

Cause to Celebrate: TICO's Upcoming 10th Anniversary

The years have flown by since the formation of the Travel Industry Council of Ontario (TICO) on June 25th, 1997. On that date, TICO was delegated to take responsibility from the Ministry of Government Services (formerly the Ministry of Consumer and Business Services) for administering what was then known as the *Travel Industry Act & Regulation*. From the beginning, TICO's mandate was to promote a fair and informed marketplace where consumers can be confident in their travel purchases. Ten years later, Ontario's travel industry is governed by the *Travel Industry Act, 2002*. And overall, world events have had a tremendous effect on the travel industry.

Through all of this, TICO has continued its proactive approach - striving to provide consumer protection, to ensure that registrants are trading fairly, and to facilitate a level playing field for all industry participants. Pursuing these objectives, TICO has seen

considerable achievements, many with the strong support of the Ontario travel industry. These include:

- Increased stability in the Ontario travel industry through closer monitoring
- A dramatic reduction in claims on the Compensation Fund
- A dramatic reduction in industry contributions to the Compensation Fund
- A comprehensive legislative and regulatory review leading to the new *Travel Industry Act, 2002* and Ontario Regulation 26/05
- The removal of end-supplier liability
- The introduction of Board Governance
- A Code of Ethics
- An on-going Consumer Awareness Campaign
- The creation of Minimum Education Standards

Throughout this year, TICO *TALK* will highlight several of these milestone achievements, beginning with this issue!

Stabilizing the Ontario travel industry - one of the mainstays of this effort has been - and continues to be - TICO's proactive financial inspection program. It focuses on new

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Travel Industry Council of Ontario

LETTER FROM THE CEO



On June 25, 1997, TICO received authority from the Ontario Government to self-manage the travel industry in Ontario. This was achieved through an Administrative Agreement that delegated all of the powers under the *Ontario Travel Industry Act* to TICO. The original Board of Directors of TICO consisted of the nine members from the Board of the Ontario Travel Industry Compensation Fund (OTICF) and the nine members from the Board of the Ontario Travel Industry Self Management group (OTISM). That first Board of Directors had 18 members, which was reduced after the first year to 15 members. Eleven of the fifteen individuals were industry members, the same as it is today.

During the past ten years, the TICO Board has seen Board Members come and go. A total of 60 individuals have served on the Board, including the 15 members currently on the Board. The one trait that each volunteer Board member has in common is commitment and dedication to this industry. Their contributions, guidance and wisdom have played a significant role in achieving the changes that have led to a stable, informed and professional travel industry in Ontario.

Ten years later, TICO has two of its original Board Members serving on the Board: Jill Wykes and Bruce Fraser. Jill needs no introduction to those in the industry. She is a CATO representative and has served as Chair of the TICO Board on two occasions, first in 1998/9 and again in 2004/5. Bruce Fraser, a Chartered Accountant and retired partner with KPMG, is a Minister's appointee. Bruce was previously Chair of the Compensation Fund Corporation and for the last ten years has been Chair of the Compensation Fund Committee, a member of TICO's Executive Committee and Audit Committee. Both Jill Wykes and Bruce Fraser have been instrumental in TICO decision-making and have participated extensively on various committees that have made TICO what it is today, a model for industry self-management and a proactive leader in industry affairs.

In the coming months, leading to TICO's 10th Anniversary on June 25, 2007, I will be recognizing the 60 Board members who have assisted TICO through the years and recounting their accomplishments on behalf of your industry. TICO and the travel industry have benefited from their hard work and dedication. It is hard to believe that it has been almost ten years since TICO was formed. I have been very privileged during that time to work with a great group of people and I look forward to continuing that work in the future.

A handwritten signature in blue ink, which appears to be "Michael Pepper". The signature is stylized and cursive.

Michael Pepper
CEO

Advertising rules for airlines likely to change!

One of the key goals of the Travellers' Protection Initiative is within reach. Following presentations by TICO CEO Michael Pepper and other representatives of the Travellers' Protection Initiative (TPI) to the all-party Standing Committee on Bill C-11, the Committee voted to adopt the proposed changes concerning airline advertising.

Once Bill C-11 is passed, airlines will be required to fully disclose all costs associated with the sale of their products including taxes, airport improvement fees and any other additional charges. This will finally create a level playing field for travel retailers and travel wholesalers in Ontario, who are already obliged to provide full price disclosure.



Of course, it is not yet a 'done deal'. The Bill has to go through a third reading in the House of Commons, which should take place within a few weeks. After that, it goes before the Senate, for further review, and

TPI plans to make submissions, to reinforce its proposals, at any hearings conducted at this stage.

Provided that all proceeds smoothly - and that a general election is not called in the near future - selling airline travel in Ontario will become more open and transparent than it has ever been before. ▲

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registrants and areas of risk, and works with all registrants to ensure compliance with the *Act* and the Regulation.

The growth of the Compensation Fund - largely due to the above, the Compensation Fund now stands at approximately \$30 million. Consequently, after obtaining an Actuarial Report to establish the required level for the Fund, commensurate with the industry risks, TICO submitted a formal request last May to the Ontario government for a reduction in Compensation Fund rates. A month later, in June 2006, new legislation was passed that, among many other things, enabled TICO to set the Compensation Fund payments. At its June 30, 2006 meeting, the Board of Directors approved a new, and

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Maintaining your trust account: your responsibility!

As you should be fully aware by now, all registrants are required to have a *Travel Industry Act* trust account designated by their financial institution, in compliance with the Ontario *Travel Industry Act*, 2002. All monies received from consumers must be deposited into this account, and it is your absolute responsibility to make sure that the account is operated correctly. For further clarification, please refer to the Travel Agents & Wholesalers section of www.tico.ca. Under What You Should Know, you will find two sections, Trust Accounting Guidelines - General and Trust Accounting Guidelines - Travel Wholesalers.

Dates to note

April 19 - 22, 2007

Travel and
Leisure
Show*

19

International
Centre



6900 Airport Road
Mississauga

*Please note that
the opening night,
April 19, is open
to the trade only.

22

TICO will be distributing
informational material at the
above show.

Arranging a group trip? Same rules apply!

An important issue came to light recently, after TICO received a complaint. A consumer who was part of a group booking contacted TICO to query why they had not received any travel documentation from the travel agency making all the travel arrangements. It transpired that the agency was dealing directly with the group's leader, and no individual documentation had been prepared.

Please note that whether you are selling travel services to a group of people or to an individual, the requirements do not change. It is the legal responsibility of the travel agency to ensure that every person travelling is provided with all necessary documentation - from tickets and insurance policies to an invoice/statement/receipt that itemizes all the information outlined in **Section 38 (1)** of the Regulation. (Refer to www.tico.ca/news/infonewlegislation for a reminder on what you must disclose. Alternatively, the April-May 2006 issue of **TICO TALK** features a sample invoice on page 6.)

Reinforcing consumer awareness

TICO has produced ticket stuffers and ticket holders that promote the Consumer Awareness Campaign. They are free, and an excellent way to promote the value of dealing with an Ontario travel agency. To order, please e-mail us at tico@tico.ca or call us toll-free at 1-888-451-8426.

Jeff Element Director TICO Board of Directors



One of the advantages of following a career path in areas of a financial nature is that it can open up the world - literally as well as figuratively. Jeff Element discovered, soon after graduating, that he could happily combine his financial expertise with the world of travel.

What was your background prior to joining the travel industry?

After graduating with an Honours BA in Finance from the University of Toronto, I joined a shirt manufacturing company that was part of the Dylex group of companies.

And then you joined the travel industry?

In 1994, an opportunity came up for me at Rider Travel - a company that specialized in corporate travel management - as a Financial Analyst. While there, I completed my studies for accreditation as a Certified Management Accountant (CMA), and then, to broaden my experience, I joined a large trucking company as Financial Analyst.

However I soon realised that I was far more interested in the travel industry, and in 1996 I joined Insight Vacations as its Controller. Subsequently, I became Corporate Controller for The Travel Corporation - the parent company of Insight Vacations, Trafalgar Tours and Contiki Tours. Then, in 2003, I was appointed Director of Operations for the group

What does that entail?

Basically overseeing all internal operations, apart from sales and marketing. However, that changed last September, when I was made President - so now I oversee all aspects of the business in Canada, including sales and marketing.

Have you participated in other travel industry organisations?

For the past five years I've represented The Travel Corporation on the Canadian Association of Tour Operators (CATO), and in fact joined the Board of TICO in July 2005 as a CATO delegate. Prior to my involvement with CATO I had been, for many years,

on a special sub-committee of wholesalers that ACTA set up.

What do you get out of being on TICO's Board?

It has given me excellent exposure to the retail side of the business. Even when I worked at Rider Travel, I had no experience in the retail side of leisure travel, as it was a corporate travel management company. Through TICO, I've acquired a much better general understanding of the issues facing travel retailers - and in turn, I feel that this has impacted my own company's dealings with the retail trade.

Which of TICO's issues are particularly important to you?

Probably the most important is the financial security of the Compensation Fund. It's vital to provide long-term protection to both the travel industry and Ontario consumers - but equally important to have a level playing field. Since the travel legislation only applies to Ontario, some of our competitors don't pay into a Compensation Fund, so achieving both adequate protection and competitive fairness is a challenging balancing act. I was very pleased that TICO was able to introduce rate reform.

Alternate financing is also key. We have to look at ways to change the funding formula because change is inevitable. I want to be part of the process of seeing how we can achieve this - while at the same time continuing to be fair and to encourage competitiveness. Currently, we are looking at how consumer protection is financed in other jurisdictions, including Québec, the UK and Australia. It's a huge project but I'm hopeful that we will see things moving in the right direction over the next few years.

Where do you hope to see TICO a year or two from now?

TICO has already been through many changes including the revised legislation. Now we are just beginning to see what is involved operationally in implementing those changes. To be honest, some areas are difficult to conform to, and my hope is that TICO will play an important role in tweaking the requirements or interpreting these areas in way that is to everyone's benefit and that everyone can live with. I also anticipate more financial inspectors and compliance officers being hired, to ensure that the rules continue to be applied fairly, across the board.

What are your overall impressions of TICO?

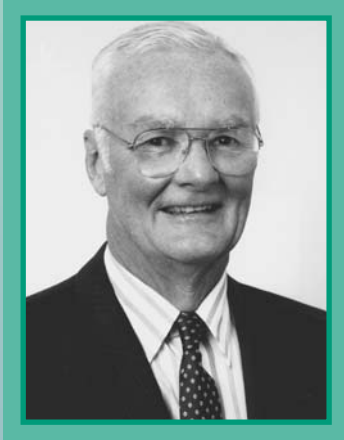
Incredibly professional and committed! As many registrants don't deal with TICO on an individual basis, it's difficult for them to fully appreciate how hard TICO strives to make the Ontario travel industry as professional and consistent in its dealings as it is possible to be. ▲

The Compensation Fund: Out-of-province coverage out of the question

Whenever an Ontario travel agent sells the travel services of an out-of-province tour operator to a consumer, their client will NOT be protected by Ontario's Compensation Fund if the tour operator ceases operations. It is the duty of the retailer to ensure that their client is aware of this. So, for example, if the consumer has purchased a ski package from an Alberta-based tour operator, or a fishing package from a tour operator in Nova Scotia, and does not receive the travel services paid for because the tour operator declares bankruptcy, the consumer will not be able to claim a refund from the Compensation Fund. Consumers should also be made aware of other items that are not covered by the Compensation Fund. These include insurance premiums, counselling fees, the cost of alternate (replacement) travel, discount certificates, vouchers, prizes, and any goodwill gestures offered in lieu of a payment by cash, cheque or credit card.

For complete details on registrants' disclosure responsibilities in this regard, please refer to the April 26, 2006 Registrar Bulletin, located at <http://www.tico.ca/travelagents/registrarbulletin-outofprovbkgs-apr26-06.htm>.

Ken Woods, CA



We are sorry to announce the recent passing of Ken Woods, who was a financial inspector for TICO from its formation in 1997 to his retirement in the spring of 1999. Prior to joining TICO, Ken had been a financial inspector with the Compensation Fund when it was operated in-house by the then Ministry of Consumer and Commercial Relations. Ensuring that travel agents and their accountants fully understood the requirements of the *Travel Industry Act* was one of his greatest challenges, but he excelled in communications. In an interview with **TICO TALK** shortly before he retired, he said: "Surprisingly, I seldom faced any antagonism when I arrived.... even though my visits were rarely pre-arranged. I always tried to assure people that I was there to help them, not to disrupt or threaten them". He will be warmly remembered by his many friends and colleagues in the Ontario travel industry.

Insurance: is it, or isn't it?

It has recently come to TICO's attention that some registrants may be selling their own company protection plans or guarantees that cover such things as trip cancellation, which are not underwritten by a licensed insurance company. This can be problematic for two reasons. First, the insurance industry in Ontario is regulated by the Financial Services Commission of Ontario (FSCO).¹²³ If you currently offer or are considering offering this type of protection to consumers, we strongly recommend that you contact FSCO to ensure that you meet all of the requirements to sell that product. Please refer to FSCO's website for further information at <http://fSCO.gov.on.ca/>.



The second problem that arises with companies selling their own protection plans is that if the company becomes bankrupt or insolvent, the consumer may not receive the protection that they purchased. This can be very distressing to consumers who thought that they had taken precautions to protect themselves. It should be noted that insurance premiums are not covered by the TICO Compensation Fund. ▲

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significantly reduced, Payment Schedule for travel retailers and travel wholesalers.

Removing end-supplier liability - ever since initially undertaking its legislative and regulatory review in 1997, TICO lobbied the government on the unfair burden of end-supplier failure on travel agents, under Section 13 of the *Travel Industry Act*. Finally, after the collapse of Canada 3000, the *Travel Industry Act* Regulation was amended to protect consumers against the failure of an end-supplier, airline or cruise line, by permitting them to claim against the Compensation Fund. Under the new *Travel Industry Act*, 2002, end-supplier liability on the travel agent has been eliminated provided that the travel agent has properly disbursed the money, has acted in good faith and at arms' length, and has not dealt with an entity that is in breach of a requirement to be registered under the *Act*.

Consumer Awareness Campaign - this was launched in 1999, to bring consumers' attention to the benefits of dealing with Ontario registrants. The on-going campaign includes radio, television and print advertising; television, newspaper and radio interviews; speaking engagements; and participation at consumer and industry trade shows. ▲

Court Matters



► CHARGES

Nile Travel, Milad Daoud and Mervat Daoud have been charged with one count each of operating without registration, contrary to **Section 4 (1) (a)** of the *Travel Industry Act, 2002*. The next court appearance is set for March 29, 2007 at the Brampton Provincial Offences Act Court.

David Thomas Gray and All Sport Accommodations Inc. have been charged with one count each of operating without registration, contrary to **Section 4 (1) (a)** of the *Travel Industry Act, 2002*. The first court appearance is set for March 12, 2007 at the London Provincial Offences Act Court.

► CONVICTIONS

Austin Shaw was convicted of acting as a travel agent without first being registered to act as an agent, contrary to **Section 3 (1)** of the *Travel Industry Act, 2002*. Mr. Shaw received a suspended sentence and was given a two-year period of probation during which he is to serve 160 hours of community service. Mr. Shaw was ordered to make restitution of \$1,100 to consumers affected by his actions.

William Cockburn, formerly of 1163854 Ontario Inc. o/a Ultimate Travel Brokers, was convicted of a breach of probation under **Section 75** of the *Ontario Provincial Offences Act*. Mr. Cockburn had previously been convicted on November 7, 2002 of failing to maintain trust accounting, contrary to **Section 36 (6)** of Ontario Regulation 806/93 under the *Travel Industry Act*. Mr. Cockburn was sentenced to 30 days in jail.

Suthakaran Kumarasamy, a director, manager and shareholder of Ceylon Tours and Travels Inc., was convicted of one count of failing to maintain trust accounting, contrary to **Section 36 (6)** of Ontario Regulation 806/93 made under the *Travel Industry Act*. Mr. Kumarasamy was fined \$1,000 and sentenced to a two-year period of probation during which he is to make restitution to TICO in the amount of \$11,000.

► REVOKED REGISTRATION

Between October 16, 2006 and February 15, 2007, eight companies had their registrations revoked: 456429 Ontario Ltd. o/a Galaxy Travel; Baldwin Travel & Tours Ltd. o/a

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Changes to the Board

TICO regretfully accepted the resignation of **Trish McTavish**, Vice President, Sales, of Oakville-based McTavish Travel from the Board of Directors, effective January 1, 2007. Her hard work and dedication to representing TICO's retail registrants was greatly appreciated. An election to replace Trish McTavish for the remaining year of her three-year term will take place in the late spring, prior to the Annual General Meeting.

Minimum Education Standards: FAQ on the website

The combined Travel Counsellor/Supervisor/Manager Study Manual should be released shortly. In the meantime, an extremely comprehensive FAQ is available at www.tico.ca/faq and we hope it will answer all of

your questions. Topics range from key issues on why Minimum Education Standards are required to CITC's involvement, matters relating to travel schools, the study materials and the exam. If there is any area that you feel is not addressed, please feel free to contact us at (905) 624-6241, or at 1-888-451-TICO, or by e-mail to tico@tico.ca.



Upcoming Issues

In future issues of TICO TALK we plan to include:

- Overview of the *Travel Industry Act*, 2002 Minimum Education Standards
- Progress of the Travellers' Protection Initiative
- Notice of the Annual General Meeting

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Dynasty Travel Advisors/Dynasty Tours; Exec 1 Travel Corp o/a Goliger's Travel Plus; Canada Connect Travel Inc.; BNV Travel Ltd.; 1661278 Ontario Inc. o/a Supersearch Travel; Foseas International Travel Corp; and Typing Travel Inc. ▲

Repercussions from the UK Air Passenger Duty Increase

The recent increase of the Air Passenger Duty by the UK government shone a spotlight on price increases for travel services. When a consumer is on deposit, the only increases that may be passed on are those in the Ontario retail sales tax or in the federal goods and services tax, according to the Ontario *Travel Industry Act*, 2002.

The issue is covered in Sections 38 and 43 of Ontario Regulation 26/05. In a nutshell, these two sections state the following:

- ♣ A travel agent's invoice must include a statement on whether a price increase is permitted by the contract. Otherwise, no increase is allowed, whether the consumer has paid in full or not.
- ♣ A travel agent may not charge a price increase when the consumer has paid in full.
- ♣ If full payment has not been made and the increase is less than 7%, the consumer may be asked to pay the difference, provided there is a statement to this effect on their invoice.
- ♣ If full payment has not been made and the cumulative increase is more than 7%, the consumer has a right to cancel the contract and request a full refund. The travel agent is not obliged to refund if the increase is the result of government imposed retail sales taxes or federal good and services tax.
- ♣ A travel wholesaler cannot refuse to provide travel services if the documentation relating to those travel services has already been given to the travel agent for distribution to the customer.

Please note, however, that where the air component is not part of a package, an airline may choose to charge any passenger, prior to boarding, for the increased UK Passenger Duty, should the airline determine that the consumer has not already paid the higher fee. This action is beyond TICO's jurisdiction, and we suggest that you make your clients aware of this possibility. ▲