is not transferable. TICO does pursue those engaged in unlawful activity, however, if the individuals have left the country or have no assets, there may be little that TICO can do.

This year, TICO has identified a number of issues with Ontario Regulation 26/05, where changes may be necessary. The Ministry's Liaison staff and policy staff are aware of these issues and we will be working together to develop recommendations for reform.

During the fiscal year, TICO's Education Standards Committee spent a considerable amount of time developing the Study Manual and exams for both the Travel Counsellor and Supervisor/Manager levels. TICO has partnered with the Canadian Institute of Travel Counsellors (CITC) who will be administering the examinations on TICO's behalf. The Study Manual was made available on the TICO and CITC websites on November 15th 2007. Registrants could begin registering to write the exams on March 14th 2008. We anticipate that there may be as many as 10,000 travel counsellors working in the industry in Ontario, who will be required to pass the examination if they are to continue to provide advice or sell travel services to the public on behalf of an Ontario registered travel agency.

Registrant and Consumer Awareness have also been high on TICO's list of priorities over the last year. The TICO Board approved a new approach for the 2008-2009 campaign that is designed to drive consumers to TICO's website: www.tico.ca. The website will be redesigned to be more consumer friendly and to provide consumers with valuable information prior to making their travel arrangements. The Board also approved an increase to the budget for this initiative with a high focus on "dot spot" TV ads.

Last summer, the Travellers Protection Initiative (TPI), an advocacy group, lead by TICO and consisting of the Public Interest Advocacy Centre (PIAC), the Association of Canadian Travel Agencies (ACTA) and Option Consommateurs, continued its initiative to harmonize national consumer protection standards. The TPI made submissions to the Federal Government, advocating changes to the Canada Transportation Act, which if accepted, would provide for full disclosure in advertising of airline fares. The Minister of Transport has undertaken to consult with stakeholders on this issue. TPI eagerly awaits the commencement of the consultation process.

This report details the progress that TICO has made on the objectives set in its 2007 Business Plan. We are pleased with the work that has been done over the last year. As always, there is more work to be done as we continue to strive to promote a fair and informed marketplace where consumers can be confident in their travel purchases.

Yours truly,
Travel Industry Council of Ontario

A handwritten signature in black ink, appearing to read 'M. Pepper'. The signature is fluid and cursive, written over a light background.

Michael Pepper
President & C.E.O.

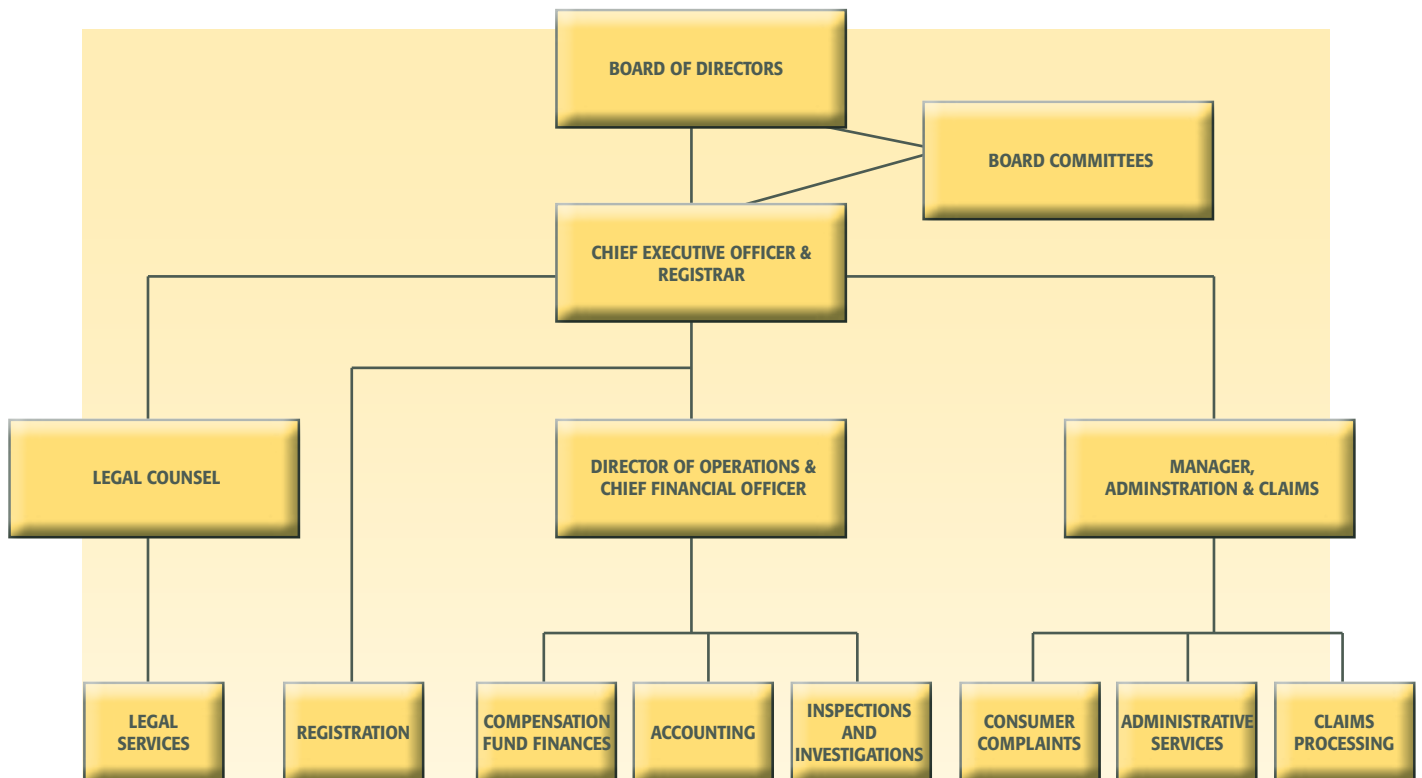
TICO Structure

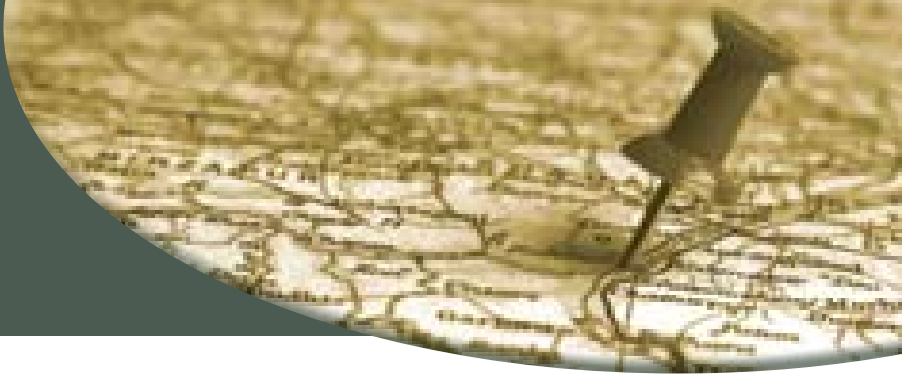
Organization

The Travel Industry Council of Ontario (TICO) is a not-for-profit corporation financed through fees from its approximately 2,800 Ontario travel retail and wholesale registrants. In order to effect self-management in the travel industry, the former Ministry of Consumer and Commercial Relations delegated responsibility for the administration of the now repealed Ontario Travel Industry Act and regulations to TICO in June 1997. The Act governs Ontario travel retailers and travel wholesalers and provides for the operation of a travel industry Compensation Fund.

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

The Ministry of Government and Consumer Services continues to be responsible for the *Travel Industry Act, 2002* (the Act) and Ontario Regulation 26/05 (the Regulation).





Governance

The TICO Board of Directors consists of fifteen members. There are three individuals appointed by the Association of Canadian Travel Agencies (ACTA), three from the Canadian Association of Tour Operators (CATO), one from the Ontario Motor Coach Association (OMCA), one from the Canadian Institute of Travel Counsellors (CITC) and four appointed by the Minister of Government and Consumer 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 \$5,000/annum (where Director is not an employee)

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

Travel Compensation Fund

Background on the Ontario Travel Compensation Fund

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

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

Travel Compensation Fund

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

Section 52 of Ontario Regulation 26/05 provides that the affairs of the Compensation Fund shall be administered and managed by the TICO Board of Directors.

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

Section 73 of Ontario Regulation 26/05 allows the costs of administering the Compensation Fund to be paid from the Fund.

Fund Financing

The Compensation Fund is totally financed by Ontario registrants. The Payment Schedule requires registered travel retailers and registered travel wholesalers to pay a greater of \$25 or 5¢ per \$1,000 of sales, both on a semi-annual self assessment basis. These payments are to be filed with TICO within 90 days after the end of each fiscal half year.

Surplus Funds

The Corporation may invest any funds of the Compensation Fund, which are surplus to the immediate requirements of TICO in property in accordance with the *Trustee Act*.

Claims

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

\$5 million in total. The maximum payout per person is \$5,000.

The Director under the *Travel Industry Act, 2002* may direct payment out of the Fund of up to an additional \$2 million where immediate funds and facilities are necessary for 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, 2002*. The objective of the programme is to identify as early as possible any risk registrants and to work with these registrants to ensure compliance with the Act and Regulation. Through 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 visits all new registrants to ensure their understanding of the Act and Regulation and compliance requirements.

TICO Committees

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

Executive Committee (Chair: Scott Stewart)

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

Audit Committee (Chair: Jeff Element)

- Review internal controls operating throughout TICO
- Review the appropriateness of accounting policies and review any proposed changes in accounting practices or policies and the resulting financial statement impact.
- Review the audited annual financial statements and make recommendations with respect to their approval to the Board.
- Confer with TICO's auditors as required to discuss their examination into the financial affairs of TICO and receive all recommendations and explanations which TICO's auditors wish to place before the Committee.
- Make recommendations to the Board with respect to the appointment and remuneration of external auditors to be appointed at each AGM.
- Periodically, review TICO's investment firms and their fees.
- Review the investment policy on an annual basis.
- Review quarterly investment reports and detailed quarterly financial statements.
- Review and provide advice with respect to the budget prior to presentation to the Board
- Review insurance coverage annually.

Business Strategy Committee (Chair: Scott Stewart)

- 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.
- Explore alternate sources of revenue for TICO.

Complaints Committee (Chair: Michael Janigan)

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

Compensation Fund Committee (Chair: Michael Janigan)

- Review and recommend to the Board the payment of claims in accordance with Ontario Regulation 806/93 or Ontario Regulation 26/05.
- Review and monitor the status of appeals to the Licence Appeal Tribunal regarding 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: Denise Heffron)

- 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.

Education Standards Committee (Chair: Mike Foster)

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

Legislative & Regulatory Review Committee (Chair: Michael Janigan)

- Recommend legislative and regulatory reform necessary to achieve TICO's business objectives by:
 - Consulting with Ministry of Government and Consumer Services on policy and legal issues.
 - Securing and managing stakeholder input.
 - Working with the Ministry of Government and Consumer Services to move the recommendations forward through the legislative process.
- Develop a Code of Ethics for TICO Discipline Process.
- 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. Recom-

mended requirements should ensure:

- a level of professionalism
 - even if the business is being conducted outside the registrant's office;
 - industry standards are enhanced;
 - consumer monies are protected;
 - consumers receive quality service; and
 - consumers are fully informed.
- Develop a Recommended Best Practices document to assist registrants and outside sales representatives.

Governance Committee (Chair: Brett Walker)

- Conduct an annual review and make recommendations regarding TICO's governance model, including the board's role, purpose, core values and responsibilities.
- Review and make recommendations regarding board member recruitment 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.
- Review and make recommendations on the Board Policy regarding Election of Directors each year.
- Develop guidelines for candidate campaigns during the election process.
- Conduct an annual review of the Board of Directors Code of Conduct and recommend changes when appropriate.
- Annually review the Board and Committee Attendance Policy, which sets out TICO's expectations with respect to board and committee attendance and sets out the process for dealing with attendance problems and make recommendations if changes are required.
- Examine the issue of board member retention, including an annual review of board and committee member remuneration and recommend changes where appropriate.
- Review and make recommendations regarding TICO's Board Committee policies.
- Develop strategies to enhance board performance.
- Devise a set of basic performance benchmarks to measure board effectiveness.
- Develop a system for evaluating the board's per-

formance.

- Communicate results of board evaluations.
- Review and recommend changes to TICO's Board Orientation Process.
- Consider ongoing board training initiatives.
- Be responsible for policies in relation to corporate governance.
- Recommend any changes required to TICO's By-law in relation to governance issues.

**Alternate Finance Committee
(Chair: Michael Merrithew)**

- Assess the level the Fund should be maintained at to ensure adequate protection for consumers.
- Review who should be contributing to the Fund.
- Determine a fair and workable method to assess contributions to the Fund.
- Explore whether there should be higher financial requirements for entry to the industry.
- Identify potential models for compensation by examining different models from other jurisdictions.
- Conduct a comparative analysis of potential models against Ontario's current system.
- Identify best practices from the various models analyzed.
- Identify key areas of risk in registrant business practices.
- Consider steps that could be taken to reduce those risks.

**Consumer Advisory Committee
(Chair: Michael Pepper)**

- To provide the President/CEO with observations, advice and recommendations with respect to consumer issues.
- To monitor general trends vis-à-vis consumer complaints.
- To gather information on programs employed by other professions that are intended to increase consumer protection.
- To develop recommendations that will enhance consumer confidence and protection.
- To gather and exchange information on issues of interest and importance to consumers.
- To gather information on programs and/or implementation strategies for programs that will advance consumer protection.

Business Accomplishments 2007/2008

BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2007/2008	ACTIVITIES & ACCOMPLISHMENTS
<p>Implement <i>Travel Industry Act, 2002</i> Education Standards</p>	<p>Finalize Study Manual for Travel Counsellors and for Supervisor/Managers.</p>	<p>Study Manual for Travel Counsellor and Supervisor/Manager level completed.</p> <hr/> <p>Study Manual for travel counsellor and supervisor/manager levels made available to the industry via PDF download, free of charge on both the TICO and CITC websites. Coil-bound copies of the Study Manual also made available for those wishing to purchase a hard copy.</p>
	<p>Finalize Proctors Guide.</p>	<p>Proctor's Guide completed and made available on both the TICO and CITC websites.</p>
	<p>Finalize Travel Counsellor and Supervisor/Manager Exams.</p>	<p>Online exams for both travel counsellor and supervisor/manager level have been completed and made available to the Industry.</p>
		<p>Combination Travel Counsellor and Supervisor/Manager Exam was completed for those individuals wishing to complete both exam levels at one time.</p>
	<p>Initiate plan for implementation of Education Standards.</p>	<p>Implemented the plan for TICO Education Standards.</p>
		<p>Effective date for Education Standards amended to July 1, 2009 to allow individuals sufficient time to meet the Standard.</p>
<p>Communicate with and educate stakeholders regarding the implementation of the Education Standards.</p>	<p>Communicated details of TICO Education Standards including FAQ's on various aspects of the Programme to all registrants. Further information, including a downloadable version of the Study Manual is available on both TICO's and CITC's website. As well, press releases and a mass mailing to all registrants providing information on the Education Standards requirement and process were distributed. Presentation on TICO Education Standards provided to attendees at Travel Law Day held in Toronto in February 2008.</p>	



BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2007/2008	ACTIVITIES & ACCOMPLISHMENTS
Implement <i>Travel Industry Act, 2002</i> Education Standards <i>(continued)</i>	Communicate with and educate stakeholders regarding the implementation of the Education Standards. <i>(continued)</i>	Education of stakeholders on TICO Education Standards to continue until the effective date of July 1, 2009.
	Develop and implement a plan to enforce the Education Standards.	Enforcement Plan to be completed to meet the legislated effective date for Education Standards of July 1, 2009.
Develop Discipline Process	Complete mandatory Code of Ethics for Registrants.	Reviewed the process for a mandatory Registrant Code of Ethics and determined that as TICO does not register individuals, the discipline model does not meet TICO's requirements.
	Finalize discipline process for non-compliance. This process will involve the assessment of monetary penalties for infractions.	Development of TICO administrative penalties for infractions commenced.
	Consult with stakeholders on the proposed discipline process.	Consultation with stakeholders and the implementation of the plan will commence once the development of the discipline process has been completed.
	Review feedback from consultation process and make enhancements to process.	
	Develop implementation plan for discipline process.	
Review and Recommend Changes to Ontario Regulation 26/05	Use results from compliance initiatives to recognize problem areas.	Review of compliance issues resulted in recommendations for regulatory changes in areas identified as problematic to stakeholders.
	Review Regulation to determine where changes would be beneficial.	Regulatory changes obtained in June 2007 to amend Ontario Regulation 26/05. (Amendments in Ontario Reg. 278/07) to various sections of the Regulation pertaining to areas such as advertising, invoicing and the amendment to the Education Standards effective date.

Business Accomplishments 2007/2008

BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2007/2008	ACTIVITIES & ACCOMPLISHMENTS
Review and Recommend Changes to Ontario Regulation 26/05 <i>(continued)</i>	Review Regulation to determine where changes would be beneficial. <i>(continued)</i>	Continued a review of Ontario Regulation 26/05 by the Legislative and Regulatory Committee which analyzed where changes may be beneficial to address the areas identified as problematic to stakeholders.
	Meet with industry and government representatives with respect to proposed changes to the Regulation.	Consulted with the Ministry on specific legislative proposals for reform that required further input from TICO. Submission provided to the Ministry on various issues with proposed amendments.
	Consult with stakeholders on proposed changes.	Consultation to commence once Ministry has completed its review of TICO's proposed amendments.
	Review feedback received from consultation process and submit proposed changes to the Ministry.	
Review Board Recruitment Process	Review the criteria for Board members.	Added criteria to TICO's Board Member Profile. Reviewed and recommended changes to TICO's Terms of Reference for a Board Member.
	Review Election process.	Reviewed TICO's Election Process and made changes to TICO's Election of Directors Policy.
	Review TICO By-laws.	Review of TICO By-laws commenced.
	Review remuneration of Board members.	Review of remuneration of Board members commenced.
	Recommend change where appropriate.	Enhanced TICO's Governance Model.
		Reviewed TICO Board and Committee Structure. Improved TICO's Board Chair Profile and developed Board Vice Chair Profile.



BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2007/2008	ACTIVITIES & ACCOMPLISHMENTS
<p>Increase Consumer and Registrant Education and Awareness</p>	<p>Continue radio and television campaign promoting the benefits of purchasing travel services from Ontario registrants.</p>	<p>Continued television advertisement campaign during the months of January to March 2008 promoting consumer awareness of TICO and benefits of dealing with Ontario registrants with the use of the tag line: <i>“Always Look for the TICO sign when you book your travel time.”</i></p> <hr/> <p>Hired media firm to develop a new campaign and media strategy for TICO’s Consumer Awareness Campaign.</p>
	<p>Encourage registrants to display collateral materials, for example, posters to support TICO’s radio and television campaign.</p>	<p>Distributed collateral materials to registrants and continued to encourage registrants in TICO Talk newsletter and TICO website to support TICO’s Consumer Awareness Campaign by displaying and distributing collateral materials to consumers to increase awareness.</p>
	<p>Participate at travel related consumer shows providing educational literature.</p>	<p>TICO participated at 9 consumer and industry trade shows during the last 12 months to promote consumer awareness as to the benefits of purchasing travel services from Ontario registrants.</p>
	<p>TICO’s CEO to conduct radio and television interviews to promote knowledge of TICO.</p>	<p>Conducted 16 media interviews promoting knowledge and awareness of TICO.</p>
	<p>Obtain editorial coverage and take out ads in the press aimed at promoting consumer awareness.</p>	<p>Produced a weekly Travel Registrar Q&A column in the National Post newspaper.</p>
		<p>Placed an advertisement and editorial in Horizon Travel Magazine promoting awareness of TICO and the benefits of purchasing travel services from Ontario registrants.</p>

Business Accomplishments 2007/2008

BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2007/2008	ACTIVITIES & ACCOMPLISHMENTS
Liaise with Other Jurisdictions to Eliminate Gaps in Consumer Protection	Contact provincial counterparts and other industry and consumer associations to garner support for more consumer protection with respect to airlines at the federal level.	Continued to work with the Traveller's Protection Initiative (TPI) to advocate for changes at the federal level with respect to changes to the Canada Transportation Act that will strengthen consumer protection and improve consumer disclosure.
	Continue to advocate for changes to federal regulations pertaining to airlines.	Presentation was provided by TPI to the Federal Standing Committee on Transport in relation to the proposed changes to the Canada Transportation Act, specifically in respect to airline advertising and financial criteria.
	Keep abreast of proposed changes to travel legislation in other provinces.	Presentation was provided by TPI to the Senate in relation to the proposed changes to the Canada Transportation Act, specifically in respect to airline advertising.
	Keep abreast of proposed changes to travel legislation in other provinces.	Kept informed of proposed changes to travel legislation in other provinces.
	Promote the benefits of having harmonized standards in the travel industry across Canada.	Met with representatives of travel trade associations and/or governments in other provinces to discuss the feasibility of introducing harmonized standards across Canada.
		Provided response to the Business Practices & Consumer Protection Authority of British Columbia (BPCPA) Travel Industry Regulation Consultation.
	Maintained a close dialogue with the Province of Quebec Office de la Protection du Consommateur Policy Staff.	

Continuing Business Objectives 2007/2008



BUSINESS PLAN OBJECTIVES	CONTINUING PERFORMANCE MEASURES 2007/2008	ACTIVITIES & ACCOMPLISHMENTS
Assess Effectiveness of What TICO has Done to Date	Continue to distribute consumer surveys to assess TICO's operational effectiveness in the area of claims processing and complaint handling.	Distributed consumer surveys to assess TICO's operational effectiveness in the area of claims processing and complaint handling.
	Report results of completed consumer surveys.	Results of completed consumer surveys are reported in TICO's 2008 Annual Report. See pages 19 & 23.
	Review the results and implement changes to procedures if necessary.	Reviewed the results of the completed consumer surveys. Plans have been made to address any dissatisfaction issues. Further details are reported in TICO's Annual Report.
Maintain and Improve Operational Efficiency	Continue to enhance TICO's Information Management System.	Enhancements to TICO's Information Management System completed due to changes in the Compensation Fund assessment rates and registration and registration renewal fees.
	Incorporate changes to TICO's database to allow for alignment of Form 1 payments with annual registration renewals.	
	Continue to analyze consumer survey results to assess opportunities to improve TICO's operational effectiveness in the area of claims processing and complaint handling.	Survey results analyzed with respect to enhancing complaint processing turn around times. One additional staff member hired to assist in complaints processing to improve customer service and turn around times.
	Review TICO's internal procedures and make amendments to policies to keep up to date.	Reviewed TICO's internal procedures in relation to the processing of Compensation Fund assessments and the processing of registration and renewal applications in response to the rate reforms.
	Review TICO's Privacy Policy and TICO's internal processes to determine where enhancements could be made to better ensure privacy is protected.	Reviewed TICO's Privacy Policy and TICO's internal processes. No changes were made to the policy in the last year.

Continuing Business Objectives 2007/2008

BUSINESS PLAN OBJECTIVES	CONTINUING PERFORMANCE MEASURES 2007/2008	ACTIVITIES & ACCOMPLISHMENTS
<p>Maintain and Improve Operational Efficiency <i>(continued)</i></p>	<p>Complete TICO's internal Disaster Recovery Plan which will set out policies and procedures for TICO in the event of a disaster.</p>	<p>Continued work on the development of the Disaster Plan. Some achievements to date are as follows:</p> <ul style="list-style-type: none"> - Secured an Agreement with the Ministry of Government and Consumer Services to provide TICO with office space and facilities in the event of a disaster resulting in TICO's current office space being devastated. - Completed Disaster Recovery Plan Testing for the recovery of TICO's internal Information Management Systems in the event of a disaster. - Established a proposed budget for the re-establishment of TICO operations in the event of a disaster. - Produced Disaster Recovery Boxes stored at offsite storage location which contains all vital records and information in relation to the recovery of TICO operations in the event of a disaster.
	<p>Meet the terms of the Administrative Agreement.</p>	<p>Met the terms of the Administrative Agreement by maintaining operations and systems for effectively administering the terms of reference of TICO's mandate with the Ministry.</p>
	<p>Align Form 1 payments with annual registration renewals.</p>	<p>Process to align Form 1 payments with annual registration renewals has commenced.</p>
	<p>Commence review of TICO's Complaints and Compliance process.</p>	<p>Commenced review of TICO's Complaints and Compliance process.</p>
	<p>Review Outside Sales Representative Guidelines.</p>	<p>Reviewed Outside Sales Representative Guidelines and set performance objective for 2008/09 to review criteria for all sellers of travel to ensure consumer protection.</p>

Continuing Business Objectives 2007/2008



BUSINESS PLAN OBJECTIVES	CONTINUING PERFORMANCE MEASURES 2007/2008	ACTIVITIES & ACCOMPLISHMENTS
Maintain and Improve Operational Efficiency <i>(continued)</i>	Review the services that TICO provides and create a schedule of fees on a cost recovery basis.	Drafted a schedule of fees on a cost recovery basis for services provided by TICO.
	Initiate IT Systems Audit.	IT Systems Audit conducted and completed.
	Review and implement recommendations resulting from IT Systems Audit Report	Reviewed recommendations from the IT Systems Audit. Implementation of necessary recommendations completed.
	Review the level of the Compensation Fund to ensure that it is sufficient to provide adequate protection for consumers.	Reviewed level of Compensation Fund to ensure that it is sufficient to provide adequate protection for consumers.
	Review contribution rates to ensure the Fund is adequately financed.	Reviewed contribution rates to ensure the Compensation Fund is adequately financed.
	Review registration and renewal fees to ensure TICO is adequately financed.	Reviewed registration and renewal fees to ensure that TICO is adequately financed.
Communications and Government Liaison	Publish and distribute TICO Talk quarterly newsletter to Registrants, develop and distribute informational literature on various topics and distribute Industry Advisories and Registrar Bulletins to all stakeholders on significant and timely issues.	Prepared and distributed a quarterly newsletter (TICO Talk) to all registrants and distributed Industry Advisories on significant and timely issues.
		TICO's Communications Plan to advise all stakeholders as to the changes to the <i>Travel Industry Act, 2002</i> and Ontario Regulation 26/05 was ongoing in the 2007/08 fiscal year. Information available on TICO's website as well as communicated to stakeholders during day to day operations.
	Update and keep current TICO's website with information to benefit stakeholders such as Industry Advisories, Business Plan, Annual Report and the TICO Talk Newsletter.	Maintained TICO website and provided timely online information to benefit stakeholders. Information provided included communication items such as updated FAQ's on the Education Standards Programme, Press Releases, Guidelines, Business Plan, Annual Report and the TICO Talk Newsletter.

Continuing Business Objectives 2007/2008

BUSINESS PLAN OBJECTIVES	CONTINUING PERFORMANCE MEASURES 2007/2008	ACTIVITIES & ACCOMPLISHMENTS
Communications and Government Liaison <i>(continued)</i>	Improve TICO communications with stakeholders by implementing internal broadcast email capability.	TICO commenced communicating with registrants via broadcast email.
	Continue to liaise with Ministry of Government and Consumer Services on issues that require TICO's input.	TICO continued to liaise with the Ministry of Government and Consumer Services on issues that require TICO's input and participated in regular liaison meetings.
	Continue to communicate and restate Code of Ethics to all Registrants. Update and keep current TICO's website with information to benefit stakeholders.	Continued to communicate and restate TICO Voluntary Code of Ethics for registrants on TICO's website and TICO Talk Newsletter.
	Make available a Business Plan to all stakeholders by June 30, 2007	Provided annual Business Plan for 2007-2010 to stakeholders.
	Work with the Ministry to finalize outstanding items on the Administrative Agreement including Archives Agreement and Regulation Consultation Criteria.	Archives Agreement and Regulation Consultation Criteria to be finalized.

Operational Performance Review



Registration

On March 31, 2008, there were a total of 2,730 registrations with TICO (Fig. 1). This total is comprised of 2,295 retail travel agencies, who sell travel services directly to consumers and 435 travel wholesalers, who sell travel product through travel retailers (Fig. 2). A total of 2,526 registrations were processed under the *Travel Industry Act, 2002* in 2007/2008, which included 162 new registrations (Fig. 3) and 2,364 renewals (Fig. 4). The increase in renewal applications processed is attributed to the fact that registrants renew their registration annually. Prior to September 1, 2006, registrations were renewed bi-annually.

Complaints

TICO handled 266 written consumer complaints in 2007/08 compared to 182 in the previous year (Fig. 5). In processing these complaints, TICO successfully assisted consumers in obtaining \$118,522.00 in restitution compared to \$56,678.21 the previous year. In addition, TICO handled 2,158 telephone complaint inquiries and 305 email complaint inquiries.

The top 10 types of written complaints received at TICO in 2007/2008 are:

1. Invoicing issues.
2. Incomplete or incorrect information provided to the consumer by the registrant. (i.e. information regarding the travel product or services being sold.)
3. Customer service issues.
4. Misrepresentation of travel services by registrant in an advertisement or brochure.
5. Cancellation / Terms & Conditions.
6. Information / Documentation. Issues related to travelling with passports and other travel documents.
7. Outstanding refunds.
8. Incorrect ticketing / ticketing errors.
9. Matters outside the scope and mandate of TICO's authority.
10. Accommodation purchased by the consumer changed and not provided in destination.

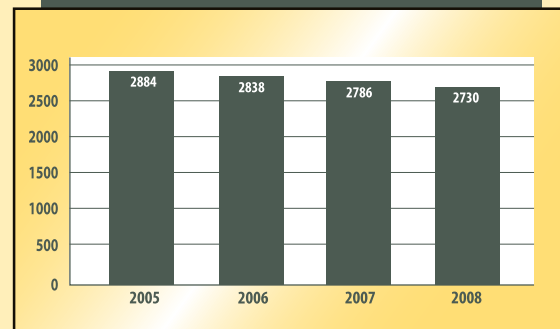


Figure 1: Total Registrations under the Act

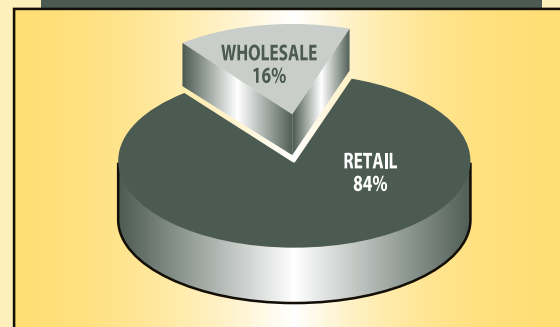


Figure 2: Breakdown of Registrations

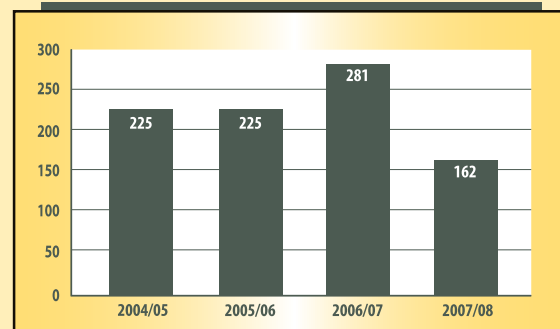


Figure 3: Total New Applications Processed

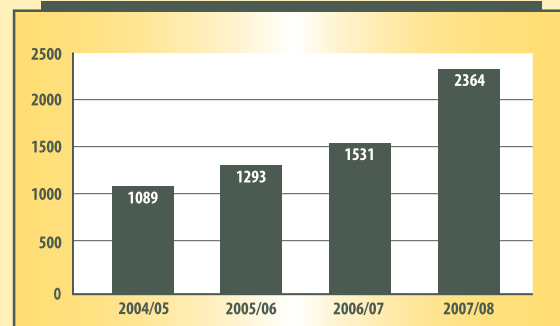


Figure 4: Total Renewal Applications Processed

Consumer Survey Results - Complaints Process

During the fiscal year 2007/08, TICO distributed consumer surveys to 266 consumers who filed complaints against registrants with TICO inviting feedback as to their experience with TICO's complaint's process. At the end of March 2008, there were 33 completed surveys returned to TICO.

The results of the 33 completed surveys received are as follows:

When asked to rate their overall satisfaction with TICO's handling of their complaint, 25 consumers advised they were very satisfied and 7 consumers were dissatisfied and 1 consumer was neutral in their opinion.

When asked to rate their satisfaction with the fairness of the process, 25 were satisfied; 7 were dissatisfied and 1 consumer was neutral in their opinion.

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

In other cases, TICO was able to identify areas of a possible contravention(s) of the Act and/or Regulation on behalf of the registrant(s) involved. These issues were referred to TICO's Compliance Department for further review. As a result, TICO requires registrants to initiate corrective measures in an effort to prevent similar situations from affecting future travelers. However, such referrals are not directed at obtaining compensation for specific complaints. It should be noted that TICO does not have the authority to settle a dispute, or to impose a settlement.

Some consumers expressed dissatisfaction with TICO not having the authority to settle a dispute, or to impose a settlement in complaint matters. TICO is in the process of developing a Discipline Process that will provide TICO with a mechanism to impose penalties against a registrant in the event of a contravention of the Act and Regulation. While the registrant may be subject to a penalty, this process may not result in any compensation to the consumer.

The survey results also indicated that 6 consumers

expressed some dissatisfaction regarding complaint processing turnaround times. A total of 27 consumers were satisfied with the length of time taken to process their complaint file. Turnaround times may vary considerably depending on the responses of complainants and registrants. TICO is striving to improve upon these turnaround times.

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 receive site inspections (Fig. 6). During the fiscal period 2007/2008, TICO completed 842 site inspections compared to 742 in the prior year (Fig. 7). All registrants are now required to maintain trust accounting. The increase in site inspections from 2005-2006 is due to a special two year project to visit all registrants that were previously grandfathered from the trust account-

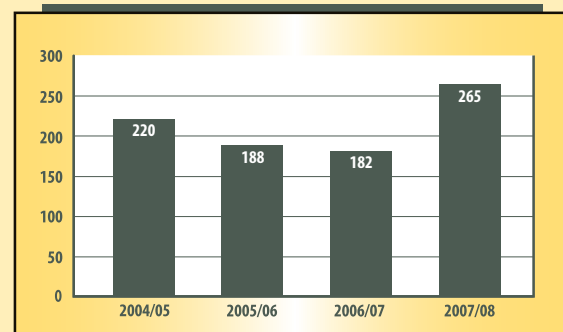


Figure 5: Written Complaints Handled

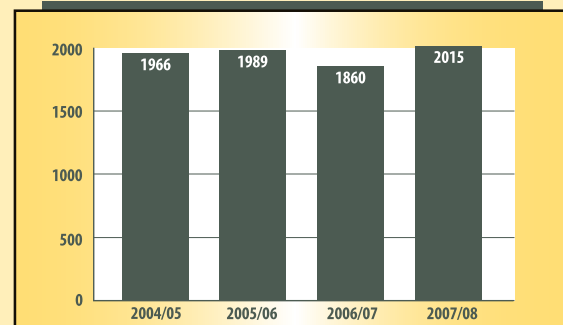


Figure 6: Total Financial Bench Reviews

ing requirement. During the year, TICO visited 290 registrants that were previously grandfathered from trust accounting. As of March 31, 2008, there are 20 of the grandfathered registrants left to be visited.

Non - Financial Inspections

TICO performed 14 compliance site inspections during the 2007/2008 fiscal year to address various issues such as advertising, invoicing and operating without registration. In 2007/2008, a total of 30 warnings for operating without registration compared to 122 in the previous year (Fig. 8) and 132 advertising warnings (Fig. 9) were issued to registrants and/or individuals who appeared to be carrying on business in contravention of the Act and Regulation. In addition, 313 invoicing warnings (Fig. 10) were issued to registrants who did not provide proper invoices and/or receipts in accordance with the Regulation. Invoice warnings decreased in 2007/08 compared to the 755 warning issued in the prior year. Warnings for invoicing are as a result of the changes to the Regulation, which came into force on July 1, 2005. Invoicing deficiencies are forwarded to the Compliance Department from consumer complaints, financial inspections and claims.

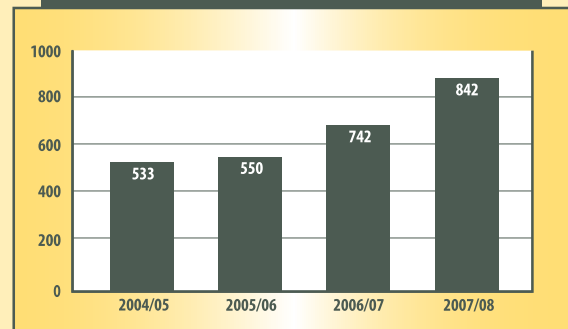


Figure 7: Financial Site Inspections

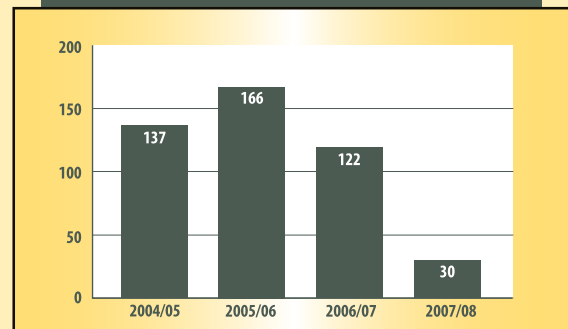


Figure 8: Total Warnings Issued for Operating without Registration

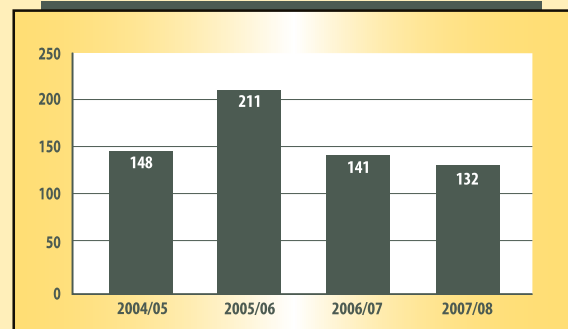


Figure 9: Total Warnings Issued for Advertising Infractions

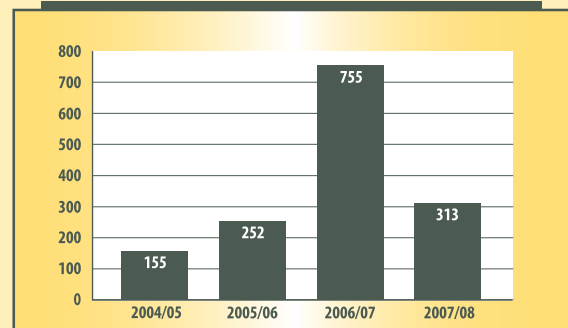


Figure 10: Total Warnings Issued for Invoicing Infractions

Travel Compensation Fund

Claims and Repatriation

Claims paid during the fiscal year ended March 31, 2008 compared to the previous year ended March 31, 2007 were as follows:

	<u>2007/08</u>	<u>2006/07</u>
Number of claims paid	550	160
Number of consumers assisted	756	1556
Claims paid - Registrant failure	\$ 529,632	\$ 887,033
Claims paid - End supplier failure	\$ 338	\$ 85,633
Total Claims paid	\$ 529,970	\$ 972,666
Repatriation	\$ —	\$ —
Less recoveries	\$ (50,145)	\$ (57,190)
Net claims paid	<u>\$ 479,825</u>	<u>\$ 915,476</u>

Repatriation

There were no consumers repatriated during the 2007/2008 fiscal year.

Closures in 2007/08 Resulting in Significant Claims Paid

Alves Travel Inc. ***o/a Alves Travel Inc.***

On August 09, 2007, Alves Travel Inc. voluntarily terminated its registration to operate as a travel retailer under the Ontario *Travel Industry Act, 2002*. Alves Travel Inc. sold mainly air and packaged holidays to various destinations. During the year ended March 31, 2008, a total of \$55,326 was paid out of the Compensation Fund, assisting 64 consumers.

Other Closures

The following entities ceased operations in previous years and resulted in claims paid during the 2007/08 fiscal year.

1091873 Ontario Inc ***o/a One Step Travel*** ***o/a Student Escape Tours***

On November 28, 2006, 1091873 Ontario Inc. operating as One Step Travel and its retail branch office operating as Student Escape Tours voluntarily

terminated its registration to operate as a travel retailer under the Ontario *Travel Industry Act, 2002*. One Step Travel sold mainly packaged holidays to various destinations and Student Escape Tours specialized in selling packaged holidays to the student market. During the year ended March 31, 2008, a total of \$343,790 was paid out of the Compensation Fund, assisting 547 consumers. To date, a total of \$1,005,830 has been paid out of the Compensation Fund assisting 996 consumers.

Riverwatch Investments Inc. ***o/a Cruise Holidays of Brockville***

On February 20, 2007, TICO revoked the licence of Cruise Holidays of Brockville to operate as a travel retailer under the Ontario *Travel Industry Act, 2002*. Cruise Holidays of Brockville sold mainly cruise package holidays to various destinations. During the year ended March 31, 2008, a total of \$74,554 was paid out of the Compensation Fund, assisting 34 consumers.

Sendas Tours Inc. ***o/a Sendas Tours Inc.***

On March 28, 2007, Sendas Tours Inc. voluntarily terminated its registration to operate as a travel retailer under the Ontario *Travel Industry Act, 2002*. Sendas Tours Inc. sold mainly air and packaged holidays to various destinations. During the year ended March 31, 2008, a total of \$21,443 was paid out of the Compensation Fund, assisting 26 consumers.

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

REGISTRANTS	CLAIMS PAID 2007/08 \$	RECOVERIES 2007/08 \$	CLAIMS PAID 2006/07 \$	RECOVERIES 2006/07 \$
African Wings Travel & Tours (R) (W)			73,510	
AlvesTravel Inc (R)	55,326			
Amazonas Travel Agency Inc (R) (W)				2,700
Amrals Travel Canada Ltd (R)		6,000		6,600
Baldwin Travel & Tours (R) (W)	5,380		45,322	
Canada 3000 Airlines *			84,166	
Ceylon Tours & Travel Inc (R)		1,500	1,375	
Cruise Holidays of Brockville (R)	74,554	10,000		
Exotique Expeditions (R)	8,297	10,000	6,771	
Global Getaways Travel (R)			5,773	5,773
G & P Travel (R)			52,700	
Hillcrest Tour Group (W)	18,996		21,580	
Jes`Hue Travel (R)	846	6,235	5,389	
Jetsgo *	338		2,538	
Jubba World Travel (R)			125	
Northumberland Travel (R)		2,375	2,375	
One Step Travel / Student Escape Tours (R)	343,790		662,040	
Premier Holidays (R) (W)		12,715		12,714
Prespa Travel (R)			6,180	10,000
Renaissance Cruises*				17,505
Royal Olympic Cruises *			1,467	
Sendas Tours Inc. (R)	21,443			
Shalom K Tours (R)				578
Travel Designers (R)			1,355	
Travel World Rispin (R)	1,000			
Travelpack Marketing (R) (W)		1,320		1,320
TOTAL CLAIMS PAID (GROSS)	<u>\$ 529,970</u>	<u>\$ 50,145</u>	<u>\$ 972,666</u>	<u>\$ 57,190</u>

(R) = Retailer (W) = Wholesaler

(*) = Non-registrant End Supplier (Airline or Cruise line)

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

Figure 11 illustrates the total claims paid by the Fund over the last four years. Recoveries received by TICO in 2007/2008 were \$50,145 compared to \$57,190 recovered in 2006/2007.

Contributions to the Fund from registrants (Fig. 13) have decreased by \$1,080,236 over 2006/2007. The decrease in contributions to the Fund is a result of the reduction in assessment rates in June 2006.

Consumer Survey Results – Claims Process

During the fiscal year 2007/08, TICO distributed consumer surveys to 75 consumers who filed claims against the Compensation Fund inviting feedback on their experience with TICO’s claims process. At the end of March 2008, 13 completed surveys were returned to TICO.

The results of the completed survey received were as follows:

When asked to rate their overall satisfaction with TICO’s handling of their claim, and the fairness of the process, 11 consumers indicated that he/she was very satisfied and 2 consumers were neutral in their opinion.

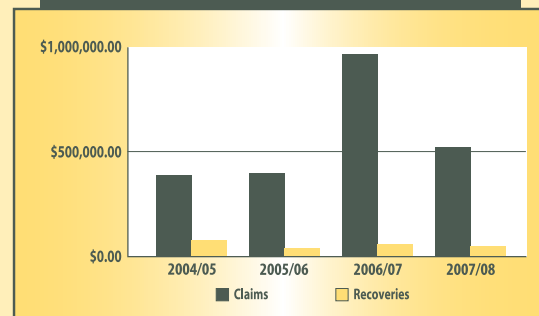


Figure 11: Total Claims paid and Recoveries to the Fund

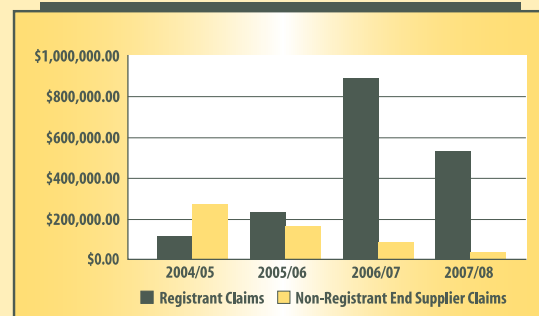


Figure 12: Registrant Claims vs Non-Registrant End Supplier Claims

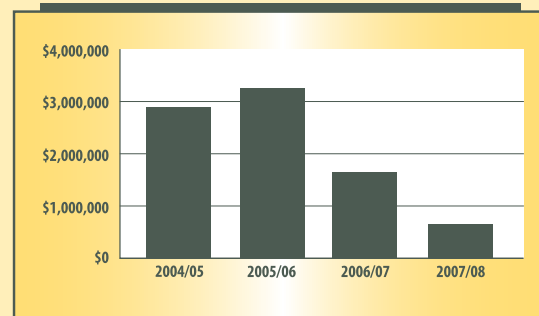


Figure 13: Contributions to the Fund

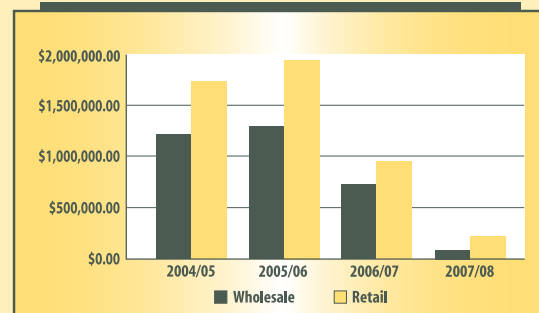


Figure 14: Contributions on the Fund - Retail vs Wholesale

Legal Matters



Claims

The Licence Appeal Tribunal (LAT) hears appeals from decisions of the Board relating to the eligibility of claims for payment from the Compensation Fund. LAT upheld one decision of the Board to disallow a claim from a hearing held in the previous year. During the period ended March 31, 2008, LAT held one hearing regarding an appeal which decision was still pending at the end of the fiscal year.

Investigations and Prosecutions

TICO initiates and performs investigations when it becomes apparent that there may have been a breach of the legislation which can result in charges being laid under the statute. Investigations conducted in 2007/2008 have resulted in the following prosecutions:

Andrew Carleton Smith and Highcrest Management Inc. were each convicted of one count of operating without registration contrary to section 4(1)(a) of the *Ontario Travel Industry Act, 2002*. Mr. Smith was sentenced to 30 days in jail and is subject to a probation order for a period of two years preventing Mr. Smith from selling travel services. Highcrest Management Inc. was fined \$2,000 and ordered to pay restitution of \$8,037 to a consumer. Mr. Smith was previously convicted under the *Travel Industry Act* for operating without registration in 2005.

Elorine Johnson was convicted of two counts of failing to maintain trust accounting contrary to section 36 of Regulation 806/93 made under the *Travel Industry Act*. Ms. Johnson was also convicted of making a false statement contrary section 25(1)(a) of the *Travel Industry Act*. Ms. Johnson was fined \$1,500 and sentenced to two years probation which includes making restitution to TICO in the amount of \$20,456.88 and 150 hours of community service.

Gary MacLeod was convicted of one count of acting or holding himself out as being available to act as a travel agent without being registered contrary to subsection 4(1)(a) of the *Ontario Travel Industry Act, 2002*. Mr. MacLeod was fined \$1,000.

Gail Ellen Tilbrook and National Direct Response Marketing Canada Inc. were convicted of one count each of operating without registration as a travel agent contrary to section 3(1) of the *Ontario Travel Industry Act* and one count each of unfair business practices including making false, misleading and deceptive consumer representations contrary to section 2(1) (viii) of the *Business Practices Act*. Ms. Tilbrook was sentenced to 30 days in jail.

Yassin Alkallas of RMR Business Travel and Tourism Limited, was convicted of one count of dealing with a travel agent who is not registered under the *Travel Industry Act, 2002* contrary to section 20 of Regulation 26/05 made under the Act. Mr. Alkallas was fined \$875 and given 30 days to pay the fine. The charge against the corporation, RMR Business Travel and Tourism Limited, was withdrawn.

Shih-En Lan, principal of 1521103 Ontario Inc. o/a Citywide Tours, was convicted of one count of acting or holding himself out as being available to act as a travel agent without being registered as such, contrary to subsection 4(1)(a) of the *Ontario Travel Industry Act, 2002*. The registration of 1521103 Ontario Inc. o/a Citywide Tours was revoked as a travel agent under the Act on August 22, 2007, however the company continued to sell travel to consumers after this date. The charge against the company was withdrawn. Mr. Lan was fined \$3,000 and given 1 year to pay the fine.

Antonio Avella was convicted of four counts of willfully failing or refusing to comply with a Probation Order made on January 5, 2005 contrary to section 75 of the *Ontario Provincial Offences Act, 1990* (the "POA"). Mr. Avella was sentenced to 30 days in jail for each count, served concurrently. Previously, on January 5, 2005 Mr. Avella pled guilty to three (3) counts of acting or holding himself out as being available to act as a travel agent without registered, contrary to section 3(1) of the *Ontario Travel Industry Act*. He received a suspended sentence and 2 years of probation. One of the conditions of the Probation Order was the obligation to pay restitution in the amount of \$66,144.09 USD. Mr. Avella failed to make restitution in accordance with the detailed schedule of payments and as a result was charged with the offence under s. 75 of the POA.

Judy Kadet-Kovacs of G & P Travel Ltd was convicted of failing to maintain trust accounting contrary to section 27 of Regulation 26/05 made under the *Travel Industry Act, 2002*. Ms. Kadet-Kovacs was fined \$5,000 payable within 30 days and sentenced to a 2 year period of probation which includes 500 hours of community service to be completed within the probationary period.

Proposals to Revoke Registration

A total of 78 proposals to revoke registration were issued during 2007/2008. The proposals were issued for the following reasons:

Failure to File Financial Statements	40
Failure to maintain Working Capital	14
Other Breaches of the Act and Regulation	24

During the year 21 registrations were revoked as a result of proposals issued. TICO was required to attend 19 pre-hearings and 3 hearings before LAT in response to the proposals issued to the registrants. Some proposals were settled prior to their scheduled hearing date. During the year, 40 proposals were withdrawn and 5 were settled by consent order. At the beginning of 2007/2008, there were 7 outstanding proposals and at the end of March 2008, there were 19 outstanding proposals.

Legislative and Regulatory Changes

There were several changes to the regulations made under the *Travel Industry Act, 2002* that impacted TICO over the last year. Ontario Regulation 278/07, which came into effect on June 21, 2007, included the following changes:

- Sections 12, 14, 15, 16 and 17 of Ontario Regulation 26/05 were amended to change the effective date for TICO's Education Standards to July 1, 2009. This change gave individuals an additional year to meet the educational requirements.
- Section 17 of Ontario Regulation 26/05 was amended to capture situations where the registrant is not aware of a change to the office supervisor/manager at least five days before the change takes place. In such circumstances, the registrant shall notify the Registrar immediately upon becoming aware of the change.

- Section 33 of Ontario Regulation 26/05 that deals with representations that refer to a price was amended to require a reasonable description of the travel services. The section previously required that the name of air carriers, hotels and travel wholesalers be stated. This posed a problem for travel agencies selling cruise packages as often the cruise line does not advise what airline will be used until near the departure date.
- Section 38 of Ontario Regulation 26/05 deals with invoicing. It was amended to only require the name of the travel counsellor who made the booking and accepted the first payment to appear on the invoice. The section previously required the name of every travel counsellor who provided information to the customer on the travel agent's behalf to be listed on the invoice.

Complaint Handling Process



TICO staff receive numerous telephone and email enquiries on a daily basis including those from consumers, registrants, applicants, government and Industry stakeholders. TICO staff provides information with respect to consumer and business complaints, registration processes and acceptable business 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. However, TICO does not have the authority to settle a dispute, or to impose a settlement, and it does not have the authority or mandate to act as an arbitrator in any complaint matter. When a complaint involves allegations of non-compliance with the Act, the Registrar will undertake the necessary compliance and enforcement activities. If such is the case, this will be dealt with separately from assisting with resolution of the complaint. When a mutual solution is not reached, complainants are provided with information regarding options to pursue matters.

When TICO receives a complaint it may be resolved in anywhere from a few hours over the telephone or a few weeks to a few months for a formal written complaint. The length of time varies depending on the complexity of the issues, the availability of feedback and documentation required, and the level of cooperation of those involved.

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 2007/2008 fiscal period, the Committee reviewed one complaint 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.
Complaint Handling Process

Consumer Awareness Campaign



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

This past year, TICO retained a media firm to develop a new campaign and media strategy to ensure that consumers are aware of the benefits of purchasing travel services from Ontario registered travel agencies. The new campaign focuses on getting TICO's message to consumers throughout the Province. TICO has measured its success each year by having an Omnibus Survey completed. Over the years, the survey has shown modest increases in consumer awareness. Over the next year, TICO's goal is to surpass the previous results of an Omnibus survey that resulted in 46% consumer awareness of the existence of the Ontario Travel Industry Compensation Fund and 43% consumer awareness of TICO. The new campaign benefits both consumers and registrants and continues to focus on increasing consumer awareness in Ontario.

French Language Services

TICO strives to respond to all inquiries received in the French language 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

The financial review is based on the audited financial statements for the year ended March 31, 2008 with comparative figures for March 31, 2007.

Overview

As at March 31, 2008, the Net Assets of TICO were \$30,443,470 compared to \$30,454,395 for the year ended March 31, 2007. This small decrease in Net Assets was a result of expenses exceeding revenues by \$10,925 for the year. Excess revenue for the year ended March 31, 2007 was \$86,578. While total revenues have decreased in 2007/2008 by 11%, expenses for the same period have decreased by approximately 9%.

TICO is required to hold all Compensation Fund monies in trust. As of March 31, 2008 the assets held for the Fund were \$29,645,803 compared to \$29,846,575 as of March 31, 2007.

Revenue

Total Revenue for the year ended March 31, 2008 was \$3,579,994 and derived from semi-annual assessments based on gross sales of Registrants (\$604,029), applications for renewal of registrations (\$993,348) and from new applications for registration (\$312,874). A total of \$1,669,743 in investment income was earned during the year. Included in investment income is an unrealized gain of \$167,587. This unrealized gain is a result of TICO adopting a new accounting policy, effective January 1, 2007 with respect to the disclosure of investments. The new accounting policy dictates that investments must be disclosed at market value where in prior years investments were carried at the lower of cost or market value.

Semi-Annual Assessments

All registrants are required to pay into the Compensation Fund based on their gross travel sales. The current contribution rate for both retail and wholesale registrants is .05 per \$1,000 of sales. Semi-Annual Assessments have decreased to \$604,029 for 2007/2008 from \$1,684,265 for 2006/2007. The contribution rate was reduced effective April 1, 2006 and the 2006/2007 contributions reflects only a prorated decrease in the contribution rates while 2007/2008 reflects the fully reduced rate.

	<u>2008</u>	<u>2007</u>
Retail	\$ 432,357	\$ 942,427
Wholesale	<u>171,672</u>	<u>741,838</u>
	<u>\$ 604,029</u>	<u>\$ 1,684,265</u>

Registration Fees

Revenue from registration fees is derived from two sources: new registration fees and renewal fees. In September 2006, TICO introduced new rates for New Registration Fees and Renewals and changed the renewal period from 2 years to 1 year. New registration fees are \$2,750 for a head office and \$750 for a branch office and cover a one year period of registration. Renewals are based on a registrant's sales volume and can range from \$250 to \$1,500 per head office. The renewal fee for a branch office is \$250. 2006/2007 was a transition year for the renewal process as some registrants had already paid their renewal for a two year period when the new rates were introduced and therefore their renewal fees had to be prorated over the period. Renewals were also aligned to correspond to the Registrants year end. In 2007/2008, there was an increase in renewal fees of \$382,151 over the 2006/2007 year as the prior year was a transition year. As of March 31, 2008 all registrants' renewals had been aligned to the one year renewal process. In 2007/2008 Revenue from New Registrants decreased by \$68,763 over the prior year due to a decline in new entrants into the industry.

Expenses

Total expenses for TICO decreased to \$3,590,919 for 2007/2008 from \$3,956,131 in 2006/2007. The significant variances are as follows:

Total claims for the year ended March 31, 2008 were \$529,970 which consists of claims from registrant failures of \$529,632 and \$338 from failures of non registrant end supplier airlines and cruise lines. Included in the net claims expense of \$521,831 are professional fees of \$41,949 incurred in relation to closures and recoveries and also an amount for closure expenses of \$57. Recoveries from security deposits and repayments from Registrants totalled \$50,145 for the year which reduces the total claim expense.

Consumer and Registrant Awareness expense for 2007/2008 is greater than 2006/2007 by \$29,201. Expenses in this category include TICO's province wide consumer awareness campaign and TICO continued to air its television advertisements during the year. TICO is in the process of developing a new campaign which will be introduced in 2008/2009. This expense also includes the cost of TICO's quarterly newsletter and TICO's participation in consumer trade shows.

General and Office expense has decreased by \$24,290 over the prior year Ontario.

Board Meeting Expense has increased in 2007/2008 by \$45,357 due to TICO holding its 10th anniversary dinner and a Board Retreat during the year.

Government Oversight Fees expense total \$127,290 for 2007/2008 compared to \$116,403 for 2006/2007. These fees are paid to the Ministry of Consumer and Business Services under the terms of TICO's Administrative Agreement. The current Administrative Agreement was signed on August 1, 2005.

Regulatory reform and minimum standards expense includes expenses related to the legislative review. During the year TICO completed and released the study manual for travel counsellors and supervisors managers to take the Education Standards Exam. In addition, TICO has been working on establishing a disciplinary process in accordance with the amendments to the *Travel Industry Act, 2002* and these costs have been included in this expense.

TRAVEL INDUSTRY COUNCIL OF ONTARIO

Appendix 1

FINANCIAL STATEMENTS MARCH 31, 2008

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TRAVEL INDUSTRY COUNCIL OF ONTARIO

NOTES TO THE FINANCIAL STATEMENT

MARCH 31, 2008



McGovern, Hurley, Cunningham, LLP
Chartered Accountants

Page 1

AUDITORS' REPORT

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

We have audited the statement of financial position of the Travel Industry Council of Ontario ("TICO") as at March 31, 2008 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, 2008 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

A handwritten signature in cursive script that reads "McGovern, Hurley, Cunningham, LLP".

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
May 7, 2008

2005 Sheppard Avenue East, Suite 300, 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

NOTES TO THE FINANCIAL STATEMENT

MARCH 31, 2008

	2008	2007
	\$	\$
ASSETS		
CURRENT		
Cash	4,355,458	5,486,598
Investments	27,836,257	26,578,592
Prepaid expenses and deposits	<u>79,068</u>	<u>50,783</u>
	32,270,783	32,115,973
EQUIPMENT (Note 3)	<u>93,776</u>	<u>89,291</u>
	<u>32,364,559</u>	<u>32,205,264</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	353,081	299,251
Deposits from registrants	<u>1,568,008</u>	<u>1,451,618</u>
	1,921,089	1,750,869
NET ASSETS		
Net assets per statement	<u>30,443,470</u>	<u>30,454,395</u>
	<u>32,364,559</u>	<u>32,205,264</u>
Commitments and contingencies (Note 6)		
APPROVED ON BEHALF OF THE BOARD:		
<u>Signed "Scott Stewart" , Chair of the Board</u>		
<u>Signed "Jeff Element" , Chair of the Audit Committee</u>		

See accompanying notes to the financial statements.

TRAVEL INDUSTRY COUNCIL OF ONTARIO

NOTES TO THE FINANCIAL STATEMENT

MARCH 31, 2008

	Invested In Equipment \$	Restricted For The Ontario Travel Compensation Fund \$	Unrestricted \$	2008 Total \$	2007 Total \$
Balance, beginning of year	89,291	29,846,575	518,529	30,454,395	30,367,817
Excess of revenues over expenses (expenses over revenues)	—	(198,305)	187,380	(10,925)	86,578
Purchase of equipment	43,185	(23,752)	(19,433)	—	—
Amortization of equipment	<u>(38,700)</u>	<u>21,285</u>	<u>17,415</u>	<u>—</u>	<u>—</u>
Balance, end of year	<u>93,776</u>	<u>29,645,803</u>	<u>703,891</u>	<u>30,443,470</u>	<u>30,454,395</u>

See accompanying notes to the financial statements.

TRAVEL INDUSTRY COUNCIL OF ONTARIO

NOTES TO THE FINANCIAL STATEMENT

MARCH 31, 2008

	2008 \$	2007 \$
REVENUE		
Renewals	993,348	611,197
Semi-annual payments from registrants	604,029	1,684,265
New registrants	312,874	381,637
Investment income, net	<u>1,669,743</u>	<u>1,365,610</u>
	<u>3,579,994</u>	<u>4,042,709</u>
EXPENSES		
Claims	529,970	972,666
Closure expenses	57	2,827
Professional fees and services	<u>41,949</u>	<u>38,926</u>
	571,976	1,014,419
Less: Recoveries	<u>(50,145)</u>	<u>(57,190)</u>
	521,831	957,229
Salaries and benefits	1,382,154	1,245,040
Inspections, compliance and prosecutions	436,316	423,998
Consumer and registrant awareness	328,608	299,407
Rent	187,258	184,026
General and office	173,033	197,953
Board meeting expense	156,099	110,742
Ontario Government oversight fees	127,290	116,403
Regulatory reform and minimum standards	93,028	161,152
Computer	64,294	58,412
Insurance	40,649	42,054
Professional fees	14,807	87,702
Travel	14,198	14,227
Credit checks	12,654	16,602
Amortization	<u>38,700</u>	<u>41,184</u>
	<u>3,590,919</u>	<u>3,956,131</u>
Excess of (expenses over revenues) revenues over expenses	<u>(10,925)</u>	<u>86,578</u>

See accompanying notes to the financial statements.

TRAVEL INDUSTRY COUNCIL OF ONTARIO

NOTES TO THE FINANCIAL STATEMENT

MARCH 31, 2008

1. NATURE OF OPERATIONS

The Travel Industry Council of Ontario ("TICO") was incorporated on April 7, 1997 as a not-for-profit corporation without share capital, under the laws of Ontario. TICO is designated by the Lieutenant Governor in Council, as the Administrative Authority responsible for administration of the Ontario *Travel Industry Act, 2002* ("The Act"). TICO's responsibilities are to carry out delegation of The Act in accordance with the Administrative Agreement and to achieve the Minister of Government Services' goal of maintaining a fair, safe and informed marketplace.

The Ontario Travel Industry Compensation Fund (the "Fund") is a fund established under the Ontario *Travel Industry Act, 2002* and Ontario Regulation 26/05 to reimburse consumers for travel services when they have 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 cruiselines and airlines (end suppliers) to provide travel services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Equipment and Amortization:

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

Furniture and equipment	20% diminishing balance
Computer hardware	3 years straight-line
Computer software	2 years straight-line
Database	5 years straight-line
Vehicle	30% diminishing balance

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

Revenue Recognition:

The deferral method of accounting for contributions is

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

Claims:

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

Recoveries:

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

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.

Investments:

Investments consist of fixed income notes bearing interest at rates ranging from 3.3% to 5.09% and with maturity dates ranging from nine months to nine years from March 31, 2008. Investments are carried at market value.

Adoption of New Accounting Policies:

Financial Instruments:

Effective January 1, 2007, TICO adopted the Canadian Institute of Chartered Accountant ("CICA") Handbook Sections 3855, Financial Instruments - Recognition and Measurement, and 3861, Financial Instruments - Disclosure and Presentation. These standards have been applied prospectively.

Under the new standards, financial assets and li-

TRAVEL INDUSTRY COUNCIL OF ONTARIO

NOTES TO THE FINANCIAL STATEMENT

MARCH 31, 2008

abilities are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Heldfor-trading financial instruments are measured at their fair value with changes in fair value recognized in the statement of operations for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in the statement of changes in net assets until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.

TICO's investments have been classified as held-for-trading. In prior years such investments were valued at the lower of cost or quoted market value. As at March 31, 2007, all investments had been valued at their quoted market value. No adjustment was required upon initial adoption of these new standards. As a result of the adoption of this new accounting policy, investment income on the statement of operations includes an unrealized gain of \$167,587.

Future Accounting Changes:

Capital Disclosures and Financial Instruments:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation. These standards are effective for TICO's reporting period beginning on April 1, 2008.

Capital Disclosures

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This new requirement is for disclosure only and will not impact the financial results of the Company.

Financial Instruments - Disclosures and Presentation

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. This new requirement is for disclosure only and will not impact the financial results of the Company.

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for publicly accountable entities are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. TICO continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

3. EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2008 Net</u>	<u>2007 Net</u>
	\$	\$	\$	\$
Furniture and equipment	198,203	154,154	44,049	55,061
Computer hardware	302,214	256,842	45,372	24,297
Computer software	51,627	50,247	1,380	2,560
Database	244,416	244,416	-	-
Leasehold improvements	39,771	39,771	-	3,123
Vehicles	<u>5,000</u>	<u>2,025</u>	<u>2,975</u>	<u>4,250</u>
	<u>841,231</u>	<u>747,455</u>	<u>93,776</u>	<u>89,291</u>

4. RESTRICTED NET ASSETS

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

TRAVEL INDUSTRY COUNCIL OF ONTARIO

NOTES TO THE FINANCIAL STATEMENT

MARCH 31, 2008

compensation are approved by TICO in accordance with the Regulation. Section 73 of Ontario Regulation 26/05 provides that remuneration of advisors may be paid from the fund.

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

5. INCOME TAXES

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

6. COMMITMENTS

- (a) Under terms of an Administrative Agreement signed August 1, 2005 between TICO and the Ministry of Government Services (the "MGS"), TICO is obligated to pay a maximum annual fee, based on cost recovery, of \$130,000 per year to the Province of Ontario. The MGS may increase this annual payment above the maximum amount in any given year in accordance with the terms of the Administrative Agreement.
- (b) TICO is committed to minimum rental amounts under a long-term lease for its premises which will expire November 30, 2018. Minimum rental commitments remaining under this lease approximate \$1,022,700. Minimum rental commitments for successive years approximate the following:

2009	\$	92,300
2010		90,400
2011		90,400
2012		90,400
2013 and beyond		<u>659,200</u>
		<u>\$ 1,022,700</u>

7. 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 judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

Interest Rate Risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. TICO has investments in financial instruments that include term deposits, short-term notes, bonds and debentures which are subject to interest rate risk.

TICO does not hedge its exposure to interest rate risk as it considers such risk to be minimal.

Foreign Exchange Risk:

Foreign exchange risk is the risk that the market value of financial instruments and the associated revenues will fluctuate due to changes in exchange rates. TICO does not use derivatives to modify foreign exchange risk.

Market Risk:

Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses. TICO is exposed to market risk as a result of its investments in fixed income securities. TICO mitigates its market risk exposure through controls to limit concentration levels.

8. 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 2007- 08

Industry Representatives

Scott Stewart – Chair
President
G. Stewart Travel Services Ltd.
Peterborough

Jill Wykes – Vice Chair
Senior Vice President, Operations
Thomas Cook Canada
Toronto

Jeff Element
President
Travel Corporation Canada
Toronto

Mike Foster
President
Uniglobe Instant Travel
London

Denise Heffron
Vice President Commercial
Transat Holidays
Etobicoke

Annika Klint
Vice President
The Travel Network
Toronto

Michael Merrithew
President
Merit Travel Group
Toronto

Simon Parry
President
Helen Thompson Travel
Toronto, ON

David Shaw
President
Evans Intravel Inc
Orillia, ON

Brett Walker
Operations Manager
Collette Tours
Toronto

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

Ministerial Appointments

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

Deborah Brown
Director - Sector Liaison Branch
Ministry of Government and Consumer Services
Toronto

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

Patricia Jensen
Board Member
Consumers Council of Canada
Toronto

Dr. James Savary **
Department of Economics
Glendon College,
York University
Toronto, ON

* Term completed Dec 24'07

** Term commenced Jan 17'08

Board of Director Biographies



Scott Stewart

Scott Stewart is co-owner and President of G. Stewart Travel Services Ltd. with full service Carlson Wagonlit Travel offices in Peterborough, Barrie, Belleville and Toronto (The Beach). Their family owned and operated agencies, since 1974, hold both retail and wholesale licenses. For 22 years Scott has been very involved in the travel industry. Currently serving TICO representing OMCA as their elected representative. He sits actively on the OMCA board as well as on the Canadian Advisory Council for Carlson Wagonlit Canada.

Jill Wykes

Jill Wykes is a former journalist and was editor of Canada's travel trade journal, Travelweek Bulletin.

Jill has been with the Thomas Cook Canada group for 17 years in a variety of positions, initially joining Sunquest Vacations as VP Communications and Government Affairs. During her 17 years, Jill has managed Airport Services, Destination Services, Customer Service, National Sales, Resort Management and Call Centres for the Thomas Cook Canada tour operator and wholesale companies.

Jill is also responsible for leading crisis management and emergency response for Thomas Cook Canada.

Jill has also been very involved in the regulatory area in Canada, and has been active in the industry working with governments to shape legislation for many years. She currently serves on the boards and is past chairman of both the Travel Industry Council of Ontario (TICO) and CATO, the Canadian Tour Operator Association.

Deborah Brown

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

Deborah is also a member of the Board of Directors

for Taron Warranty Corporation. Deborah has a degree in journalism.

Jeff Element, CMA, CTM

Jeff Element is a graduate of the University of Toronto with an Honours Bachelor of Arts degree in Commerce and Economics. In 1995, he obtained his professional designation in management accounting from CMA Canada. Jeff celebrates his twelfth anniversary with The Travel Corporation Group of Companies in 2008. He began his career with the company in the role of Financial Controller, with an eventual promotion to Vice President of Finance in 1998. Over time, Jeff became increasingly more involved in the other aspects of the business, including sales and marketing, operations and reservations, eventually coming to oversee several other departments, including Air Ticketing, Customer Service, Documentation and Information Technology. In 2006, he was appointed to the role of President for the Canadian operation. He is actively involved in the travel industry, having received his Certified Travel Manager designation in 2006 and being appointed to the Board of Directors for TICO in 2005 as a representative of the Canadian Association of Tour Operators.

Mike Foster

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

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

Mike has also been involved in the submissions of proposed legislative changes by both ACTA and TICO and is focused on bringing real, substantial and posi-

tive change to the travel industry. Mike is currently the Chairman for the ACTA Ontario Council and holds a seat on the ACTA National Board of Directors.

Bruce Fraser, C.A.

Mr. Fraser is a former partner of KPMG LLP. During his career with KPMG he has served as National Director of the firm's airline practice, on a number of committees such as the Professional Standards Committee, Regional Management Committees and as a Member of the Partnership Board. He has spent five years on the Committee of the Canadian Institute of Chartered Accountants and is responsible for setting accounting standards in Canada. He is a former Director of the Air Transport Security Corporation, Rampart Resources Ltd. and the National Cancer Institute of Canada. Presently he sits on the Board of Magnotta Winery Corporation and has been an active member of the Board of Directors for TICO since its incorporation in 1997. Bruce Fraser's term on the TICO Board of Directors completed on December 24, 2007.

Denise Heffron

2008, marks Denise Heffron's 15th year at Transat, Canada's largest integrated travel company. Denise holds the dual role of Vice-President Commercial, Transat Holidays / Nolitours and Vice-President, National Accounts. She graduated from the University of Western Ontario with a Bachelor of Arts degree and began her career in the travel industry shortly thereafter. Denise is an active participant in the industry at large and serves on the TICO Board and as a representative of the Canadian Association of Tour Operators. She has been a member of the CATO executive for six years and brings with her a thorough knowledge of the commercial activities of outbound tour operation and retail distribution in Canada. In addition, Denise is a member of the TICO E-commerce, Business Strategy and Governance Committees.

Michael Janigan, LL.B.

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

has a small staff of lawyers, researchers and administrative personnel.

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

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

Patricia Jensen

Patricia is a ministerial appointee on the TICO Board and, since December 2007 has served as Statutory Director. She sits on the Compensation Fund, Education Standards and Alternate Finance Committees of the Board. Patricia is also a member of the Board of Directors of the Consumers Council of Canada, and Chair of the Consumer Advisory Council of the Technical Standards and Safety Authority. Prior to joining the TICO Board, Patricia served as consumer representative on the Bearing Point Travel Study Group examining consumer protection gaps in Ontario's Travel Industry Act. She has also represented the consumer perspective to consultations on the new Travel Industry Regulations and to the Consumer Measures Committee regarding all-in pricing in the airline industry. Patricia is Professor Emeritus, Ryerson University.

Annika Klint

Annika Klint has spent over 22 years in progressively responsible travel industry positions. She is a partner/shareholder and Vice President/General Manager at Toronto's The Travel Network/Network Tours, one of Canada's largest independent travel agencies and the

winner of this year's ACTA Atlas Travel Agency of the Year Award for Ontario. Among her career achievements, Annika was Vice President Sales & Marketing for MyTravel Canada's retail division and Director of Business Development at BTI Canada. Her wide-ranging and successful career has included positions with INTRA Travel Corporation/Carlson Wagonlit, Scandinavian Airlines and Wardair Canada.

A strong believer in the continuing vitality of the travel agent role, Annika offers her expertise to the industry in many ways. She is currently co-chair of the board at ACTA Ontario and sits on the Advisory Committee for the Seneca College School of Tourism. As well as her role on the TICO Board, she also serves on TICO's Compensation Fund and Governance Committees.

Michael Merrithew

Michael Merrithew is the Owner, President & CEO of Merit Holdings Inc. The Merit Group, specializes in Business Travel Management, Specialty Leisure Travel, Loyalty & Affinity travel programs and also has a growing network of Merit retail offices across Canada. The company employs over 300 travel professionals.

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

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

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

Simon Parry

On arriving in Vancouver from the UK in 1976 with an honours BSc degree, Simon Parry began a career in packaged goods marketing management, followed by several years in retail marketing and OTC pharmaceuticals.

He acquired Helen Thompson Travel in 1990 and became increasingly involved in managing this business when airline commissions were capped and finally eliminated completely.

Early membership in CSTAR, resulted in a certain level of industry "activism" when situations have become untenable and it has been necessary to "push back". Happily, some important successes have been achieved and we continue to address the inequities that threaten many Canadian travel agencies. He is encouraged to see an increase in the level of awareness of these important issues and is particularly pleased with the support recently received from our colleagues in ACTA.

Simon was voted on to the TICO Board by my fellow travel agents in June 2007, for a two year term and hope to run again next year, when this term expires.

David Shaw

David caught the travel bug while working from 1979 to 1980 as a Senior Market Researcher for an international mining, metallurgical and processing equipment manufacturer. In 1984 an opportunity to purchase an agency was realized quickly followed by the purchase of a second agency in 1985. Elected President of the Huronia Independent Travel Agents Association in 1986 representing sixteen regional agencies and lead the merge with Travel T-Comm in 1988. While on the T-Comm Board and as President, oversaw growth from 66 to 234 agency members and from a regional to a national organization. Was elected to C-Star Board of Directors in 2002 and to the TICO Board for a one year term in 2007. David has been active over the years in Rotary International, Ducks Unlimited wetland conservation, municipal politics, youth education initiatives, organizing sponsoring and coaching youth sports, City of Orillia BIA, Chamber of Commerce, Orillia Jazz Festival, Georgian College's Business Advisory Board and numerous other great organizations.

James R. Savary

Dr. James Savary is Associate Professor of Economics Emeritus at York University in Toronto, where he teaches courses in money and banking, the multinational enterprise, and electronic commerce. He joined the TICO board in 2008 as a ministerial appointee. James is also Chair of the Board of Directors of the Canadian Motor Vehicle Arbitration Plan, and a member of the Board of Directors of the Ombudsman for Banking Services and Investments. He is also a member and past chair of the Stakeholder Advisory Council of the Canadian Payments Association and is an active participant in the work of the Standards Council of Canada and the Canadian Standards Association.

Brett Walker

Brett Walker began with Collette Vacations in 1988 and is currently the Operations Manager. Brett has been involved with TICO since 2001, previously serving two consecutive terms on the TICO Board of Directors having been elected at large. As well as his role as a Director on TICO's Board, he also serves as Chair of TICO's Governance Committee and is a member of the Legislative & Regulatory Review Committee.

Kathleen Warren, CTM

Kathleen Warren CTM has been in the travel industry for over 34 years. She graduated from St Clair College in the Travel and Tourism programme and was employed by Meconi Travel Agency Ltd in Windsor Ontario upon graduation. Kathleen is now employed by Allison's Travel in Windsor.

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

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

Appendix II

STATUTORY APPOINTMENTS AND TICO STAFF

Statutory Appointments

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

Patricia Jensen **
Statutory Director,
Travel Industry Act, 2002

Michael Pepper
Statutory Registrar,
Travel Industry Act, 2002

* Term completed December 24, 2007

** Term commenced December 24, 2007

TICO Staff

President & Chief Executive Officer & Treasurer
Michael Pepper

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

Manager, Administration & Claims
Dorian Werda

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

Legal Counsel
Soussanna Karas, LL.B.

Registration Co-ordinator
Cora Reyes

Registration Officer
Anabel Linhares
Paula Oliveira

Form 1 and Claims Co-ordinator
Lori Furlan

Complaints Officer
Barbara Wesley

Compliance Officer
Rachel Palozzi

Client Services Representative
Jana Arthur
Eric Neira
Tina Shewchuk

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

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

Provincial Offences Officer
Doug Fritz

Administrative Assistant
Susan Janko

Human Resources Officer
Silvia Rocha

Reception
Paula Ferreira

Auditors

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



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