

THIRD-PARTY CREDIT CARD TRANSACTIONS

and other risky practices

Accepting a third-party credit card is a hazardous business practice to pursue, whether you are a retailer or wholesaler registrant. Over the years, TICO has issued several warnings within the pages of *TICO Talk*, but the issue continues to be a problem.

If you think it will not happen to you, consider this. A 2008 study conducted by McMaster University found that 6.5% of Canadian adults – which adds up to almost 1.7 million people – were victim to some kind of identity fraud in the previous year, and more than half of these were unauthorized purchases made with credit cards. Underlying the size of the problem, according to the RCMP's website, in Canada the dollars lost to payment card fraud grew from \$232 million in 2003 to \$484 million in 2010, an increase of over 108% in seven years.

Many businesses are vulnerable to this type of fraud, not least the travel business. When it comes to third-party credit card payments, registrants



should ensure that they have proper processes in place if they choose to accept a credit card payment. TICO strongly advises registrants to have a signature on file indicating that the owner of the credit card used has given their approval. This is a key business practice to follow, and is particularly applicable in cases where a travel wholesaler accepts a third-party credit payment from a travel retailer.

This is addressed in **Section 59 (5)** of Ontario Regulation 26/05, which states that a travel wholesaler is not entitled to be reimbursed for a payment by credit card if the registrant who processed the payment did not obtain approval for the payment from the

Continued on page 5...

Ontario travel agents are **FANTASTICO.**

IN THIS ISSUE...

Letter from the CEO	2	Court Matters	6
Industry Roundtables	3	Update on Accounting Seminars	6
Reaching out to travel agents	4	Notice of Annual General Meeting	7

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LETTER FROM THE CEO

TICO will celebrate its 17th anniversary in June 2014. This quarterly newsletter was introduced in 1999. The objective has been to keep the travel industry informed about what is happening at TICO and how TICO is self-managing the industry. We understand that the regulatory requirements may at times seem onerous. The goal has always been to maintain the right balance so that the consumer is protected and the industry is able to thrive. We strive to ensure that there is a level playing field in the industry and the rules are administered fairly for all stakeholders. We have been strict in taking action against agencies that violate the trust accounting provisions and dip into consumer funds. On the other hand, we do try to work with businesses to achieve compliance. It is not our goal to close businesses if it can be avoided. I believe this approach has worked well.

The requirement to maintain positive working capital was introduced back in April of 1994. It was a necessary evil required to turn around an industry that, in the late 1980s and early 1990s, had far too many failures because businesses were not adequately financed. Those failures cost the industry dearly and damaged its reputation. Compensation Fund Rates were high because of the many tour operator failures. Seventeen years ago, the Compensation Fund Contribution Rates were \$1.60 for wholesalers and 40 cents for retailers compared to 15 cents per \$1,000 today. Over the years, there has been major consolidation within the industry. The financial risk for wholesalers has been dramatically reduced. After conducting two actuary studies, the risk ratio is now the same for retailers and wholesalers. The business models have also changed significantly on the retail side. Electronic commerce has impacted how agencies do business and reach their customers. It seems the one constant in the travel industry is change and it has certainly made my job interesting.

This may be my last contribution to the newsletter as my retirement draws near. I am sure that my replacement will continue to keep the industry well informed. Thanks to all of you for supporting TICO.

Best Regards,

Michael Pepper,
President and CEO



Rewarding SESSIONS @ Industry Roundtables

TICO held another productive series of roundtables this spring. They took place in Mississauga (at TICO's offices), Hamilton, Ottawa, Scarborough, Windsor, Cambridge/Kitchener and Barrie from the end of April through May.

During the previous November sessions it became apparent that there were still some misunderstandings on TICO's role and mandate. Some believed that TICO could make changes to the travel industry legislation, when in reality TICO can only make recommendations to the provincial government. Others raised concerns about competitive issues within the industry. Again, this is outside TICO's mandate, and is better suited for consideration and discussion by a trade association rather than the Regulator.

Consequently the agenda for these roundtables was built around the following topics, which triggered wide-ranging discussion and valuable feedback from the attendees.

- **TICO's mandate and structure**
- **What is a Delegated Administrative Authority (DAA)**, including an explanation of the various DAAs that exist and the DAA model
- **Being part of a regulated industry**
- **Overview of TICO Board of Directors and its committees**, which assist in areas such as reviewing financial statements, investments, budget, annual report and business plan, approving/denying claims, governance issues, education standards, legislative and regulatory review, business strategy and the consumer awareness campaign strategy
- **TICO's departments and services**
- **Education Standards**
- **Consumer Awareness Campaign**

By the end of the sessions, attendees had a much clearer understanding of the parameters within which TICO operates, and of the issues that TICO has to address. Surveys completed at the end of each session showed that all attendees gained a greater understanding of TICO and what it does on behalf of the travel industry. Everyone indicated that attending the sessions had been worthwhile. They also appreciated knowing that they could use TICO as a resource, should they require assistance on any matter relating to the legislation.



Continued on page 8...

Notes on the AGM and More...

TICO's 17th Annual General Meeting takes place on June 24, 2014. The 2014 Annual Report and Business Plan will be released at the AGM, and there will be a limited number of hard copies available for those who attend. You may also obtain it online at www.tico.ca or call us at **1-888-451-TICO** to request a copy.

As has been noted in these pages before, TICO – working closely with the Ontario government – is striving to ensure the future health of the travel industry. A steady flow of two-way communications between TICO and its stakeholders (*that is YOU!*) is critical to the success of developing and nurturing a fiscally sound travel industry. So, please take advantage of the various avenues for participation, from attending the AGM to voting, to participating in TICO's round-table sessions. These are your opportunities to put forward ideas on the many issues that arise.



A Busy File

Helping consumers to reach a satisfactory conclusion when they have filed a complaint against a registrant is an integral part of TICO's mandate. The number of new complaints received during the 2013-2014 fiscal year was 250, compared to 222 in the previous year. In processing these complaints, TICO successfully assisted consumers in obtaining \$64,739 in restitution, compared to \$69,512 the previous year. In addition, TICO handled 1,038 telephone complaint inquiries and 387 e-mailed complaints. The most frequent types of written complaints received by TICO over that time covered:

- 1 Incomplete or incorrect information provided to the consumer by the registrant, such as information regarding the travel product or services being sold.
- 2 Information/documentation related to travelling with passports and other travel documents.
- 3 Outstanding refunds.
- 4 Cancellation/non-refundable/no insurance.
- 5 Disclosure of terms and conditions of reservations.
- 6 Invoicing issues such as not completed with required information or not provided to the consumer.
- 7 Customer service issues.
- 8 Advertising issues.
- 9 Itinerary change/flight times changed.
- 10 Accommodation changed.

Reaching Out to Travel Agents

During TICO's travels around the province for the various industry forums, it became apparent that a number of travel agents who attended the sessions wanted to be kept "in the loop" on TICO's activities and announcements. Currently TICO only has an email database of registrants, and when information or invitations to events are e-blasted, we count on registrants spreading the word within their offices.

TICO is aware that everyone who works in the travel industry is already bombarded with emails, and is therefore very selective on what it sends out. For the most part, TICO's e-blasts include TICO Talk, our quarterly and very informative newsletter; Industry Advisories; and invitations to events such as the AGM, the forum sessions, and industry-related seminars. If an individual travel agent working for a TICO travel retailer wishes to receive TICO's e-blasts, we would love to hear from you. Just email tico@tico.ca to provide us with your email address, and ask to be added to TICO's email distribution list. ▲



Third-Party Credit Card Transactions And Other Risky Practices

continued from page 1

customer and from the card issuer, in advance, in accordance with the agreement between the card issuer and the registrant. Therefore, if a credit card payment is accepted without following due process, it is a business risk that is NOT covered by the Compensation Fund.

From a travel retailer's point of view, it's unwise to accept a third-party credit card if they do not know the third party, especially when a last-minute booking is being made.

Travel wholesalers rely on travel agents to get signatures. If credit card transactions are accepted without signatures, it places the travel wholesaler in a difficult situation when a credit card charge is eventually refused and a "charge-back" takes place. It becomes even riskier for the wholesaler if the retailer has ceased operations.

At times, using a third-party credit card is perfectly valid. Examples of this include parents paying for their children to travel, children paying for their parents' trip (perhaps for an anniversary or a family celebration), or a client paying for their travel companion (who may not live in the same city). However, the travel agent should always ensure that the credit card has been validated by the cardholder. If an agent accepts and processes the credit card without obtaining authorization from the cardholder, then it is at the travel agency's own risk. It should also go without saying that a travel agent must never use their own personal credit card when a client has paid by cash or cheque. However, it is acceptable to use the corporate credit card.

Payment by cheque that is returned NSF (not sufficient funds) is also an ongoing problem within the travel industry. Accepting a cheque on a Friday as payment for a flight that departs on Sunday does not make sound business sense, yet it still happens. As TICO has urged in the past, registrants have to take precautions and be mindful of the pitfalls – particularly when accepting a cheque for a large amount from someone who is a new client. If the travel services are provided prior to the cheque being returned, it is the travel agency's responsibility to try to collect the money from the consumer.

TICO is well aware that the legislation was written when the travel industry's business model was vastly different, at a time when the issuing of paper tickets for airline travel was the norm. In today's world, it is vital that travel registrants have checks and balances in place in order to prevent fraudulent activity.

The bottom line is that the use of third-party credit cards has to be carefully and responsibly monitored by all parties involved. ▲



Update on Hiring New CEO

In preparation for Michael Pepper's retirement this summer, TICO issued a Request for Proposal for qualified Executive Search Consultants/Firms to assist in the search for suitable candidates for the President & CEO/Registrar position. As a result, Odgers Berndtson was hired, and is now working closely with the Board of Directors' Selection Committee.

Following the placement of an ad for the position in The Globe and Mail in March, a list of potential candidates has been compiled and the interview process is under way. TICO hopes to provide an update on the hiring of the incoming President and CEO in the coming weeks.

TICO TALK Feedback

Once again, we would like to remind you that you may contact us with comments or questions on anything that you read in **TICO TALK** – or on any other travel industry matter. As we hope has been made abundantly clear, your opinions and concerns are of the utmost importance to us.

We can be reached at



**(905) 624-6241, or at
1-888-451-TICO,**
or by e-mail to
tico@tico.ca.

Save the Date



June 28, 2014

**Pinoy Fiesta and Trade Show
Metro Toronto Convention
Centre**

**Hall A
255 Front Street West
Toronto**

TICO will be distributing informational material at the above show.

Accounting Seminars a great Success

TICO recently started holding free, hands-on seminars on Accounting practices for registrants. The focus is on trust reconciliations, working capital and financial disclosures. Detailed explanations are provided on the financial requirements under the legislation. The demand was high, and three seminars were organized to accommodate everyone who wished to participate. Each was very well received. If anyone is interested in attending a future session, please contact TICO at tico@tico.ca or call **Sanja Skrbic**, Manager, Financial Compliance at **905-624-6241, Ext. 238** or toll-free at **1-888-451-8426, Ext. 238**.

Court Matters

CHARGES

Lilian Quiroz has been charged with one count of operating as a travel retailer without registration, contrary to **Section 4(1)(a)** of the *Travel Industry Act, 2002*. Ms. Quiroz offered travel services in Mississauga and elsewhere in Ontario.

Dut Phuc Ngo, a sole proprietor trading as **Sky Asia Travel**, has been charged with one count of failing to hold customer funds in a designated trust account, contrary to **Section 27** of Ontario Regulation 26/05 made under the *Travel Industry Act, 2002*.

Yue Chi has been charged with one count of operating as a travel retailer without registration, contrary to **Section 4(1)(a)** of the *Travel Industry Act, 2002*. Ms. Yue Chi is an officer and director of **AAST Inc.** operating as "**Drive the Silk Road**" and "**Overland Adventures**". **AAST Inc.** was registered as a travel retailer under the *Act* until October 31, 2012 and continued to operate after the registration was terminated. **AAST Inc.** and Ms. Yue Chi offered travel services in Toronto and elsewhere in Ontario.

Sherrill Denny has been charged with one count of operating as a travel agent without registration, contrary to **Section 4(1)(a)** of the *Travel Industry Act, 2002*. **Sherrill Denny** operated in Stratford and elsewhere in Ontario.

AAST Inc. has been charged with one count of operating as a travel retailer without registration, contrary to **Section 4(1)(a)** of the *Travel Industry Act, 2002*. **AAST Inc.** was registered with TICO until November 1, 2012 and continued to operate after the registration was terminated.

Bradley Talan Edelson and **Ariel Santillan** have been charged with one count each of operating as a travel retailer without registration, contrary to **Section 4(1)(a)** of the *Travel Industry Act, 2002*. Mr. Edelson and Mr. Santillan operated a company called **Exploration Fitness** which offered travel services in Toronto and elsewhere in Ontario. Additionally, **Bradley Talan Edelson** has been charged with one count of operating as a travel retailer without registration, contrary to **Section 4(1)(a)** of the *Travel Industry Act, 2002*, by offering travel services relating to **Epoch Getaways** in Toronto and elsewhere in Ontario.



Continued on page 8...



NOTICE ANNUAL GENERAL MEETING

TAKE NOTICE THAT the Annual General Meeting of the members of the Travel Industry Council of Ontario ("TICO") will be held at 4:00 p.m. on Tuesday, June 24, 2014 at the Toronto Congress Centre, 650 Dixon Road, Toronto, Ontario for the purpose of:

- (a) receiving the financial statements for the previous financial year, together with the Auditor's Report;
- (b) receiving and considering the Annual Report;
- (c) appointing the auditors for the next year and authorizing the Board of Directors to fix the auditor's remuneration;
- (d) announcing the successful candidate for the wholesale position on the TICO Board of Directors; and
- (e) transacting such other business as may properly come before the meeting.

Only members in good standing are entitled to participate in and vote at the meeting. Members of the public are invited to attend.

The deadline for providing written notice of any motions to be made at the Annual Meeting has now passed.

Members who will not be attending the meeting are invited to submit written requests for proxies. Copies of the audited financial statements as at and for the fiscal period ended March 31, 2014 will be available at the Annual General Meeting and may be requested in writing prior to the meeting.

DATED at Mississauga this 22nd day of May, 2014.

On behalf of the Board of Directors

Tracey McKiernan
Secretary

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Plan to be *THERE!*

The Annual General Meeting is a great opportunity for registrants to come and hear, first-hand, about TICO's initiatives and other timely issues. This is your chance to ask questions and make suggestions to TICO's Board of Directors – either during the AGM or at the reception afterwards. TICO would be delighted to welcome as many of you as are able to attend. Please mark June 24 in your calendar and join us for an afternoon of information-sharing and discussion. ▲

What's involved in being a TICO Board member?

Nominations were recently requested for a wholesale registrant to join the TICO Board of Directors. Only one candidate was nominated for the position, and as they met the legal requirements, they will join the Board by acclamation, and will be introduced at the Annual General Meeting.

Perhaps this is a good time to remind TICO registrants of what is expected of a Board member. Each Director brings unique skills and experience. Collectively, TICO counts on Board members to:

- Provide credible stakeholder perspectives
- Provide strong participation that strives for excellence and supports consensus building
- Be strategic thinkers who take a governance-focused approach to Board responsibilities
- Demonstrate a willingness to support TICO's vision.

Being a Board member is generally found to be a very rewarding experience, despite the time commitment involved. TICO has been very fortunate in that it has always had exceptional people willing to donate their time and expertise as Board and committee members, and the travel industry has benefitted enormously from their combined efforts.

Upcoming Issues

In future issues of *TICO TALK* we plan to include:

- Report on the AGM
- Update on the Consumer Awareness Campaign
- Trade Shows and upcoming events

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Rewarding Sessions @ Industry Roundtables continued from page 3

As importantly, TICO found the feedback extremely helpful and it will be considered, going forward. Once the report on the forums has been presented to the Board of Directors, a more detailed overview will be included in the next issue of *TICO Talk*.

More sessions planned

Overall, attendance was good, although TICO would like to have had more agents and agency owners. We encourage anyone interested in participating in a future session to sign up on our communications database, or send an email to tico@tico.ca asking to be informed when one is scheduled to take place close to you. We would also like to hear from registrants if they believe that TICO should be holding a session in their area.

Ideally, we would like to offer roundtable sessions in every corner of the province, provided there is sufficient interest and commitment to attend. ▲

Court Matters continued from page 6

CONVICTIONS

Jane True and True Rainbow Tours Inc. plead guilty to one count each of operating as a travel wholesaler without registration, contrary to **Section 4(1)(b)** of the *Travel Industry Act, 2002*. Ms. True and True Rainbow Tours Inc. operated in Niagara Falls and elsewhere in Ontario. No consumers suffered financial losses as a result of the actions of the defendants. Ms. True was previously a Vice-President and shareholder of **Rainbow Tour & Reception Inc.**, a wholesaler that voluntarily terminated its Registration under the *Act* on March 21, 2011. The guilty plea by the defendants was accepted and convictions registered. Ms. True was fined \$3,000. True Rainbow Tours Inc. received a suspended sentence.

Arif Assim and Sacred Tours Inc. have been convicted on three counts each of operating as a travel agent without registration, contrary to **Section 4(1)(a)** of the *Travel Industry Act, 2002*. Mr. Assim and Sacred Tours Inc. operated in Toronto and elsewhere in Ontario. No consumers suffered financial losses as a result of the actions of the defendants. Mr. Assim and Sacred Tours Inc. were previously convicted under the *Act* for operating without registration in December 2010. Mr. Assim was fined \$7,500 and is subject to probation for six months, during which he is to keep the peace and not commit the same offence. Sacred Tours Inc. received a suspended sentence.

REVOCATIONS

Between January 23, 2014 and May 17, 2014, one company had its registration revoked: 974764 Ontario Ltd. o/a Valhalla Travel & Tours. ▲