

C3 CLAIMS: Some Important Reminders

With the September 18, 2003 deadline for filing claims against Canada 3000 Airlines now past, TICO is focusing on claims against Canada 3000 Holidays, Canada 3000 Tickets and Canada 3000 Sales. The deadline to submit claims against these companies is January 26, 2004. TICO has set up a telephone line exclusively for its C3 Claims Department. Registrants and consumers who require claim forms or further information should call 1-866-773-7755.

Early filing recommended

TICO would like to encourage everyone planning to submit a claim to do so as soon as possible, rather than leaving it until the January 26 deadline. Claims must include proof of consumer payment to a registered Ontario travel agency, and a copy of the receipt issued by the travel agent.

We anticipate a substantial number of claims, and dealing with them is likely to be a lengthy process. The earlier your claims are submitted, the quicker we will be able to process them for final approval of payment by the TICO Board of Directors.

Please remember that the Board will not be in a position to approve any Canada 3000 claims until all claims arising out of the

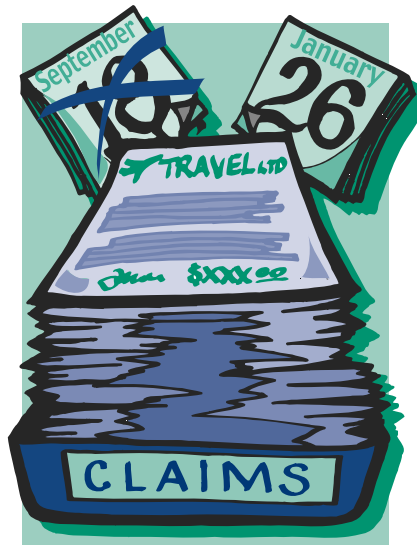
failure of the C3 companies have been received by TICO. If the total value of eligible claims exceeds the legislated maximum payment from the Fund, which is \$5 million, claim payments will have to be pro-rated.

Credit card refunds

In situations where payment was made by credit card, consumers and registrants are asked to provide a written confirmation from their credit card company, stating that their account has not already been credited in relation to the Canada 3000 charge on their card.

There has been some confusion over credit card charge-backs, as certain credit card companies have not used a uniform approach; some customers have received a charge-back while other customers, with the same credit card company, have not.

Once again, for further information, or to request a claim form, contact TICO's Canada 3000 Claims Centre at 1-866-773-7755 or e-mail: tico@tico.on.ca. Please also bear in mind that if a claimant changes their address or any contact information, it is their responsibility to inform TICO of these changes. ▲



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LETTER FROM THE CEO



This issue of TICO Talk explains the importance of TICO's financial inspection program. Financial inspections enable staff to monitor and assess potential risks to the Compensation Fund and to take steps to attempt to ensure that all registrants remain in compliance with the *Travel Industry Act* and its Regulation. The success of the financial inspection programme is evidenced by TICO's positive financial results.

In a period of great uncertainty and massive change, the travel industry in Ontario has excelled in maintaining its commitment to its clients. While closures of agencies continue to occur, the rate of closures has not greatly exceeded the averages of the past 10 years. Furthermore, those agencies that have closed in recent months have been responsible to their clients and have not burdened the industry with an influx of claims against the Compensation Fund. The healthy level of the Compensation Fund speaks volumes for the integrity of the travel agencies and travel wholesalers of Ontario.

With respect to the regulatory review process, the TICO Board - along with TICO staff - have been revisiting some of the issues that may have changed since TICO's original submission to the government in December 2000. Advertising and disclosure requirements are two of the issues being considered in light of marketplace changes. It is TICO's intention to consult with stakeholders on any new changes being proposed. TICO welcomes feedback from stakeholders - if anyone has any questions on TICO's financial inspection program or some other issue, do not hesitate to contact our office.

Wishing you a prosperous Fall and Winter.

A handwritten signature in orange ink, which appears to read "Michael Pepper". The signature is stylized and somewhat cursive.

Michael Pepper C.E.O.

A financial overview

The vast majority of Ontario's travel industry works closely with TICO to adhere to the requirements of the *Travel Industry Act*. Registrants should be proud to be part of a resilient industry that, for the most part, manages to withstand the vicissitudes of travel and tourism in today's world.

From time to time, however, some registrants do question us about the necessity of some of the *Act's* requirements. As it's far easier to abide by the rules when the rationale behind them is understood, we hope that the following will be helpful.

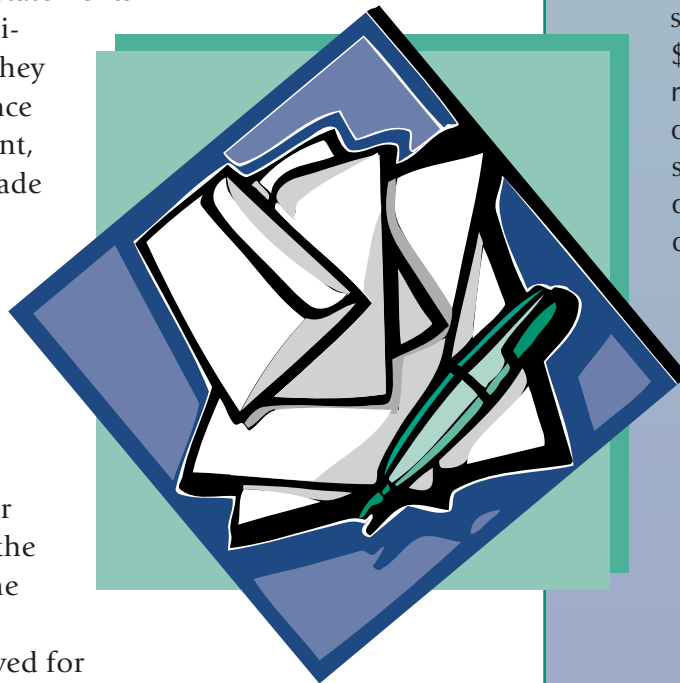
THE INS AND OUTS OF FINANCIAL STATEMENTS

The financial inspection program is a crucial component of TICO's organization, and is one of the main reasons for Ontario's travel industry maintaining a strong position. Section 24 of the Regulation requires all registrants to file, on a regular basis, financial statements that have been prepared by a Licensed Public Accountant (LPA). (For scheduling information, please see Financial Statements: when to file? on this page.)

Whether the financial statements are filed quarterly, semi-annually or annually, they have to include a Balance Sheet, Income Statement, a Statement of Sales made during the period and a Reconciliation of Customer Funds to Customer Obligations.

Statement of Sales

Sales are defined under Regulation 806/93 of the *Travel Industry Act* as the amount of payments received or to be received for all travel services sold in Ontario during a reporting period - either by or through a registered



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Financial Statements: when to file?

➔ If a registrant's sales are less than \$10,000,000 annually, they must submit year-end statements prepared with a Review Engagement by a LPA, within 90 days of year-end.

➔ If the sales are greater than \$10,000,000, the year-end statements must be prepared with an Audit by a LPA and submitted within 90 days of the year-end.

➔ If the annual sales are between \$10,000,000 and \$20,000,000, the registrant must also file semi-annual interim statements, no later than 45 days after the end of the half-year.

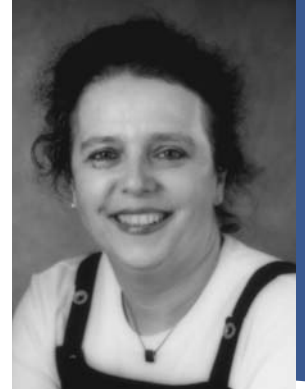
➔ And finally, if the sales are greater than \$20,000,000, the registrant must also file quarterly financial statements within 45 days of the end of the quarter. Interim statements do not have to be prepared by a LPA.

What is LAT?

The License Appeal Tribunal (LAT) is an independent quasi-judicial administrative tribunal that offers a less formal process than a court process. Whenever a consumer or registrant wish to appeal a decision concerning a claim or a notice of a proposal to revoke registration, they must apply formally to LAT, within 15 days of receiving the decision or proposal. Shortly after the Tribunal has heard an appeal, it will issue a written decision, based on the evidence presented at the appeal. Its decision may be further appealed to Ontario's Divisional Court.



Maria Descours, CMA, *Financial Inspector*



Long before she arrived in Canada, Maria Descours acquired a passion for travel. Growing up in Poland - and eventually acquiring a masters degree in business and finance from the University of Warsaw - Maria spent her holidays exploring Europe. "It was always by bus or train, and camping everywhere. We travelled on a very small budget", she reminisces. As a student, she always worked in other countries, ideally in a restaurant so that she didn't have to pay for her meals!

After graduating, she joined her husband - who had been posted to Nigeria - and while they waited for the paperwork on their immigration to Canada to be completed, they travelled extensively in South America and Asia.

Upon arriving in Canada in 1984, Maria worked with numerous chartered accounting firms. As some of them represented various travel companies, this was Maria's first experience of working professionally in the travel industry. In 1990 she joined a Polish wholesaler, Peako Travel and Trading, to help computerize their reservations and administration systems. Her responsibilities included writing the staff manual and training the accounting department.

Through the 1990s, Maria worked with various big and medium-sized travel agencies as Controller, until she joined TICO as a financial inspector, on a full-time basis, in 1999. Now in her fourth year, she is full of enthusiasm for her role within the TICO team. Her territory is mainly the Greater Toronto Area and the closer parts of southern Ontario.

Being able to communicate well is one of Maria's strengths. "I meet a lot of people,




and occasionally a registrant sees me, initially, as the ugly auditor from the government! Whenever that happens, fortunately, I've been able to clear up the misunderstanding by explaining my role. Generally, no matter what the situation is, I'm always made welcome. Developing and maintaining a good working relationship with a registrant is very important to me."

One of the most rewarding aspects of her job is working with small to medium-sized, service-oriented travel agencies that love what they do. "There are some very professional people in the business, who enjoy strategizing and thinking creatively, and are optimistic about their future," she says. "There's a noticeable difference between agencies that resent the impact of the Internet and those that are meeting the challenge by using it as an additional sales tool."

There is no doubt that the travel business can be difficult, Maria admits, and registrants have to be up to the challenge to survive. "I always congratulate someone who is doing a good job. However, registrants must also understand that as a TICO employee, I cannot provide business advice."

Overall, Maria finds that most registrants appreciate TICO's role in controlling the way the industry operates, and that closures can be avoided through timely interventions by TICO. "Basically, travel agents are one big family and by TICO's constant monitoring, they are all operating from a level playing field."



Travel for the joy of it is still an important part of Maria's life. She and her husband like to travel with their two daughters every summer - to Belize this past summer, to Vienna and Bulgaria next summer - and skiing and snowboarding are the family's winter pastime. A trip to Western Canada and Alaska is in the works, and with friends and relations around the world, there are many places they hope to visit.

By parlaying her financial expertise with her passion for travel, Maria intends to play an active role in the travel industry for many years to come. ▲

The importance of good communications

One of the top ten complaints from consumers to TICO was that their travel agent had not explained to them the terms and conditions of their travel booking. Section 21 of the Regulation states that a travel agent is required to advise a consumer, *before* reserving any travel services, of any conditions that the agent believes may affect the customer's decision to purchase those services. This includes:

- * Disclosing the price and terms and conditions of the booking
- * Explaining any cancellation conditions, such as cancellation penalties
- * Advising the consumer of the availability of trip cancellation insurance
- * Advising the customer in writing about the information or travel documents that will be required for each person who is travelling.

This legal requirement is, quite clearly, a good business practice that should always be followed - even if it was not legislated. It's an excellent way to retain a base of satisfied customers that continues to respect and trust its travel agent.

Forewarned is forearmed

Uncertainty is rife when it comes to airline scheduling, particularly - although not only - when it comes to charter airlines. To help your clients enjoy a hassle-free trip, remind them of the importance of contacting the airline, the day before their departure, to confirm the departure time of their flight and to check what time they should arrive at the airport. It's also a good idea to call again, before leaving for the airport, in case there has been a delay or change.

Even when their return travel is pre-booked, encourage your clients to call the airline and confirm their return flight. This is especially important if your client is on the road and cannot be reached by the airline, for notification of a flight change.



Regardless of whose fault it is, the chance of you having an extremely unhappy client - if they miss their plane due to a flight change or cancellation - is high. A reminder will not go amiss.

travel agent to a customer; or by a registered travel wholesaler to or through a registered travel agent or registered travel wholesaler.

If the registrant is a travel agent, the calculation should include all travel sales from Ontario. If the registrant is calculating wholesale sales, only sales made to Ontario retailers are required to be reported to TICO.

In due course, TICO compares the Statement of Sales figures reported in the annual financial statements to the sales reported when Form 1 contributions are made. If there is a discrepancy, TICO writes to the registrant, requesting an explanation.

Often, the discrepancy is due to the fact that only net sales and commissions have been reported on the financial statements, rather than gross Ontario sales. As Form 1 contributions are based on gross sales, TICO has to be provided with the correct figures in the financial statements. Increasingly, accountants are disclosing gross sales as a Note to the Financial Statements, which is a perfectly acceptable practice.

STATEMENT OF CUSTOMER FUNDS TO CUSTOMER OBLIGATIONS

This statement shows the total of customer monies on hand that has not yet been paid to suppliers at the end of the reporting period, and provides a way to check that there are enough funds to cover this obligation.

Registrants who use trust accounting must disclose what their customer deposits are, and whether they have trust funds available to cover them, in their financial statements or in the notes to their financial statements.

Registrants who are not on trust accounting are still obliged to disclose any customer deposits on hand at the end of the reporting period, and the funds that are being held in relation to this amount.

Site Inspections

After the financial statements have been submitted, they are reviewed to ensure that the registrant has sufficient working capital, as required by Section 25 of the Regulation (please see Minimum Working Capital Requirements on Page 7).

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At the same time, TICO's financial inspectors will ascertain that all other required information has been submitted.

Many site inspections are determined as a result of the review of the financial statements, and the trends that they reveal - such as a registrant's history of losses, working capital and customer deposit shortfalls. If the financial statements reveal a working capital shortfall, TICO notifies the registrant in writing, and provides them with an opportunity to correct the working capital deficiencies. A subsequent site inspection may be carried out, to ensure that the situation has been rectified and that the working capital remains in place.

Site inspections may also be based on consumer complaints, other registrant complaints on financial viability, and a review of risk programs. TICO's inspectors average 40 site inspections and 175 financial statement reviews per month.

The revocation process

If a registrant continues to fail to comply with any financial aspect of legislation, the Registrar may propose to revoke their registration. However, the registrant has the right to appeal the proposal to revoke by formally applying to the Licence Appeal Tribunal, or LAT (see What is LAT? on page 4). The cost of the appeal is \$100, which is payable to the Minister of Finance.



The registrant then has an opportunity to present their case to the Tribunal, which will decide if the registration should be revoked.

Frequently, the Registrar and the registrant agree to settle the proposal to revoke before the hearing takes place, provided the non-compliant issue is corrected. When this happens, the Registrar either withdraws the proposal or the registrant agrees to certain terms and conditions that are detailed in a Consent Order. ▲

Minimum working capital requirements

Registrants with sales in Ontario, during the previous fiscal year, of:

- * less than \$1.5 million: \$5,000
- * more than \$1.5 million but less than \$10 million: \$25,000
- * \$10 million or more but less than \$20 million: \$50,000
- * \$20 million or more: \$100,000

The working capital is calculated in accordance with generally accepted accounting principles.

Dates to note

November 6 - 9:

Travel & Leisure Show*
International Centre,
6900 Airport Road
Mississauga

November 18:

CITC Students in Travel,
Conference & Trade Show
The Old Mill, 21 Old Mill Road
Toronto

February 20 - 22, 2004:

Outdoor Adventure Show
International Centre,
6900 Airport Road
Mississauga

*Please note that the opening night, November 6, is open to the trade only.

TICO will be distributing informational material at all of the above show.



Upcoming Issues

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

- Update on the Legislative and Regulatory Review
- Update on Canada 3000
- The marketplace study on consumer protection
- Profiles on TICO staff and much, much more!

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Court Matters

► CHARGED

No charges have been laid by TICO in the last three months.

► CONVICTIONS

Ping Lee, who was carrying on business as Cruise Holidays of Markham, was convicted of six counts of operating without registration, contrary to Section 3(1) of the *Travel Industry Act*. Lee was fined \$7,500 per count, which amounted to a total fine of \$45,000. In addition, a victim fine surcharge of 25% was added to the fine.

Felix Mogado was convicted of three counts of operating without registration, contrary to Section 3(1) of the *Act*. Sentencing has been scheduled for December 11, 2003.

► REVOKED REGISTRATION

Between July 8 and September 30, 2003, two companies have had their registration revoked: A G Regency Travel Inc. and Scuba International Inc. o/a Ultimate Holidays.. ▲



Lori Furlan, Form 1 & Claims Co-ordinator, represented TICO at Travel Expo at the Ottawa Congress Centre, which took place in October.