

HURRICANE FALL-OUT:

a Costly Story

The 2004 Atlantic hurricane season

was a busy one; in August and September a number of Caribbean islands and southern states in the US suffered significant damage and devastation, including Florida, Grenada, the Bahamas, the Dominican Republic, Haiti and Jamaica. In addition to current and imminent travel plans being hugely disrupted, the damage in some destinations, to both hotels and infrastructure, has necessitated a more long-term closure. As a result, a large number of both registrants and consumers have called TICO to find out either what their responsibilities are or what their coverage is, in this type of situation.

In fact, the *Travel Industry Act* does not cover a simple cancellation, and in many cases, it could not be applied to the various situations incurred by the hurricane activity. When damage is sustained to properties and destinations included in the travel services purchased, the right of a registrant to vary from a contract is limited by Sections 27 and 28 of the Regulation.

Section 27 (1) states that a registrant selling accommodations to customers must take reasonable measures to ensure that they are in the same condition when the customer uses them as described at the time of sale. If they are not, the registrant must promptly notify the travel agent or customer and offer a choice of a full and immediate refund or comparable alternate services that are acceptable to the customer.



- If the accommodations are part of a package that includes transportation to the destination, the refund or comparable alternative services must apply to the whole package.
- If the accommodations were not sold as part of a package, the customer must be offered a full and immediate refund of the cost of the accommodations or comparable alternate accommodations acceptable to the customer.

Section 28 of the Regulation addresses other situations in which a travel wholesaler is obliged to promptly notify the travel agent or customer and offer the customer the choice of a full, immediate refund or comparable travel services acceptable to the customer. These include when the accommodations are changed or the standard of the accommodations is changed, or when a scheduled departure of any transportation is delayed or advanced by 24 hours or more - UNLESS the reason for the delay is one described in subsection (2). That subsection states that the travel wholesaler's obligation does NOT apply if the delay is the result of various causes including the weather or a force majeure.

Consequently, any reimbursement for delays caused by hurricane activity is up to the travel wholesaler, as TICO does not have the authority to insist that a reimbursement is made. If a registrant is not willing to offer alternative travel services and/or accommodations, or to reimburse a consumer, the consumer's only recourse is to take legal action. ▲

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LETTER FROM THE CEO

Travel price advertising is one of the leading challenges facing Ontario's travel industry. To help prepare its own recommendations on price advertising reform, TICO commissioned POLLARA, a public opinion and marketing research firm, to study consumer attitudes with respect to travel price advertising. The article on the opposite page highlights some of the study's key results.

As you are aware, the Ontario Government has proposed to introduce stricter advertising provisions. These would require all Ontario registrants to provide full disclosure of all taxes, fees and surcharges in their advertisements, except for retail and federal sales taxes. When the provincial government first issued its draft Regulation for public consultation, TICO had concerns with the price advertising proposal. While TICO supports increased disclosure to consumers, it is concerned that the government's proposal could render Ontario's travel agents and travel wholesalers uncompetitive. Since airlines and out-of-province advertisers are not subject to the Ontario *Travel Industry Act*, they would not be required to advertise all the added costs, and their prices would appear to be better than those of Ontario registrants.

After careful analysis of the results of the study, TICO's Board of Directors agreed that a two-stage approach is needed to address this issue. The Board recommended that in the short term, Stage 1, registrants be required to provide full price disclosure in their advertising but be given flexibility with respect to how this is done, so they may still compete with unregulated travel providers. In the long term, Stage 2, the goal would be to work towards all-in pricing on a national basis; all travel service providers, including airlines, would be required to provide full price disclosure. This would require legislative changes at the federal level.

A copy of TICO's submission to government has been posted on the TICO website at www.tico.on.ca. This is a crucial issue for the travel industry, and TICO will use the study's results to encourage other provincial jurisdictions in Canada and the federal government to adopt harmonized price advertising standards that ensure full disclosure to consumers.

I am happy to report that the provincial government has responded to TICO's submission on price advertising, and a revised draft Regulation has been posted on the Ministry's website at <http://www.cbs.gov.on.ca/mcbs/english/62PM6L.htm>. While the revised draft still requires registrants to provide full price disclosure, it provides flexibility on how this may be done. We encourage all registrants to review the "Update on Results of Public Input on the Draft Regulation under the *Travel Industry Act*, 2002" as well as the revised draft Regulation on the Ministry's website. Please note that until the *Travel Industry Act*, 2002 is proclaimed, the current legislation and regulations remain in force.



A handwritten signature in orange ink, appearing to read "Michael Pepper". The signature is stylized and fluid.

Michael Pepper CEO

Travel-related advertising: an indepth look

The attitudes of Ontario's consumers towards travel-related advertising came under very close scrutiny during a TICO-commissioned study carried out by POLLARA Inc., the largest Canadian-owned public opinion and marketing research firm. The intent was to identify the consumers' preferences and tolerance for various price-based advertising tactics used within the travel industry.

The study was conducted in two phases; first, a series of six focus groups held in London, Ottawa and Toronto, followed by a telephone survey of 1,004 people across Ontario. All participants in both phases were men and women who had either taken a trip by air within the past three years or were planning to travel by air in the next six months. Following are some of the study's highlights.



Awareness and impressions of travel-related advertising

Three-quarters recalled being exposed to travel advertising within the past month. Newspaper ads were most frequently recalled (73%), while one-third recalled travel ads seen on the Internet or television. When looking at ads for travel by air, bus and train, and for vacation packages, most believed that the advertising of airfares was most misleading, followed by advertising for vacation packages.

Prices and surcharges on flights and vacation packages

Three-quarters assume that fees and surcharges will be added to advertised flight costs, with 26% of these assuming that they would likely pay 10 to 20% above advertised price on a one-way ticket. AIFs, fuel charges and the GST were most frequently named as surcharges. Similarly, 64% of the respondents assumed there would be additional charges added to the cost of a vacation package, mentioning AIFs, GST and departure taxes.

Uniformity of advertising standards

There was strong support (87%) for government legislation ensuring uniform advertising standards for both airlines and package vacation operations. The bottom line was a desire to see a total final price. There was a slight preference for having an itemized breakdown of costs (including base price plus cost associated with each fee and surcharge) rather than an overall final cost only.

Continued on page 8...

Birth certificate advisory - time line

The need to produce a birth certificate when travelling is becoming increasingly common. Any one who does not have their original birth certificate must apply for one from the Office of the Registrar General.

To help you and your clients assess what type of service is required, TICO's website, at <http://www.tico.on.ca/> is posting a weekly Birth Certificate Advisory update.

- ★ Regular service takes from six to eight weeks to process and deliver a birth certificate.
- ★ Expedited service requires 10 business days, excluding delivery, as long as proof of urgency and payment by credit card is provided.
- ★ Emergency service, available only through the Toronto office, requires two full business days to process, excluding delivery, with a \$15 emergency service surcharge for each document requested.

For more information, visit

<http://www.gov.on.ca/mcbs/English/births&marriages.htm>

Travel documents advisory

TICO also provides a weekly status update on timing to obtain some other documents needed for travel. This addresses, for example, the course of action to be followed by clients in the process of legally changing their name (up to 48 weeks) and the need for a birth certificate for a newborn child (up to 24 weeks). For more information,

visit <http://www.tico.on.ca/> or the Ministry of Consumer and Business Services web site at <http://www.cbs.gov.on.ca/>.

A year-end update: Canada 3000 holidays

The distribution of payments on claims remains in the hands of the Judicial Trustee, PricewaterhouseCoopers LLP. TICO appreciates that this has become a lengthy and frustrating process for those of you who are still waiting for your claims to be handled. We would like to reassure you that as soon as the Trustee has completed its distribution, and passed the files over to TICO, we will make every effort to accelerate the processing of the remaining claims.

A winning combo

The efforts made by TICO and the Office of the Registrar General to provide you with up to date information, on a weekly basis, on the time you should allow for the processing of birth certificate application information, have been rewarded. We are the proud recipients of a Bronze award from the 2004 Public Sector Quality Fair (PSQF). Each project submitted to the PSQF was reviewed and assessed using the National Quality Institute's Canadian Quality Criteria for Public Sector Excellence.



W.H. Bruce Fraser, C.A. Statutory Director, Travel Industry Act TICO Board of Directors



Bruce Fraser's involvement with the Ontario travel industry began in a peripheral sort of way. During his 30 years as a partner in the accounting firm KPMG, his initial interest in the field was triggered by some of his clients, who worked in various parts of the travel business, including the airlines.



How did you become involved with TICO?

I was about to retire, in 1996, when I heard that the Ontario government was looking for directors to sit on the board of the Compensation Fund Corporation, which at that time oversaw the Ontario Travel Industry Compensation Fund. I submitted my resumé and was invited to join the board, where I acted as chairman until the Compensation Fund Corporation was folded into the Travel Industry Council of Ontario. I then joined TICO's Board of Directors, as a government appointee.



What role have you played at TICO since then?

I have always been on TICO's Executive Committee and also the chair of the Compensation Fund Committee. Other committees that I have sat on, from time to time, include the Audit Committee, the Governance Committee and the Legislative and Regulatory Review Committee.



What are some of the main changes that you have seen?

When I joined the Compensation Fund Corporation, the travel industry had recently experienced some significant failures and there was very little money left in the Fund. The change, under TICO, has been dramatic. Today there is a fund of \$20 million to protect consumers, and we have an organization that provides efficient regulatory management on behalf of the Ontario government.

The other area that TICO has been working, on for some time, is the reform of the *Travel Industry Act* and Regulation. It has been a painstaking process, but I'm hopeful that the current government will be passing legislation to enact the reform in the near future.

We are hoping to see some regulatory changes, in the area of travel price advertising. While possible regulations calling for all-in-one pricing, listing all costs, would help the consumer understand exactly what's covered, it puts Ontario's registrants at a disadvantage, since airlines - which are regulated at a federal level - would not have to conform to this legislation. TICO recently commissioned a study (see Page 3) to determine consumers' views on travel advertising. I hope it will help TICO and the government develop a disclosure option that is mutually beneficial to consumers and Ontario's registrants.

Q & A

What's the overriding value of TICO, from your perspective?

Providing consumer protection is what it's all about. As the travel industry is high profile and widely used, it simply has to provide this. Since TICO was set up, we have done a pretty good job in improving the quality of information provided to consumers, and we have also helped to improve the standards in the industry as it has matured. In addition, of course, we have been able to reimburse a lot of claimants.

Q & A

Where would you like to see TICO and the Ontario travel industry, in the medium to long-term?

One of the more immediate changes that we are working on now is the introduction of minimum standards. It's important to have well-trained people in the industry, especially those on the front lines, dealing with consumers on a daily basis. By ensuring we have more informed sellers, we will have more informed travellers.

Another area that we have to deal with is the selling of travel on the Internet. Currently, it often does not meet the criteria of the *Travel Industry Act*. For example, registrants are required to provide all sorts of documentation when selling travel services, but this does not happen on the Internet. It's imperative that we pin down standards on Internet bookings.

From a long-term perspective, I would like to see reasonably symmetric consumer protection legislation across the country. It exists in some regions, not at all in others. Each province has its own view on the need for consumer protection and how it should be handled. Michael Pepper has been working extensively with people throughout Canada, explaining Ontario's system and where we're coming from. Bringing about a uniform system is a daunting task, but it would be great to see it achieved. ▲

TICO TALK Feedback

Once again, we encourage you to contact us with comments or questions on anything you read in **TICO TALK**, or on any other travel industry matter. There are so many complex issues that we have to face, including the question of travel-related advertising (see page 3 of this issue), that your opinions and concerns are more important than ever before. We can be reached at (905) 624-6241, or at 1-888-451-TICO, or by e-mail to tico@tico.on.ca.



Dates to note

February 25 - 27, 2005

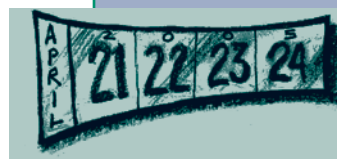
Outdoor & Adventure Show
International Centre
Hall 5,
6900 Airport Road
Mississauga



April 21 - 24, 2005:

Travel and Leisure Show*
International Centre
Hall 6, 6900 Airport Road
Mississauga

*Please note that the opening night, April 21, is open to the trade only.



TICO will be distributing informational material at the above shows.

Closures - a change in policy

TICO fielded a number of phone calls after a recent closure from registrants who were still owed commission by the company. Their questions were two-fold: why wasn't the company listed in the closures on TICO's web site, and how could they be reimbursed for their commission?

Until this point, TICO's policy had been to only list a company when its closure required the Compensation Fund to make payments. However, as a result of the feedback received, TICO has decided to list all registrants who cease operations on the website, regardless of whether their closure impacted the Compensation Fund.

What about the commission?

The Compensation Fund is not set up to reimburse registrants for any commissions owed, since it is not covered by the *Travel Industry Act*. Section 51 (4) of the Regulation states that travel agents are "not entitled to be reimbursed for any commission or other remuneration, including a travel service charge, owing on account of the travel services contracted for by the customer". In addition, Section 52 (4) states that a travel wholesaler is not entitled to be reimbursed for any portion of money owing from the travel agent that represents a commission or other remuneration, including a travel service charge.

Consumer Awareness Campaign in full swing

Making consumers aware of the benefits of doing business with Ontario's licensed travel retailers and travel wholesalers is the primary objective of TICO's Consumer Awareness Campaign.

For the past few months, TICO has been airing eight different television commercials - on topics ranging from the *Travel Industry Act* to hotel rating systems and flight delays - on CIV and Global TV. Backing up the television campaign, 30 different radio ads are playing on stations throughout the province, covering a wealth of topics - from packing tips to travelling with kids, security scanners and your film and video, illegal exotic gifts, and health and travel insurance.

The tagline for the campaign is: **"Always Look For The TICO Sign When You Book Your Travel Time"**

As additional support for the Consumer Awareness Campaign, TICO distributed new point-of-purchase sales collateral material to all registrants. The package included TICO's window decal, a poster and some information leaflets. Both the decal and the poster have been UV-protected to prevent them from turning yellow.

Yet again, we urge you to display the poster and decal prominently, to include the information leaflets in every customer's package, and to use TICO's logo in all of your advertising - on your website, brochures, invoices, business cards and any other printed materials. The logo may be downloaded from TICO's website at <http://www.tico.on.ca/> and you may phone 1-888-451-TICO for additional leaflets.

The more you support our campaign, the less likely consumers will be to purchase travel directly from an end supplier (such as an airline or cruise line) or from an out-of-province travel retailer or wholesaler. ▲



**Always Look For The
Tico Sign When You
Book Your Travel
Time.**

Court Matters

CHARGED

Andrew Carleton Smith, who carried on business as Carleton Productions, was charged with three counts of operating without registration, contrary to Section 3 (1) of the *Travel Industry Act*. The first court appearance is scheduled for November 25, 2004 at Old City Hall, Toronto.

Harish Sharma and 16201185 Ontario Inc., o/a Avon Travel and Tours Company, were charged with one count each of operating without registration, contrary to Section 3 (1) of the *Travel Industry Act*. The next court appearance is scheduled for January 4, 2005 at the Brampton Provincial Offences Court, Brampton.

CONVICTIONS

Cynthia Stren plead guilty to two counts of operating without registration, contrary to Section 3 (1) of the *Travel Industry Act*. Stren was fined \$1,500 per count, for a total fine of \$3,000, and was given one year to pay.

REVOCATIONS

Between July 19 and November 1, 2004, two companies had their registration revoked: 917403 Ontario Limited, o/a JJ Travel and Sutton West Travel, and 1364067 Ontario Ltd. o/a Kanata Travel. ▲



The lowdown on last year's financial inspections....

As you are aware, TICO is responsible for conducting a financial inspection programme. All registrants' financial statements are subject to a bench review to ensure compliance with the financial standards required by regulation. In turn, the bench review process determines which registrants should be targeted for site inspections. During the fiscal period 2003/2004, TICO completed 2,177 bench reviews (compared with 2,157 for the previous fiscal period) and 639 site inspections, an increase from 573 in the prior year.

.... and non-financial inspections

TICO conducted 20 compliance site inspections last year, to address issues such as advertising guidelines, invoicing and operating without registration. A total of 164 warnings for operating without registration and 221 advertising warnings - an increase of 31% over the previous fiscal year - were issued to registrants and/or individuals who appeared to be carrying on business in contravention of the *Travel Industry Act*. In addition, 191 invoicing warnings were issued to registrants who did not provide proper invoices and/or receipts, an increase of 42% over the prior year.



Upcoming Issues

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

- Updates on the Legislative and Regulatory Review
- Updates on Canada 3000
- Profiles on TICO staff and much, much more!

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Travel-related advertising: an indepth look continued from page 3

Importance of lowest price in pleasure and business travel

Getting the lowest possible price for vacation travel was very important to 60% of the respondents and somewhat important to 34%. Those who make their own arrangements are slightly more likely to consider the lowest price to be very important. Amongst business travellers, the need for the lowest price was not so strong.

Recall, source and attention paid to travel advertising

Of those who recalled hearing, seeing or reading an ad for travel in the past month, 74% mentioned newspaper ads. Internet and television advertising rated 34% and 33% respectively. 18% reported paying a great deal of attention to the ads, 45% reported paying some attention while 36% paid very little attention.

Perceptions of various fare advertising options

Asked to rate price-based advertising on four travel options - bus, train, airline and vacation packages - 71% perceived advertised fares on airline flights to be misleading while 58% similarly viewed package vacations. Far fewer saw the advertising of bus and train fares in the same way.

CONCLUSIONS

While the various findings of the survey were determined to some extent by the respondents' age, gender, income and region of residence, attitudes toward pricing-based advertising differed most directly according to the level of hands-on travel experience and the nature of their travel experience. Taking all of this into account, three main conclusions were drawn.

☛ Ontario travellers are generally dissatisfied with the manner in which travel prices are advertised. Most anticipate extra charges but do not know exactly how much, and view this practise as misleading. Advertising for airline prices are perceived to be the most misleading, followed by all-inclusive vacation packages.

☛ There is very strong support for the uniformity of advertising practices across markets, and strong support for government legislation to mandate uniform advertising standards among airlines as well as among package vacation operators. There is a slight preference for being provided with an itemized breakdown of every fee and surcharge, but consumers would tolerate being given one total price without all the details.

☛ Providing the complete price, without the breakdown, may prove to be most advantageous to the travel industry. It would be more economical in terms of advertising costs, and more user-friendly for consumers, who would not have to add up all of the travel-related surcharges.