

## Compensation fund payment reductions VS. increased registration & renewal fees: **TWO SEPARATE ISSUES**

**T**hrough the dog days of summer, the Ontario travel industry has had plenty to chew on! For those of you who have not yet had a chance to closely study TICO's two sources of revenue, they are (1) Compensation Fund contribution payments and (2) registration and renewal fees. It's very important that registrants clearly understand the difference between the two.

- Compensation Fund payments are held in trust by TICO and may ONLY be used for the benefit of consumers in the event of insolvency or bankruptcy of a registrant or end supplier airline or cruise line, and to cover the costs of administering and managing the Compensation Fund, in accordance with Ontario Regulation 26/05.
- The registration and renewal fees fund TICO's operating expenses, and have not changed since 1993.

### Compensation Fund

Since TICO's inception nine years ago, the Compensation Fund has grown steadily, from \$4 million to almost \$30 million, averaging an increase of about \$3 million per annum. Claims have decreased significantly over the past few years, partly due to TICO's proactive monitoring and financial inspection program.

Until this past June, the government had to make a Regulation change in order for Compensation Fund contribution rates to change, and for several years TICO had requested a rate reduction, to no avail. (The main reason behind the government's refusal was its uncertainty around the travel industry's stability.)

To promote its cause to the government, TICO's Alternate Finance Committee commissioned an extensive actuarial study to assess how much money should reasonably be kept in the Compensation Fund. The report recommended that the Fund keep a reserve of \$10 million for end supplier failures, and another \$10 million to \$15 million to cover registrant failures, totalling \$25 million.

Based on this, TICO submitted another formal request for a reduction in Compensation Fund rates in May 2006. A month later, on June 16, Ontario's government passed the *Good Government Act, 2006*, which - among many other things - enabled TICO to set the Compensation Fund payments that travel retailers and wholesalers are required to contribute.

Consequently, on June 30, 2006, the Board of Directors approved a new payment schedule, to replace the regulations made under the *Travel Industry Act, 2002*, as follows:

- A travel agent shall, twice a year, make payments in the amount that is the greater of the following:
  - \$25 plus the applicable taxes
  - The amount of
    - a) \$0.25 plus the applicable taxes for every \$1,000 or part of \$1,000 of sales in Ontario made before April 1, 2006, and
    - b) \$0.05 plus the applicable taxes for every \$1,000 or part of \$1,000 of sales in Ontario made on or after April 1, 2006.

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## TICO BOARD OF DIRECTORS 2005-2006

### INDUSTRY REPRESENTATIVES

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Vice President, Commercial  
Transat Holidays  
Etobicoke

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Bruce Bishins, CTC  
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Travel Distribution and Industry Relations  
Helen Thompson Travel  
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Trafalgar Tours of Canada  
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Mike Foster  
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Uniglobe Instant Travel Inc.  
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The Travel Network Corporation  
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Merit Travel Group  
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McTavish Travel  
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Collette Tours Canada Ltd.  
Etobicoke

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

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Vice President,  
Customer Service, Resort Management  
& Quality Assurance  
MyTravel Canada  
Toronto

### MINISTERIAL APPOINTMENTS

Deborah Brown  
Acting Director - Sector Liaison  
Ministry of Government Services  
Toronto

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

Michael Janigan  
Executive Director and General Counsel  
Public Interest Advocacy Centre  
Ottawa

Patricia Jensen  
Board member  
Consumers Council of Canada  
Toronto

### EX OFFICIO

Michael Pepper  
President and Chief Executive Officer  
Travel Industry Council of Ontario

## LETTER FROM THE CEO



As summer draws to a close and the busy fall season begins, the Travel Industry Council of Ontario (TICO) is focusing on implementation of the new registration and renewal fees and Compensation Fund payments. Staff at TICO and the TICO Board of Directors put a great deal of time and thought into the rate reforms. While registrants are usually happy to see reductions in required payments, fee increases are never popular. The TICO Board decided to move ahead with the registration and renewal fee increases as it felt that the increases were necessary to cover TICO's operating costs and initiatives. The Board of Directors felt that the initiatives were important as part of TICO's consumer protection mandate and should be pursued.

As a regulatory body, TICO must sometimes make decisions that are not popular with some stakeholder groups. I appreciate that the registration and renewal fee increases may seem high; however, when taken in conjunction with the decreases in Compensation Fund contributions, the overall reduction to most agencies will be substantial. There is more information on the changes to fees in this issue and a detailed Frequently Asked Questions document is available on TICO's website. Any registrants that have questions about the changes are encouraged to contact TICO's office for clarification.

TICO is also hard at work on the Minimum Education Standards curriculum for travel counsellors. The curriculum has taken longer than anticipated to develop as TICO is trying to ensure that the course is both informative and relevant for travel counsellors and that the exam questions are clearly written and fair. While registrants may not be happy about the new education requirements, it is TICO's objective that registrants will benefit from the experience, as will their customers.

Also included in this issue are a Synopsis of TICO's AGM, information on changes to TICO's Board of Directors, a profile of TICO's new Vice Chair Scott Stewart, an update on TICO's Consumer Advisory Committee and a reminder about the working capital requirements, which came into force on January 1, 2006. I hope that you will find the information interesting and informative.

Wishing you all a prosperous fall,

A handwritten signature in black ink, which appears to be "Michael Pepper". The signature is written in a cursive style and is positioned above the printed name of the CEO.

Michael Pepper, CEO

## Synopsis of the 9<sup>th</sup> ANNUAL GENERAL MEETING

THE NINTH ANNUAL GENERAL MEETING OF TICO TOOK PLACE ON JUNE 27<sup>TH</sup> AT THE BOARD OF TRADE, AIRPORT CENTRE, AND THE 2006 ANNUAL REPORT AND THE 2006 BUSINESS PLAN WERE PRESENTED.

### From the Chair

Michael Merrithew, Chair of TICO's Board of Directors, summarized the progress made on the objectives established in the 2005 Business Plan. These included: conducting 11 town hall meetings province-wide, to explain to stakeholders the legislative and regulatory changes contained in the *Travel Industry Act, 2002* and Ontario Regulation 26/05; launching the Travellers' Protective Initiative, a Canada-wide alliance formed to advocate for more consumer protection at the federal level for airline passengers and for changes to the *Canada Transportation Act*; partnering with the Canadian Institute of Travel Counsellors to develop curricula for TICO's minimum education standards; hiring an Actuary to review and assess the level the Compensation Fund should be maintained at, to ensure adequate protection for consumers; developing and distributing a Code of Practice for E-Commerce to assist registrants operating on the Internet; conducting a Communications Audit to assess how well TICO was communicating with registrants; and establishing a Consumer Advisory Committee to provide a consumer perspective on issues.

### From the President and CEO

Michael Pepper outlined the main developments and accomplishments for the past year. The introduction of the *Travel Industry Act, 2002* and Ontario Regulation 26/05 eliminated the old **Section 13** liability for end-supplier failure and established higher standards for the industry including mandatory trust accounting, higher working capital requirements and full price disclosure in advertising.

Gross sales for retailers totalled \$7.86 billion (up from \$6.94 billion the previous year), while wholesalers' sales totalled \$2.67 billion (up from \$2.44 billion). These are substantial increases, considering the growth of purchasing travel on the Internet. Contributions to the Compensation Fund decreased slightly from \$2,956,287 in 2005 to \$2,956,286.

Claims paid out by the Compensation Fund in 2005/06 for registrant failures totalled \$228,337, while recoveries brought in \$43,574. Claims paid in relation to end supplier failures totalled \$160,217. By year-end, the Compensation Fund stood at \$29,675,566.

Registrations are down by 46 from the previous year, from 2,884 to 2,838. The breakdown remains 84% retail and 16% wholesale registrations. During 2005/2006, TICO conducted 1,989 registrant financial bench reviews and 550 financial site inspections.

*Continued on page 5...*

## Changeover on TICO'S board

Over the past year, three members of the 15-member Board retired. We would like to offer appreciation and thanks to ACTA appointee and past TICO chair **Richard Vanderlubbe**, to **Donna Holmes**, an appointee of the Ministry of Government Services, and to **John Kennedy** (an elected Board member), of Travel Plus, Toronto.

A warm welcome is extended to **Annika Klint**, Vice President, The Travel Network Corporation, who has joined the Board as one of ACTA's three representatives, to **Deborah Brown**, Acting Director - Sector Liaison, Ministry of Government Services, and to **Bruce Bishins**, CTC, who was elected by the industry-at-large for the 3-year position that was open to a retail, wholesale or other candidate.

Congratulations are also offered to **Denise Heffron** and **Scott Stewart** who have been elected as TICO's new Chair and Vice-Chair respectively, each for a one-year term commencing June 27, 2006.

## Obtaining the 2006 business plan

As in previous years, TICO will be distributing copies of the 2006 Annual Report to every registrant. To obtain a copy of the 2006 Business Plan, you may either contact us to send you a copy, or it may be downloaded from our website at [www.tico.on.ca](http://www.tico.on.ca). You will find it in the section "About Us".

## Update on consumer advisory committee

A second - and very productive - meeting of the Consumer Advisory Committee was held in June. Discussion focused on three main areas:

- **Web site** - Committee members had been asked to review it thoroughly, prior to the meeting. A number of their comments and suggestions will be taken into account during the next website enhancement project, particularly those concerning the Consumer section of the site.

- **Consumer Travel Tips booklet** - the overall consensus was that this is clear, detailed and useful. There were helpful suggestions made on the design and on the content that TICO will give serious consideration to, particularly with regard to the Do Some Research section

- **Consumer Complaints process** - Committee members were asked to critique TICO's Consumer Complaint Form and initial letter, TICO's acknowledgement letter to the consumer and the courtesy letter sent out when there is a delay. The documents were mostly lauded for their clarity and thoroughness. Suggestions included outlining TICO's timeline for processing complaints in the initial letter and referring to a travel retailer and/or wholesaler rather than using the term "registrant", which some consumers may not understand.

## Scott Stewart *President,* *G. Stewart Travel Services*



### Q & A *When did you join the retail travel business?*

G. Stewart Travel Services is a family business founded in Peterborough by my father, in 1974. I left home to go to college, where I completed a diploma in business and human resources. After graduating, I decided that my hometown was calling, so I went back and began to work for my father, in May 1986. As he firmly believed it was important for his son to earn his stripes, I began way below the bottom of the totem pole!

### *You have probably seen many changes over the past 20 years?*

Absolutely. As all TICO TALK's readers know, the way we do business has completely changed. And on a personal level, I bought the business from my father in 1996 and joined Carlson Wagonlit Travel as an affiliate. I felt there was no future for a 'mom-and-pop' type of business, and wanted to have the support and benefits of a large company. As Carlson Wagonlit's longest-standing associate, the relationship has been very successful and it's still exciting to be part of a worldwide company. And my own company has grown, with the addition of offices in Toronto, Belleville and Barrie.

### *Prior to joining TICO, were you involved with any other travel industry associations?*

My main involvement has been with two groups, and I'm still on the board of both the Ontario Motor Coach Association (OMCA), and on Carlson Wagonlit Travel's Advisory Council for Canada. I was elected to become the OMCA representative on TICO's board three years ago.

### *Which of TICO's various issues are of particular importance to you?*

I'm very passionate about rate reform, which we worked on extensively to come up with a proposal that made sense. As my company is registered as both a retailer and a wholesaler, it gives me a wider perspective and greater awareness of the importance of what TICO is doing.

# Q & A

Consumer awareness is also very important to me, and not just from the perspective of individual travellers. As a member of the OMCA, I'm very sensitive to the way the legislation impacts on motor coach outings - for example, a schoolteacher organizing a trip, with no trust account but all the perks of group travel. Now that's only permissible for a one-day outing, and it is very important that both organizers and consumers appreciate what the Compensation Fund does and does not cover, when they book this sort of trip.

### *What do you perceive to be the challenges facing TICO?*

First, TICO has to make sure that the legislation in place benefits all registrants. If it doesn't, then we have to work to change it, although I know very well what a lengthy process that is.

As important, all registrants should understand that TICO is the administrator of the legislation; it does not make the legislation. Prior to attending my first Board meeting, I was not clear on TICO's role; I had no idea how many different issues are under discussion - basically everything covered by the *Travel Industry Act*.

### *What are your responsibilities, as the Board's Vice Chair?*

I now sit on the Executive Committee, and have become Chair of the Business Strategy Committee. I'm looking forward to assisting and learning from the new chair, and to contributing to the various issues. I will continue to be on the Audit Committee and on the Compensation Fund Committee. Initially I was completely amazed at the sheer magnitude of the work involved in both committees, but I still find them really interesting.

### *Do you have any specific goals?*

Communications are key. TICO has been doing a great job and we have to keep it up. Although registrants are much more knowledgeable about the way the travel industry works, the current debate over rate reform highlights the confusion that still exists.

I would like to remind registrants, as forcefully as I can, that TICO is here for their benefit. I'm speaking from personal experience, as I too used to regard TICO more as 'big brother'. Now I know that absolutely isn't so. Registrants should not be afraid to view TICO as a resource to help and further their own cause. ▲

## *Synopsis of the 9th Annual General Meeting continued from page 3*

Consumer and registrant awareness continues to be a priority. A TICO-authorized survey found a 3% increase in awareness of TICO and a 5% increase in awareness of the Compensation Fund. The campaign to increase consumer awareness in Ontario will continue throughout the upcoming year.

Other key projects over the past year included: exploring alternate sources of revenue to finance the Compensation Fund; revising all TICO forms, documents, informational literature, internal policies and procedures as necessary in response to the legislative and regulatory changes; and the review and enhancing of Board governance.

Looking ahead, TICO's main priority is to adjust the current funding model, to ensure that appropriate revenue is generated to meet TICO's operating expenses and the needs of the Compensation Fund, now at almost \$30 million. An increase in registration fees has been proposed by TICO, and it will be more than offset by significant reductions in contributions to the Compensation Fund. (Please refer to Page 1 for more details.)

Liaising with other jurisdictions to eliminate gaps in consumer protection is another key priority.

The audited Financial Statements for the year ended March 31, 2006 were presented and approved by the membership. A copy of the Financial Statements is included in TICO's 2006 Annual Report. ▲

## Minimum education standards: almost there!

The Study Manual is well on its way to completion, with TICO and the Canadian Institute of Travel Counsellors working together closely on finalizing the text. TICO and CITC are also working with Assessment Strategies Inc., an outside testing company, on the exam questions. Establishing the minimum education standards became a lengthier process than originally anticipated but the end result has to be exactly right. Much groundbreaking work has been accomplished, and a great deal of progress made. Once the minimum education standards are established and launched, the Ontario travel industry and Ontario travel consumers will be the big winners.

## TICO TALK feedback

Again, we would like to remind you that you may contact us with comments or questions on anything you read in **TICO TALK**, or on any other travel industry matter. Your opinions and concerns are extremely important to us. We can be reached at (905) 624-6241, or at 1-888-451-TICO, or by e-mail to [tico@tico.on.ca](mailto:tico@tico.on.ca).



TICO TALK

# Minimum working capital - a final reminder

It is fast approaching a year since the new working capital requirements were introduced, as set out in **Section 24** of the Regulation. As has been detailed previously, in **TICO TALK** and elsewhere, the minimum working capital requirement now includes more ranges, depending on sales volume. A chart detailing the minimum working capital requirements can be found in **Section 24**, and is shown below. Since this has been in effect since January 1, 2006, TICO would like to remind any registrant who is not yet compliant that there will be serious consequences if these requirements are not met.

SALES IN ONTARIO DURING PREVIOUS FISCAL YEAR	Minimum Working Capital
\$0 - \$500,000	\$ 5,000
\$500,000 - \$750,000	\$ 10,000
\$750,000 - \$1,000,000	\$ 15,000
\$1,000,000 - \$2,000,000	\$ 20,000
\$2,000,000 - \$5,000,000	\$ 25,000
\$5,000,000 - \$10,000,000	\$ 35,000
\$10,000,000 - \$20,000,000	\$ 50,000
\$20,000,000 +	\$100,000

### DON'T FORGET TO TELL US!

When changes take place in the office - from a change in personnel to a change in location - registrants sometimes forget to keep TICO informed. Please remember that whenever you change a phone or fax number, or install a new manager, you must also advise TICO. ▲

Two separate issues continued from page 6

- A travel wholesaler shall, twice a year, make payments in the amount that is the greater of the following:
  - \$25 plus the applicable taxes
  - The amount of
    - a) \$0.50 plus the applicable taxes for every \$1,000 or part of \$1,000 of sales in Ontario made before April 1, 2006, and
    - b) \$0.05 plus the applicable taxes for every \$1,000 or part of \$1,000 of sales in Ontario made on or after April 1, 2006.



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# Court matters

## CHARGED

Judy Kadet-Kovacs in her personal capacity and G & P Travel Ltd. were each charged with one count of furnishing falsified bank statements, contrary to **Section 31 (1) (a)** of the *Travel Industry Act, 2002*. Both Kadet-Kovacs and G & P Travel are scheduled to make their first appearance at the Provincial Offences Court at 45 Main Street East, Hamilton on August 15, 2006. (For further information, please refer to Closing Doors, below.)

## CONVICTIONS

Following a guilty plea at the Toronto Provincial Offences Court, Donatella Iacobucci was convicted of one count of acting as an unregistered travel agent, contrary to **Section 3 (1)** of the *Travel Industry Act*. Iacobucci was sentenced to one year of probation, 25 hours of community service, and payment of restitution in the amount of \$104. A second charge (acting as a travel agent without registration) was withdrawn as Iacobucci voluntarily paid restitution to the victim.

## REVOCATIONS

Between May 26, 2006 and August 3, 2006, nine companies had their registrations revoked: International Commercial & Travel Inc.; Canex Canada Inc. o/a Canadian Travel Service; 1542213 Ontario Inc. o/a Skynet Travel; Watan Travels Inc.; 1230602 Ontario Inc. o/a CK Travel; Russian Canadian Travel Office Corp.; Nile Safari Tours and Travel Inc.; Demfer Travels Inc.; and The Executive Needs Inc. o/a Sportality.

## CLOSING DOORS

G & P Travel voluntarily terminated its retail registration under the *Travel Industry Act* on June 12, 2006. This company was located at 175 John Street South, Hamilton and sold mainly air and ITC packages to various destinations. Charges have also been laid against Judy Kadet-Kovacs in her personal capacity and G & P Travel Ltd (see above).

Some claims have already been paid out of the Compensation Fund. The total exposure to the Compensation Fund is currently unknown.

Any consumers who have purchased travel services, or who may be at risk of not receiving the travel services purchased, are asked to contact TICO for assistance. They may call 1-888-451-8426 or (905) 624-6241 to request a claim form and/or to speak to one of TICO's Claim Co-ordinators ▲

## Ever watchful

**D**uring the 2005/2006 fiscal year, 23 non-compliance site inspections were performed, to address issue such as advertising guidelines, invoicing and operating without registration.

The substantial increase in warnings issued for advertising and invoicing were a direct result of the new Regulation, which came into force on July 1, 2005.

A total of 166 warnings for operating without registration and 211 advertising warnings were issued to registrants and/or individuals who appeared to be carrying on business in contravention of the *Travel Industry Act, 2002* and Ontario Regulation 26/05. Advertising warnings increased by 42% compared to the prior year.

In addition, 252 invoicing warnings were issued to registrants who did not provide proper invoices and/or receipts in accordance with the provision in the Regulation. Invoice warnings increased by 62% compared to the prior year.



# Upcoming Issues

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

- Overview of the *Travel Industry Act, 2002* Minimum Education Standards
- Update on the Consumer Advisory Committee

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*Two separate issues continued from page 6*

This payment schedule is to be applied to all filings for sales on or after April 1, 2006. Any registrant that filed at the same rate for the period to which the new rate applies will be sent a declaration form to complete with respect to their sales for that period, so that TICO can calculate the amount of any overpayments. Refunds will be issued to registrants who paid more than what was required.

## *Registration and Renewal Fees*

TICO's first business objective for 2006/2007 (see the 2006 Business Plan) is to generate appropriate revenue to finance TICO initiatives such as the Consumer Awareness Campaign and the Travellers' Protection Initiative. With cuts of 80% to 90% in payments to the Compensation Fund, and since there have been no change in registration and renewal fees for 13 years, TICO proposed an increase - as it is permitted to, as an administrative authority under **Clause 12 (1) (b)** of the *Safety and Consumer Statutes Administration Act, 1996*.

According to TICO's President and CEO Michael Pepper, the overall impact of the Fund payment cuts and the registration fee increases would see most registrants saving 30 to 50%.

To facilitate registrant feedback on the new rate reform package, TICO launched a consultation process. A detailed consultation paper was prepared and sent to all registrants. The paper was also made available for download on TICO's website, and was discussed at a town hall meeting in Toronto on July 25. Registrants were invited to submit comments by August 4, 2006, and TICO received close to 20 written submissions and another 280 or so 'clicks', resulting from a CSTAR press release.

After full deliberation by the Board of Directors at their August 29 Board Meeting, the new schedule for registration fees was passed, as follows:

Sales Between	New Registration		Renewal Fee	
	Current	Proposed	Current*	Proposed**
\$0 - 2M	2,375	2,750	188	250
\$2 - 5M			(375 for 2 yrs)	500
\$5 - 10M				750
\$10 - 50M				1,000
Over \$50M				1,500
Branches		750		250

\* Current renewal fees are \$375, payable every 2 years on the registration renewal anniversary.  
\*\* Proposed renewal fees will be payable annually, 90 days after fiscal year end.

To help registrants understand the entire issue, an information package with a Questions and Answers section can be seen on TICO's website, at [www.tico.on.ca](http://www.tico.on.ca). In addition, every registrant who sent a submission to TICO will receive an individual response. The new Fee Schedule will come into force on September 1, 2006.