



TRAVEL INDUSTRY COUNCIL OF ONTARIO

2004 ANNUAL REPORT





Message from the Chair

June 1, 2004

Honourable Jim Watson
Minister of Consumer and Business Services
250 Yonge Street, 35th. Floor
Toronto Ontario
M5B 2N5

Dear Minister Watson:

I am pleased to submit the seventh Annual Report of the Travel Industry Council of Ontario, which covers the period April 1, 2003 to March 31, 2004. This report also incorporates the activities of the Ontario Travel Industry Compensation Fund, for which TICO assumed direct responsibility in June 1998.

During fiscal 2003/2004, TICO's Board focused on the six main objectives set out in last year's Business Plan with the following results:

- TICO's Board completed a self-evaluation as part of its Governance Initiative, which resulted in a new Governance Committee Work Plan. As well, it reviewed the Board's Code of Conduct, codified TICO's Election Policy to elect board members from the industry at large, and worked towards developing a Consumer Advisory Council.
- The Legislative and Regulatory Review Committee, in consultation with the Ministry, identified possible changes to the *Travel Industry Act* and Regulation to address emerging issues. It partnered with the Ministry to complete a Marketplace Study to identify gaps in consumer protection in the travel industry. The Consumer Measures Committee committed to look at such consumer protection issues as airline end supplier failure coverage.
- Much work was done to update and improve TICO's programs and operational efficiency in light of E-Commerce. TICO finalized informational literature to educate stakeholders, continued the development of a compliance program for registrants who operate on the Internet, took part in dialogue and facilitated travel sector participation in the Federal Government Website Certification (Seal Programme) Pilot Project. This resulted in an E-Commerce Canadian Code of Practice for Consumer Protection.
- TICO continued work on a draft curriculum for Minimum Education Standards and is working on an implementation plan in partnership with the Canadian Institute of Travel Counsellors (CITC).
- TICO reviewed its existing policies and adopted a new privacy policy in keeping with new federal privacy legislation.
- TICO continued dialogue with provincial and federal government counterparts to eliminate gaps in consumer protection and put in place consumer protection measures with respect to end-supplier failure at the federal level. TICO also initiated discussions with the Ministry regarding TICO pursuing other business ventures, such as exporting the TICO model to other jurisdictions beyond Ontario.

An abundance of new challenges has taken its toll on the travel industry. We are confident, though, that by working closely with stakeholders to continually improve communications, education and standards, TICO will continue to achieve its goals of ensuring consumers are protected when they choose the Ontario travel industry.

Yours truly,
Travel Industry Council of Ontario

A handwritten signature in dark ink, appearing to read "Richard Vanderlubbe", written over a light-colored background.

Richard Vanderlubbe
Chair of the Board of Directors

INDEX



Mission, Vision, Values	1
Chief Executive Officer's Report	2
TICO Structure	3
Organization	3
Governance	3
Travel Compensation Fund	4
Financial Inspections	5
Committees	6
Business Accomplishments	8
Operational Performance Review	13
Registration	13
Complaints	13
Financial Inspections	14
Non-financial Inspections	14
Travel Compensation Fund	15
Legal Matters	18
Complaint Handling Process	20
Complaints Committee	20
French Language Services	20
Financial Review	21
Appendices	
Appendix I - Audited Financial Statements	
Appendix II – Listing of TICO Board of Directors	
Appendix III – Statutory Appointments and Listing of TICO Staff	

MISSION

To promote a fair and informed marketplace where consumers can be confident in their travel purchases.

VISION

Enhance confidence in the travel industry by becoming:

- A leader in developing an improved system of consumer protection
- A model for a progressive, fair and firm administrator of industry regulations
- A developer, promoter and advocate of good business ethics and harmonized standards in the travel industry.

VALUES

TICO will be:

- Fair, but firm in our conduct with registrants and consumers
- Responsive and open in communicating with consumers and registrants, while respecting the business confidentiality of our registrants
- Visionary in our approach to improving the industry and industry practices, while remaining accountable to all stakeholders for the cost-effectiveness and practicality of solutions and initiatives

Above all, TICO will be ethical in everything TICO does.



Chief Executive Officer's Report

Executive Summary

This past fiscal year, the travel industry continued to face many challenges, from a flagging global economy, to consumer fears about security, the war in Iraq and SARS. The industry has also felt the effects of the failure of Canada 3000 Airlines and the precarious state of the airline industry in general. Higher security measures have led to more inconvenience for travelers. The fact is, this uncertainty has become the new reality of the marketplace.

The good news is that Ontario's travel industry has done a remarkable job of adapting to these new challenges and maintaining its commitment to its clients. While closures of agencies continued to occur in 2003/2004, they did not substantially exceed the averages of the past 10 years.



Although claims paid by the Ontario Travel Industry Compensation Fund increased in 2003/2004 by 43% to \$1,039,955 from \$732,725 the previous year, the Fund's continued health speaks volumes about the integrity of travel agencies and wholesalers in this province. The increase this past year was due to several sizable claims, most notably resulting from the 2001 closure of Canada 3000 Airlines.

One of our goals at TICO is to do all we can to reduce consumer concerns about traveling by promoting a fair and informed marketplace in Ontario. We want them to feel confident about their travel purchases and continue to enjoy holidays and see the world. To that end, in December 2003 we launched an exciting television and radio ad campaign promoting consumer awareness of TICO and the benefits of dealing with Ontario registrants. The campaign slogan is: "Look for the TICO sign when you book your travel time."

Given the ever-increasing number of booking options available to consumers, we wanted to remind them that the choice is simple when making travel plans: they can book through an Ontario-registered travel agent and have their purchases protected, or put their hard-earned vacation dollars at risk by booking with someone else. Our campaign stresses that, when booking a holiday with a registered Ontario travel agent, travelers are protected by the province's very strict consumer protection laws and the Compensation Fund.

Ontario travel retailers and wholesalers did their part to promote the Consumer Awareness Campaign by displaying the materials we produced for them – window decals and point-of-purchase materials, as well as our slogan and logo in their brochures and advertising and on their web sites. The print campaign focuses on TICO's logo, which is becoming synonymous with consumer protection.

We continued to conduct speaking engagements and media interviews promoting consumer and industry awareness with consumer groups, travel schools, the media and industry associations. We also took part in nine consumer and industry trade shows during the last 12 months.

This annual report highlights some of TICO's most significant achievements during 2003/2004 and confirms our commitment to our stakeholders of promoting a fair and informed marketplace, where consumers will continue to feel confident about their travel purchases.

Yours truly,
Travel Industry Council of Ontario

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

Michael Pepper
President & C.E.O.

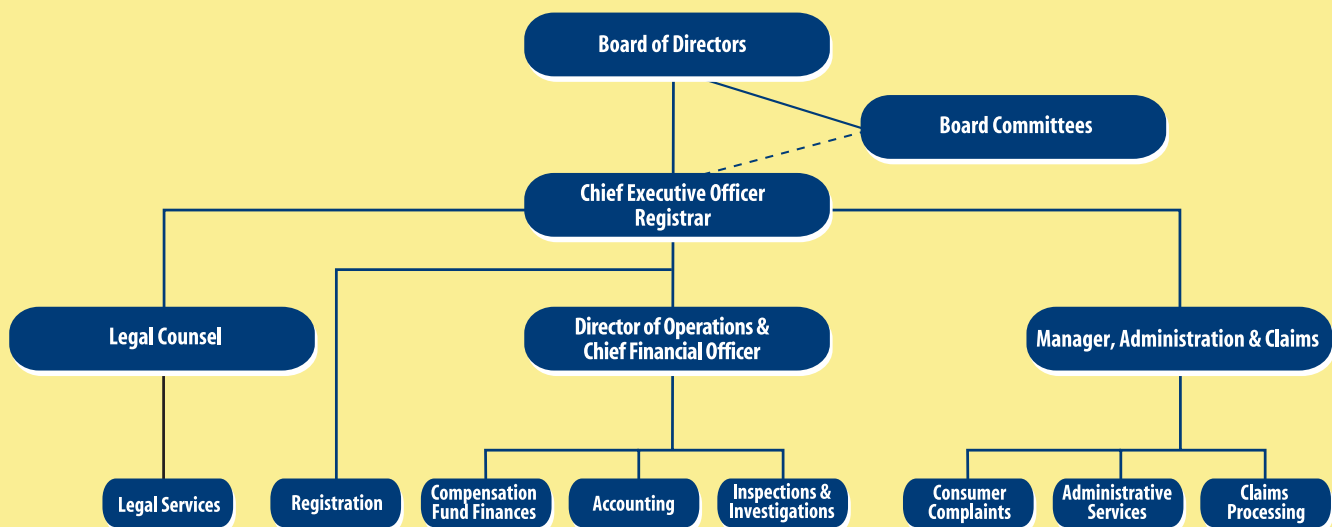
TICO Structure

Organization

The Travel Industry Council of Ontario (TICO) is a not-for-profit corporation financed through fees from its approximately 2,900 Ontario travel retail and wholesale registrants. In order to effect self-management in the travel industry, the Ministry of Consumer and Business Services delegated responsibility for the administration of the Ontario *Travel Industry Act* (the Act) and regulations to

TICO in June 1997. The Act governs Ontario retailers and wholesalers and provides for the operation of a travel industry Compensation Fund.

Following a regulation change in June 1998, TICO assumed direct responsibility for the Ontario Travel Industry Compensation Fund (the Fund) from the Ontario Travel Industry Compensation Fund Corporation (OTICF). The OTICF Corporation was subsequently dissolved on August 28, 1998.



Governance

The TICO Board of Directors consists of fifteen members. There are three individuals appointed by the Association of Canadian Travel Agencies (ACTA), three from the Canadian Association of Tour Operators (CATO), one from the Ontario Motor Coach Association (OMCA), one from the Canadian Institute of Travel Counsellors (CITC) and four appointed by the Minister of Consumer and Business Services. There are also three members that are elected by the Industry at large. (See Appendix II)

Remuneration of Board and Committee Members (Per Diems)

TICO's by-laws provide for the remuneration of Directors. TICO's Remuneration Policy provides for the following per diem levels:

Board Meetings:

Chair	\$350
Vice-Chair	\$275
Member	\$225

The remuneration policy for committee meetings for board members and non-board members is as follows:

Committee Meetings:

Committee Chair	\$225
Committee Member	\$175
Director under the TIA (where Director is not an employee)	\$5,000/annum

The per diem is the amount payable for work periods in excess of three hours. If the work period is less than three hours, one-half of the established per diem is paid. Preparation time may be included in the calculation of hours. In addition, board and committee members may claim for travelling expenses such as mileage or accommodation for which set rates have been approved.

Travel Compensation Fund

Background on the Ontario Travel Compensation Fund

In 1975, the Government of Ontario passed the *Travel Industry Act*. This legislation provides the legal basis for the Compensation Fund and ensures that every registered travel business in Ontario participates in the Fund. Section 44 of Part III of the current Regulation (O. Reg. 806/93) enacted pursuant to the Act states: "Every Registrant shall participate in the Compensation Fund and shall comply with the terms of the Fund set out in this Part."

A Registrant is defined as a person who is registered as a travel agent or travel wholesaler under the *Travel Industry Act*. A travel agent is defined as a person who sells to consumers, travel services provided by another person. A travel wholesaler is defined as a person who acquires rights to a travel service for the purpose of resale to a travel agent or who carries on the business of dealing with travel agents or travel wholesalers for the sale of travel services provided by another person.

Management of the Compensation Fund

The Regulation relating to the Compensation Fund sets forth in detail the operation and management of the Fund.

Section 44.1 of the current Regulation (O. Reg. 806/93) provides that the affairs of the Compensation Fund shall be administered and managed by the Travel Industry Council of Ontario, a corporation without share capital incorporated under Part III of the *Corporations Act*.

Section 45(5) of Regulation 806/93 requires that all money in the Compensation Fund and any income on such money shall be held by TICO in trust for the benefit of claimants whose claims for compensation are approved by TICO in accordance with this Regulation.

Fund Financing

The Compensation Fund is totally financed by Ontario registrants. During the fiscal year, registered travel agents paid to TICO the greater of \$25 or 25¢ per \$1,000 of sales and registered travel wholesalers paid the greater of \$25 or 50¢ per \$1,000 of sales, both on a semi-annual self assessment basis. These payments are to be made within forty-five days after the end of the Registrant's fiscal and fiscal half-year.

The Regulation permits TICO to borrow money to supplement the Fund and to require that registrants make additional payments to TICO if necessary to reduce such borrowing.


Surplus Funds

The Corporation may invest any funds of the Compensation Fund, which are surplus to the immediate requirements of TICO in securities provided for under sections 26 and 27 of the *Trustee Act*.

Claims

The Compensation Fund reimburses customers of registered travel agents for eligible claims arising from the bankruptcy or insolvency of an Ontario registrant or arising from the failure of an end supplier airline or cruise line. The Board of Directors determines whether a claim or a part of one meets the requirements of the Regulation and determines the eligible amount of the claim. Claims must be submitted in writing to the Board within six months after the event that gave rise to the claim. The maximum payout for claims arising out of an event is \$5 million in total. The maximum payout per person is \$5,000.

The Director under the *Travel Industry Act*, may direct payment out of the Fund of up to an additional \$2 million where immediate funds and facilities are necessary for the repatriation and accommodation of customers of registrants who are outside of Ontario. When customers of registrants are preparing for immediate departure and have been placed in

A man and a woman are walking together on a city street, sharing a large, dark umbrella. The man is on the left, wearing a suit and tie, and the woman is on the right, wearing a dark coat and skirt. They are both looking towards each other. The background shows a city street with buildings and a clear sky. The entire image has a warm, yellowish tint.

circumstances where funds are required to alleviate suffering or to protect the interests of the Fund, the Board, with the approval of the Director, may pay out of the Fund an amount sufficient to enable such departure, up to a maximum of \$5,000 per person.

Appeal of Decisions

Claimants are entitled to appeal a decision of the Board of Directors to the Licence Appeal Tribunal. Decisions of the Tribunal may be further appealed to the Divisional Court of Ontario.

Financial Inspections

TICO operates a risk management programme, which includes financial inspections of registrants carried out under the direction and control of the Registrar, *Travel Industry Act*. The objective of the programme is to identify as early as possible any risk registrants and to work with these registrants to ensure compliance with the Act and Regulation. By early identification of risk registrants, TICO attempts to minimize potential claims against the Fund and disruption to consumer travel. The programme consists of an annual review of the financial statements of all registrants and a more frequent review of the financial statements of larger registrants and site inspections. The programme is proactive as TICO has undertaken to visit all new registrants to ensure understanding and compliance with the Act and Regulation.

TICO Committees

TICO has established nine committees to oversee various responsibilities and undertake a variety of tasks. These committees and mandates include the following:

Executive Committee (Chair: Richard Vanderlubbe)

- Manage emergency issues on an ad hoc basis.
- Interim support for CEO between board meetings.
- Review of large closures.
- Make recommendations regarding composition of board committees.
- Conduct an annual review of the TICO Employee Code of Ethics.

Audit Committee (Chair: Bruce Fraser, C.A.)

- Review internal controls operating throughout TICO.
- Review accounting and investment policies on an annual basis.
- Review quarterly investment report and financial statements.
- Review audited financial statements and recommend their approval to the Board.
- Confer with TICO's auditors as required, to discuss examination into the financial affairs of TICO
- Make recommendations to the Board with respect to the appointment and remuneration of external auditors.
- Review insurance coverage annually.
- Review TICO's annual budget.

Business Strategy Committee (Chair: Jill Wykes)

- Produce TICO's Business Plan and monitor performance measures.
- Refer issues for legislative and regulatory review.
- Planning of TICO's Consumer Awareness Campaign.
- Review and keep current TICO's policies with respect to privacy issues.
- Develop a plan to assess TICO's operational effectiveness and report findings.

Complaints Committee (Chair: Ted Warren, Q.C.)

- Review and resolve, as appropriate, complaints against TICO.
- Provide fair, transparent and accountable procedures for handling Registrant and consumer complaints against TICO.
- Develop standards for handling complaints.

- Make recommendations with respect to TICO's complaint handling procedures.
- Review trends of complaints to determine if recommendations can be made to address the cause of complaints.

Compensation Fund Committee (Chair: Bruce Fraser, C.A.)

- Review and recommend to the Board the payment of claims in accordance with Regulation 806/93.
- Review and monitor the status of appeals to the Licence Appeal Tribunal of denied claims.
- Develop and recommend administrative policies to the Board regarding the administration of the Fund.
- Review and recommend recovery procedures to offset the cost of claims.

E-Commerce Committee (Chair: Richard Vanderlubbe)

- Review TICO's programs, services and initiatives to determine any area which could be improved through the use of the Internet.
- Identify areas where consumers may not be protected when they purchase travel services online and provide options as to how TICO may address these issues.
- Consider privacy issues in respect of e-commerce.
- Identify any challenges posed by regulating the sale of travel services in an e-commerce environment and provide any potential solutions.
- Recommend legislative and regulatory changes in relation to e-commerce.
- Liaise with provincial counterparts and federal authorities on emerging e-commerce issues and the development of a standard.
- Play a role in educating the Board and TICO stakeholders about e-commerce issues including the development of informational literature.

Minimum Standards Committee (Chair: Mike Foster)

- Determine what the minimum education standards should be for travel counsellors and supervisor/managers and identify the type of information that should be covered in the minimum standards curriculum at each level.
- Oversee the development of the Minimum Standards Curricula including reviewing, testing and approving the curricula.

- Determine how the minimum educational standards should be implemented, the timeline for implementation and the costs.
- Oversee the printing and distributing of the educational courses and the development of on-line versions of the courses.
- Consider equivalency options.
- Develop a communications plan for minimum standards.
- Devise a plan to enforce the standards.
- Ensure the minimum educational standards are updated on a regular basis.
- Explore the feasibility of other educational initiatives.

Legislative & Regulatory Review Committee (Chair: Trish McTavish)

- Recommend the legislative and regulatory reforms necessary to achieve TICO's business objectives, as established by the Business Strategy Committee in TICO's Business Plan by:
 - Consulting with MCBS on policy and legal issues.
 - Securing and managing stakeholder input.
 - Working with MCBS to move the recommendations forward through the legislative process.
- Consider revision of the voluntary Registrant Code of Ethics in the event that TICO wishes to set up a Discipline Committee and implement a system of administrative penalties.
- Develop policies in relation to administrative penalties.
- Make recommendations to the Board with respect to requirements for individuals who conduct business outside the office of a registrant. Any requirements recommended should:
 - ensure there is a level of professionalism even if the business is being conducted outside the registrant's office;
 - raise industry standards;
 - ensure that consumer monies are protected;
 - ensure that consumers receive quality service; and
 - ensure that consumers are fully informed.
- Develop a Recommended Best Practices document to assist registrants and outside sales representatives.

Governance Committee (Chair: Mike Merrithew)

- Determine and articulate TICO's governance model.
- Clarify the Board's role, purpose, core values and responsibilities.
- Review current board member recruitment process and the election process.

- Set criteria for board member recruitment and selection.
- Communicate board member criteria to groups eligible to make appointments to the Board.
- Conduct an annual review of the Board of Directors Code of Conduct.
- Develop a Board and Committee Attendance Policy including a process to deal with attendance problems.
- Examine the issue of board member retention and review remuneration.
- Review TICO's Board and Committee Structure.
- Develop a system for evaluating the Board's performance.
- Devise a set of basic performance benchmarks to measure board effectiveness.
- Develop a work plan to enhance Board performance.
- Communicate results of board evaluation.
- Review TICO's Board Orientation Process.
- Be responsible for policies in relation to corporate governance.
- Recommend any changes required to TICO's By-law in relation to governance issues.

Alternate Finance Committee (Chair: Bruce Fraser, C.A.)

- Assess at what level the Fund should be maintained to ensure adequate protection for consumers.
- Review who should be contributing to the Fund.
- Determine a fair and workable method to assess contributions to the Fund.
- Explore whether there should be higher financial requirements for entry to the industry.
- Identify potential models for compensation by examining different models from other jurisdictions.
- Conduct a comparative analysis of potential models against Ontario's current system.
- Identify best practices from the various models analyzed.
- Identify key areas of risk in registrant business practices.
- Consider steps that could be taken to reduce those risks.
- Explore whether fee reductions could be used as an incentive to encourage registrants to meet higher standards and reward financially stable registrants.
- Consider whether registrants should be required to pay into the Fund on sales where no commission is earned.
- Consider whether registrants should be required to pay into the Fund if the transaction is not covered by the Fund.
- Consider whether registrants should be required to pay for end supplier failures.

Business Accomplishments

2003/2004

BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2003/2004	ACCOMPLISHMENTS
Assess the Efficiency and Effectiveness of the TICO Board of Directors (Board Governance)	Complete a Board Evaluation.	Developed and completed a self evaluation of the TICO Board of Directors.
	Develop a plan for Board recruitment/retention.	Developed a new Governance Committee Work Plan based on the results of the Board Evaluation. The Work Plan will focus on the following areas: board member communication and orientation, composition of the Board – selection, recruitment, retention and establishing a Consumer Advisory Council.
	Enhance Board Code of Conduct.	Reviewed and enhanced TICO's Board of Directors Code of Conduct.
	Develop new Board member orientation.	Initiated work on enhancing board member orientation.
	Conduct Board member education session.	Conducted a board member education session by holding a retreat in January 2004.
		Codified TICO's Election Policy to elect board members from the industry at large.
		Initiated work on developing a Consumer Advisory Council.
Continue the Legislative and Regulatory Review Process and Subsequent Implementation of Changes	Work with the Ministry on specific proposals for reform that require further input from TICO.	The Committee analyzed where changes may be beneficial to address emerging issues and consulted with the Ministry on those proposals. Consulted with the Ministry on specific proposals for reform that required further input from TICO.
	Achieve Industry understanding and awareness of any changes to the <i>Travel Industry Act</i> .	Finalized a Communications Plan to inform stakeholders and promote understanding of possible legislative and regulatory changes to the <i>Travel Industry Act</i> and Regulation.
	Implement a communications plan to advise all stakeholders as to any changes to the <i>Travel Industry Act</i> .	
	Develop a discipline process for non-compliance.	Continued work on discipline process for non-compliance.

BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2003/2004	ACCOMPLISHMENTS
	Develop internal operational policies and procedures in relation to possible legislative and regulatory change.	Yet to be completed. Contingent on the proposed legislative changes being passed by the Government.
	TICO will participate actively in consultation and provide feedback related to draft Regulation.	Organized town hall meetings for the purpose of consulting with stakeholders on the draft Regulation.
		Partnered with MCBS to complete a Market Place Study to identify gaps in consumer protection in the travel industry.
		Communicated with the government and met with the Minister, MCBS to discuss possible changes to the <i>Travel Industry Act</i> with respect to gaps in consumer protection and the liability of registrants revealed in the Marketplace Study.
		Meetings with the Provincial Government resulted in the Consumer Measures Committee committing to look at consumer protection issues, specifically end supplier failure coverage.
Review and Update TICO Processes and Programs in Light of E-Commerce and Improve Operational Efficiency	Produce and distribute informational literature to educate stakeholders on e-business.	Finalized informational literature to educate stakeholders on e-business.
	Develop registrant guidelines for operating on the Internet.	Initiated work on developing guidelines.
	Establish specific compliance programme to monitor registrants operating on the Internet.	Continued the development of a specific compliance programme to monitor registrants operating on the Internet.
		Maintained TICO's website with timely information.
		Participated in a dialogue and facilitated travel sector participation in Federal Government Website Certification (Seal Programme) Pilot Project which resulted in an E-Commerce Canadian Code of Practice for Consumer Protection.

Business Accomplishments 2003/2004

BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2003/2004	ACCOMPLISHMENTS
Minimum Education Standards	Develop and complete curricula for Minimum Standards.	Continued work on draft curriculum for Minimum Education Standards.
	Develop a plan for implementation of Minimum Standards.	Have partnered with CITC and are working on an implementation plan.
	Establish a plan to enforce Minimum Standards.	A formal plan has yet to be drafted.
	Develop a communications plan for Minimum Standards.	Yet to be completed.
Review, Update and Keep Current all TICO Policies with Respect to Privacy Issues	Evaluate TICO's policies with respect to privacy issues and determine where improvements are necessary.	TICO reviewed its privacy policies and put a new policy in place in keeping with new privacy legislation.
Liaise with Other Jurisdictions to Eliminate Gaps in Consumer Protection	Review results of Marketplace Study and determine next steps.	Used Marketplace Study to communicate to the government the need for changes to the <i>Travel Industry Act</i> .
	Contact provincial counterparts, Federal and Provincial Government to initiate a dialogue and garner support for a consumer protection plan with respect to airline failures at the federal level.	Continued communication efforts and dialogue to put in place consumer protection measures with respect to end supplier failure at the federal level.
		Initiated discussions with MCBS regarding TICO pursuing other business ventures. This would allow TICO to explore business opportunities to export the TICO model beyond the scope of Ontario.
Explore Alternate Financing of the Compensation Fund		Established an Alternate Finance Committee to explore alternate sources of financing the Compensation Fund. (e.g. user pay)

CONTINUING BUSINESS PLAN OBJECTIVES	CONTINUING PERFORMANCE MEASURES 2003/2004	OUTCOME
Assess TICO's Operational Effectiveness	Develop and conduct stakeholder survey assessing TICO's operational effectiveness in the area of claims processing and complaint handling.	Finalized the stakeholder survey instrument to assess TICO's operational effectiveness in the area of claims processing and complaint handling. The surveys will be distributed in the next fiscal year.
	Report results of completed stakeholder surveys.	Yet to be completed.
	Improve Operational Efficiency	Enhance TICO's Information Management System.
Communications and Government Liaison	Analyze stakeholder survey results to assess opportunities to improve TICO's operational effectiveness in the area of claims processing and complaint handling.	Yet to be completed. Contingent on the surveys being distributed and returned with feedback.
	Publish and distribute TICO Talk quarterly newsletter to registrants, develop and distribute informational literature on various topics and distribute Industry Advisories and Registrar Bulletins to all stakeholders on significant and timely issues.	Continued distribution of a quarterly newsletter (TICO Talk) to all registrants
	Increase consumer awareness in the Province as to the benefits of purchasing travel services from Ontario registrants through print media, radio and television advertisements.	Launched television and radio ad campaign promoting consumer awareness of TICO and the benefits of dealing with Ontario registrants. Developed new tag line for Consumer Awareness Campaign: "Look for the TICO sign when you book your travel time." Produced collateral materials for registrants to display and support TICO's Consumer Awareness Campaign.

Business Accomplishments 2003/2004

CONTINUING BUSINESS PLAN OBJECTIVES	CONTINUING PERFORMANCE MEASURES 2003/2004	OUTCOME
		<p>Conducted several speaking engagements and media interviews promoting consumer and Industry awareness with consumer groups, travel schools, television, radio, newspaper media and Industry Associations.</p> <p>Participated at 9 consumer and industry trade shows during the last 12 months.</p>
	<p>Update and keep current TICO's website with information to benefit stakeholders such as Industry Advisories, Business Plan, Annual Report and the TICO Talk Newsletter.</p>	<p>Maintained TICO website and provided timely online information services to all TICO stakeholders.</p>
	<p>Continue to liaise with MCBS on issues that require TICO's input.</p>	<p>TICO participated in regular liaison meetings with the Ministry to maintain communications and address timely issues.</p>
	<p>Continue to communicate and restate Code of Ethics to all registrants.</p>	<p>Continued to communicate and restate TICO Registrant Code of Ethics. The Code of Ethics was restated in TICO's newsletter, on TICO's website and was distributed at trade shows.</p>
	<p>Make available a Business Plan to all stakeholders.</p>	<p>Provided Business Plan to stakeholders.</p>
		<p>Continued to contact and liaise with provincial counterparts, Federal and Provincial Governments to continue the ongoing dialogue to garner support for a consumer protection plan with respect to airline failures at the Federal level.</p>
		<p>Maintained a Communications Plan for TICO stakeholders including internal communications to the Board of Directors and staff through orientation, meetings and policy manuals.</p>
		<p>Maintained an ongoing dialogue with Registrars and Regulators in other jurisdictions and self-managed Industries to share best practices.</p>

Operational Performance Review

Registration

On March 31, 2004, TICO had a total of 2,909 registrations (Fig. 1). This total is comprised of 2,440 retail travel outlets, who sell travel services directly to consumers and 469 travel wholesalers, who sell travel product to travel retailers (Fig. 2).

A total of 1,718 registrations were processed under the *Travel Industry Act* in 2003/2004, which included 202 new registrations (Fig. 3) and 1,516 renewals (Fig. 4). As registrations are renewed bi-annually on the anniversary date of the Registrant's original approval date, there is a fluctuation in the number of renewals each year.

Complaints

TICO handled 227 written consumer complaints in 2003/2004, an increase of 10% compared to the previous year (Fig. 5). In processing these complaints, TICO successfully assisted consumers in obtaining \$31,799 in restitution compared to \$61,226 the previous year. In addition, TICO received between 100-150 telephone and walk-in complaint inquiries each month.

The top 10 issues of written complaints received at TICO in 2003/2004 were:

1. Misrepresentation of travel services by registrant in an advertisement or brochure.
2. Outstanding refunds.
3. Consumer dissatisfaction with services or accommodation in destination (quality of service issues).
4. Cancellation of travel services by consumer – subject to terms and conditions of booking.
5. Incorrect ticketing / ticketing errors.
6. Incomplete or incorrect information provided to the consumer by the registrant (i.e. information regarding the travel product or services being sold).
7. Incomplete or incorrect information provided to the consumer by the registrant with respect to the travel documentation required for each person travelling.
8. Price dispute (i.e. misquotes or price increases).
9. Changes to accommodation or the standard of accommodation that was purchased by the consumer.
10. Cancellation of travel services by the travel wholesaler or travel agency.

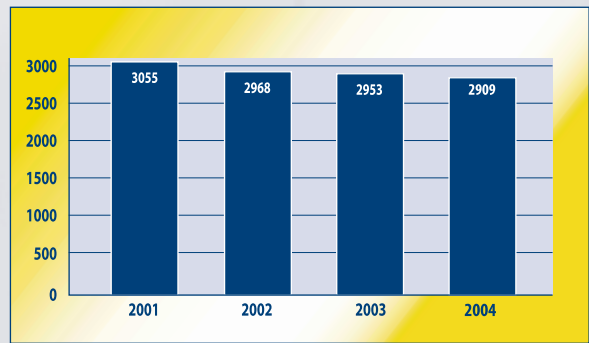


Figure 1: Total Registrations under *Travel Industry Act*

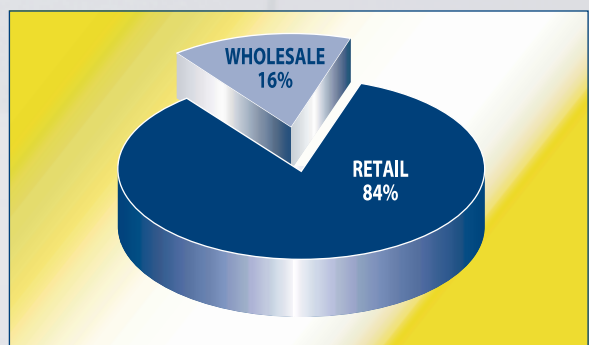


Figure 2: Breakdown of Registrations

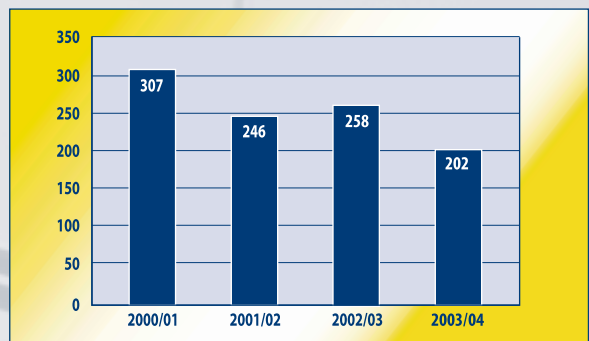


Figure 3: Total New Applications Processed

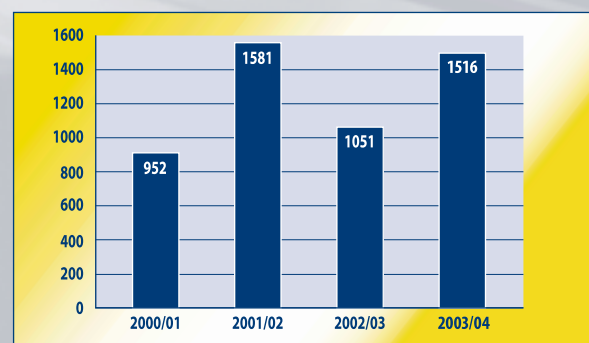


Figure 4: Total Renewal Applications Processed

Financial Inspections

Under the direction of the Registrar, the Travel Industry Council of Ontario is responsible for conducting a financial inspection programme. All Registrant financial statements are subject to a bench review to ensure compliance with the financial standards required by regulation. The bench review process produces information, which may determine those registrants that should be targeted for site inspections. During the fiscal period 2003/2004, TICO completed 2,177 bench reviews (Fig. 6) and 639 site inspections, an increase from 573 in the prior year. (Fig. 7)

Non-Financial Inspections

TICO performed 20 compliance site inspections during the 2003/2004 fiscal year to address various issues such as advertising guidelines, invoicing and operating without registration. In 2003/2004, a total of 164 warnings for operating without registration and 221 advertising warnings were issued to registrants and/or individuals who appeared to be carrying on business in contravention of the *Travel Industry Act* and Regulation. Advertising warnings increased by 31% compared to the prior year. In addition, 191 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 42% compared to the prior year.

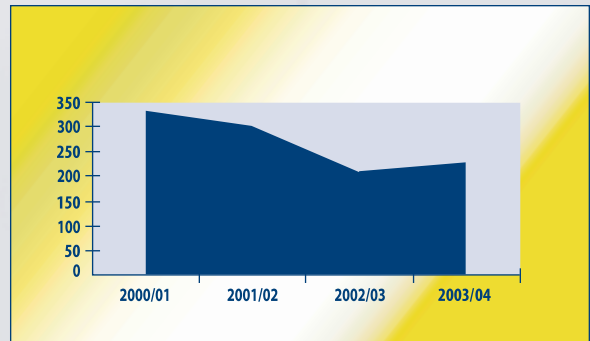


Figure 5: Written Complaints Handled

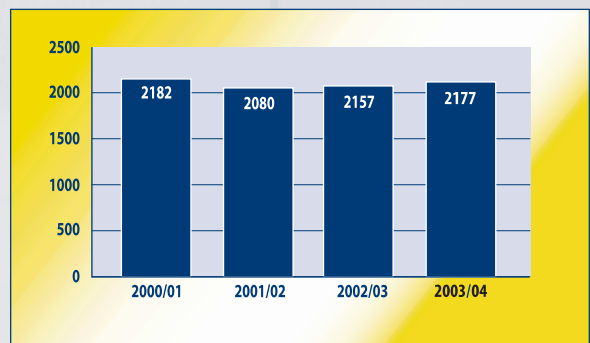


Figure 6: Total Financial Bench Reviews

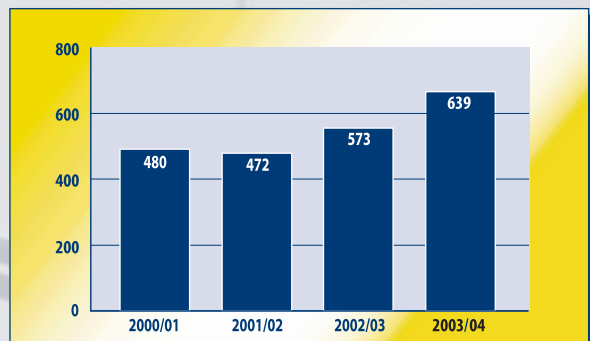


Figure 7: Financial Site Inspections

Travel Compensation Fund

Claims and Repatriation

Claims paid during the fiscal year ended March 31, 2004 compared to the previous year ended March 31, 2003 were as follows:

	<u>2003/04</u>	<u>2002/03</u>
Number of claims paid	921	256
Number of consumers assisted	2,457	619
Claims paid - Registrant failure	\$347,348	\$352,281
Claims paid - End supplier failure	<u>\$692,607</u>	<u>\$380,444</u>
Total Claims paid	\$1,039,955	\$732,725
Repatriation	\$—	\$—
Less recoveries	<u>\$(131,984)</u>	<u>\$(426,958)</u>
Net claims paid	<u>\$907,971</u>	<u>\$305,767</u>

Repatriation

There were no consumers repatriated during the 2003/2004 fiscal year.

Most Significant Closures 2003/04

Don Armstrong Tours Ltd. o/a Don Armstrong Tours

On March 21, 2003, Don Armstrong Tours Ltd. of Oshawa voluntarily terminated its registration as a travel retailer under the *Travel Industry Act*. Don Armstrong Tours sold primarily air and hotel packages to various destinations. As of March 31, 2004, a total of \$225,569.05 was paid out of the Compensation Fund, assisting 187 consumers.

Other Closures Resulting in Significant Claims

The following Canada 3000 entities ceased operations during the 2001/2002 fiscal year, however, claims were paid during the 2003/04 fiscal year. There are still additional Canada 3000 claims pending, which will be processed in 2004/05.

Canada 3000 Airlines

Canada 3000 Airlines, a non-registrant end supplier airline ceased operations on November 09, 2001. The amendment to Regulation 806/93 in January 2002 allowed end supplier claims against the Compensation Fund. On March 17, 2003, the

Trustee in Bankruptcy for Canada 3000 Airlines declared that there would be no payments from the estate of Canada 3000 Airlines. This allowed TICO to commence its claims process and claims were distributed to Canada 3000 Airlines claimants with a claim filing deadline of September 18, 2003. As of March 31, 2004, TICO paid a total of \$668,687.03 out of the Compensation Fund, assisting 1,425 consumers.

Canada 3000 Holidays

Although the failure of Canada 3000 Holidays in December 2001 has, to date, not resulted in the payment of claims from the Compensation Fund, TICO did commence its claims process on July 25, 2003 for information gathering purposes only. The deadline to file a claim against the Compensation Fund for claims against Canada 3000 Holidays was January 26, 2004. Any claims that have been received at TICO are being processed in the order in which they were received. However, TICO will not pay any Canada 3000 Holidays claims until after the Judicial Trustee, PricewaterhouseCoopers, has completed its process and distributed any further funds that it has available. A final distribution payment from the Judicial Trustee is expected, however, there is currently no information available on the timing of any future payment and it is not expected that PricewaterhouseCoopers will have any additional information until the Fall of 2004.

SUMMARY OF CLOSURES RESULTING IN CLAIMS AGAINST THE COMPENSATION FUND AND CORRESPONDING RECOVERIES

REGISTRANTS	CLAIMS PAID 2003/04 \$	RECOVERIES 2003/04 \$	CLAIMS PAID 2002/03 \$	RECOVERIES 2002/03 \$
Airbird Travel			534	
Amazonas Travel	5,144		11,054	
American Hawaii Cruises			4,577	
Amrals Travel	1,304		43,654	
Bianca's Starlight Travel			4,176	
Blyth & Company Travel, Toronto (R)/(W)			13,155	
Canada 3000 Airlines*	668,687			
C3 Tickets (R)	765	765		
Carifest Holidays, Toronto (R)			500	
College Travel			5,381	5,381
Dream Holidays				856
Don Armstrong Tours	225,569			
Escape Travel			16,848	10,000
Eurosun Inc.		40,000		
Farah Travel	4,698		28,658	
Gell Travel				3,684
Getaway Travel			975	
Globe Travel, Toronto (R)	2,743			
Great Lakes Cruises			8,898	
Golden Escapes, Toronto (R)/(W)			5,559	2,489
Just Vacations			828	
Marine Expeditions Travel, Toronto (R)/(W)			5,564	226,748
Perfect Travellers (R)	2,530			
Premier Holidays, Mississauga (R)/(W)		80,000		
Planit Travel	80,400			
Renaissance Cruises*	23,920		366,132	81,554
Rosa Fanzini Travel		759		
Sabena Air			838	
Scanditours	1,500	334	5,338	
Shalom-K Tours, North York (R)/(W)				7,430
Silver Fox Tours				87,500
Speedy Travel			4,687	
The Ultimate Travel Brokers, Toronto (R)			112,052	
Travel Advantage			1,026	1,026
Travel Max	4,575			
Travel Search Inc., Toronto (R)/(W)		5,000	52,289	
Travel Way Services	1,536		13,822	
Travelpack, Toronto (R)/(W)	3,200	3,850	26,180	290
Value Vacations, Toronto (R)	1,276	1,276		
Yorkland	12,108			
TOTAL CLAIMS PAID (GROSS)	<u>1,039,955</u>	<u>131,984</u>	<u>\$732,725</u>	<u>\$426,958</u>

(R) = Retailer (W)= Wholesaler

Note: Recoveries listed may relate to claims paid out in previous years.

* Non-registrant end supplier failure

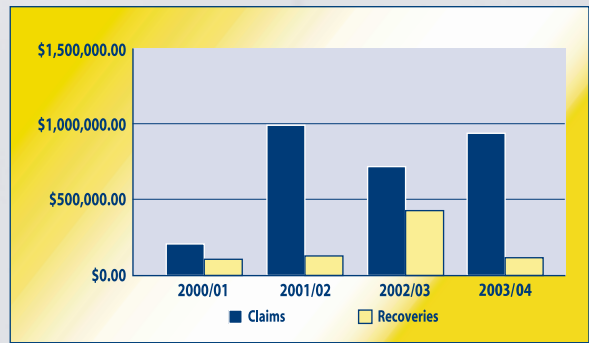


Figure 8: Claims paid and Recoveries to the Fund

Figure 8 illustrates that, in 2003/2004, claims paid by the Fund increased by 42% from the previous year. Recoveries received by TICO in 2003/2004 were \$131,984 compared to \$426,958 recovered in 2002/2003.

Contributions to the Fund from registrants (Fig. 9) have decreased by \$115,267 over 2002/2003.

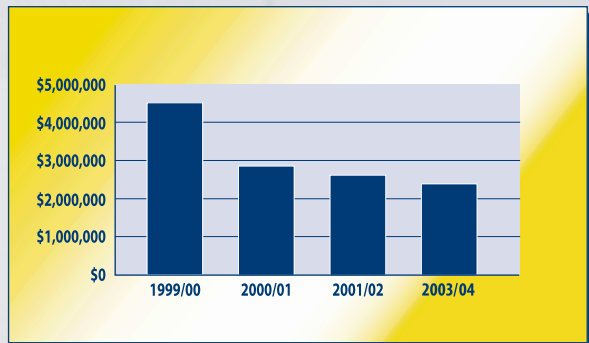


Figure 9: Contributions to the Fund
(* Note: Assessment rates reduced as of May 1, 2000)



Figure 10: Contributions on the Fund - Retail vs Wholesale

Legal Matters

Claims

The Licence Appeal Tribunal (LAT) hears appeals from decisions of the Board relating to the eligibility of claims for payment from the Compensation Fund. During the period ended March 31, 2004, LAT held hearings regarding 5 appeals. LAT upheld the decisions of the Board and directed the Council to disallow the claims in respect of 2 matters. LAT overruled the decision of the Board and directed the Council to make payment from the Fund in the remaining 3 matters.

Investigations and Prosecutions

TICO will initiate and will perform investigations when it becomes apparent that there may have been a breach of the *Travel Industry Act*, which can result in charges being laid under the *Travel Industry Act*. Investigations conducted in 2003/2004 have resulted in the following prosecutions:

A&F African Travel and Tours Agency Inc. and Fatherirhman Eliman Saad were convicted of one count each of acting as a travel agent without registration, contrary to section 3(1) of the *Travel Industry Act*. The company was fined \$10,000 and Mr. Saad received a suspended sentence and was placed on a 24 month period of probation that included 100 hours of community service.

Raul Grijalva was convicted of two counts of operating without registration contrary to section 3(1) of the *Travel Industry Act*. Mr. Grijalva was fined \$10,000.00 and placed on an 18 month period of probation. The probation order included the additional conditions that Mr. Grijalva perform 100 hours of community service and that, within 4 months, Mr. Grijalva satisfy his probation officer that he has made the required restitution to his customers.

591578 Ontario Inc. o/a Hansa Travel and Roderick Neil McArthur were convicted of one count each of operating without registration, contrary to section 3(1) of the *Travel Industry Act*. Mr. McArthur was fined \$5,000 and the company was fined \$10,000. Subsequent to

this conviction, Mr. McArthur was convicted of an additional count of operating without registration contrary to section 3(1) of the *Travel Industry Act*. Mr. McArthur received a suspended sentence for the second conviction, plus the court imposed a two year period of probation which includes restitution of \$5,181.13 CAD and \$1,635 USD to consumers and another travel agent.

Value Vacations Ltd. and Charles Pinnock were convicted of 1 count each of acting as a travel agent while the registration of Value Vacations Ltd. was under suspension contrary to Section 7 of the *Travel Industry Act*. The company was fined \$20,000. Mr. Pinnock's sentence was suspended and he was directed to comply with a two year period of probation that included the conditions that he make restitution to consumers and travel suppliers in the amount of \$8,171 and that he not own a travel agency or handle consumer funds.

Felix Mogado was convicted of 3 counts of operating without registration contrary to section 3(1) of the *Travel Industry Act*. Mr. Mogado was sentenced to a two year period of probation. The conditions of his probation included full restitution to his victims in the amount of \$6,134 over 24 months. Mr. Mogado is also prohibited from working as an employee of a travel agent without the permission of the Registrar and from acting or holding himself out to be a travel agent.

Louis S. Farah plead guilty to 1 count of failing to promptly deposit and maintain all funds as payment for travel services contrary to section 19(3) of Regulation 806/93 made under the *Travel Industry Act*, 1 count of failing to keep and maintain a record of all payments made by or to a registrant, contrary to section 37(1) of the Regulation and 1 count of unfair business practices contrary to section 2(1) (viii) of the *Business Practices Act*. Mr. Farah received a suspended sentence and was placed on a 12 month period of probation. The probation order included a condition that Mr. Farah not act as a travel agent.

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*. Mr. Lee was fined \$7,500 per count for a total fine of \$45,000. A victim fine surcharge of 25% was added to the fine.

EMI Travel Management Inc. was convicted of one count of operating without registration, contrary to section 3(1) of the *Travel Industry Act*. The company was fined \$15,000 and given 12 months to pay the fine.

Nicholas Ramesh was convicted of one count of operating without registration contrary to section 3(1) of the *Travel Industry Act*. Mr. Ramesh was fined \$3,000 and given 12 months to pay the fine. He was also placed on a one year period of probation, during which time he cannot act as a travel agent or manager without the prior approval of the Registrar.

Robert Davies was convicted of one count of operating without registration, contrary to section 3(1) of the *Travel Industry Act*. Mr. Davies was placed on a two year period of probation that included the conditions that he make restitution to ten consumers in the amount of \$1,524 and perform 30 hours of community service.

Keith Bolender and Antonio Avella were convicted of one count each of operating without registration contrary to section 3(1) of the *Travel Industry Act*. The two men had been operating through a company called Caribbean Trips N Tours. Mr. Bolender and Mr. Avella both received a suspended sentence and were directed to comply with the terms of a six month probation order. The conditions of probation included that Mr. Bolender and Mr. Avella make restitution of \$17,438 USD to a consumer in California who had booked group travel services to Cuba through Caribbean Trips N Tours.

Mr. Bolender and Mr. Avella were also convicted of three additional counts each of operating without registration contrary to section 3(1) of the *Travel Industry Act* for

activities related to Scubacan International Inc., Scubacan International (2000) Incorporated and 1477203 Ontario Inc. o/a Scubacan International. They were directed to comply with the terms of a two year probation order. The conditions of probation included that Mr. Bolender and Mr. Avella make restitution of \$132,288.18 USD, to consumers in equal installments between April 1, 2004 and January 4, 2006.

Pedro Ruso was convicted of one count of failing to deposit consumer money into a trust account contrary to section 36(6) of Regulation 806/93 made under the *Travel Industry Act*. Mr. Ruso received a suspended sentence and was placed on a two year period of probation that included the condition that he make restitution to the Compensation Fund of \$11,491.81, to be paid in monthly installments commencing in May 2004. Additionally, the probation order included the condition that Mr. Ruso not act as a travel agent without the prior approval of the Registrar.

Proposals to Revoke Registration

A total of 56 proposals to revoke registration were issued during 2003/2004. The proposals were issued for the following reasons:

Failure to File Form 1 Contributions	15
Failure to File Financial Statements	32
Failure to maintain Working Capital	4
Other Breaches of the Act and Regulation	5

During the year 21 registrations were revoked as a result of proposals issued. TICO was not required to attend any hearings before LAT in response to the proposals issued as the matters were settled prior to the hearing dates. During the year, 18 proposals were withdrawn and 22 were settled by consent order. At the beginning of 2003/2004, there were 8 outstanding proposals. At the end of March 2004, there were 3 outstanding proposals.

Complaint Handling Process

Complaint Handling Process

TICO staff receive numerous telephone enquiries on a daily basis including those from consumers, registrants, applicants government and Industry stakeholders. TICO staff provide callers with information with respect to consumer and business complaints, registration processes and acceptable business practice.

TICO provides complaint handling for consumer-to-Registrant disputes. After encouraging consumers to pursue all avenues with the Registrant, TICO staff will assist with the goal of reaching a mutually acceptable solution. When a complaint involves allegations of non-compliance with the Act, the Registrar will undertake the necessary compliance and enforcement activities. When a mutual solution is not reached, complainants are provided with information regarding options to further pursue matters. TICO undertakes to provide a response to a complainant within 45 days.

Registrant-to-Registrant disputes have not been handled traditionally by the Registrar, unless financial issues or other allegations of non-compliance with the Act are involved.

Complaints Committee

Consumers and registrants with complaints about TICO's activities are invited to contact the Complaints Committee of the Board of Directors at TICO.

The Complaints Committee's mandate is to review and resolve, as appropriate, complaints against TICO, which are based on dissatisfaction with the services provided to registrants and consumers. The Committee may make recommendations with respect to TICO's complaint handling procedures should opportunities for improvement become apparent as a result of the reviews of particular complaints. The Committee is composed of representatives of various stakeholders. During the 2003/2004 fiscal period, the Committee received one complaint against TICO.

Appeals against the Registrar's administrative decisions may proceed, as appropriate, to the Licence Appeal Tribunal. Complaints may be submitted to TICO by telephone, fax, mail or e-mail.

French Language Services

TICO receives minimal inquiries in the French language. When it does, it strives to respond to all inquiries received, whether oral or written. A comparable level of service will be provided in either language whenever and wherever demand and customer service warrant. TICO staff are able to communicate

in several languages and provide both registrants and consumers with timely, courteous and quality responses to all French language enquiries. Correspondence received in French is responded to in French.

Travel Industry Council of Ontario

FINANCIAL REVIEW

The financial review is based on the audited financial statements for the year ended March 31, 2004 with comparative figures for March 31, 2003.

Overview

As at March 31, 2004, the Net Assets of TICO were \$26,461,858 compared to \$25,176,141 for the year ended March 31, 2003. This increase in Net Assets was a result of revenue exceeding expenses by \$1,285,717 for the year. Excess revenue for the year ended March 31, 2003 was \$2,226,089.

TICO is required to hold all Compensation Fund monies in trust. As of March 31, 2004 the assets held for the Fund were \$25,222,451 compared to \$23,759,037 as of March 31, 2003.

Revenue

Total Revenue for the year ended March 31, 2004 was \$4,932,324 and derived from semi-annual assessments based on gross sales of registrants (\$2,689,088), applications from renewal of registrations (\$572,875) and from new applications for registration (\$413,164). A total of \$1,257,197 investment income was earned for the year.

Semi-Annual Assessments

All registrants are required to pay into the Compensation Fund based on their gross travel sales. The rate for wholesale sales is \$0.50 per \$1,000 and the rate for retail sales is \$0.25 per \$1,000. Revenue from Semi Annual assessments decreased for 2003/2004 to \$2,689,088 from \$2,804,355 for 2002/2003. The following is the breakdown of revenue between wholesale and retail sales (see fig.10 on page 17):

	<u>2004</u>	<u>2003</u>
Wholesale	\$1,016,275	\$1,051,668
Retail	<u>1,672,813</u>	<u>1,752,687</u>
	<u>\$2,689,088</u>	<u>\$2,804,355</u>

Registration Fees

Revenue from registration fees is derived from two sources: new registration fees and renewal fees. New registration fees are \$2,375 and cover a two year period of registration while renewals are \$375. In 2003/2004, there were fewer new applications for registrations and registration fees decreased by \$ 66,942. Renewals increased by \$148,167 as 2003/2004 is the second year of the two year renewal cycle. The second year typically generates higher renewals than the first year in the cycle.

Expenses

Total expenses for TICO increased to \$3,646,607 for 2003/2004 from \$2,816,974 in 2002/2003. The significant variances are as follows:

Total claims for the year ended March 31, 2004 were \$1,039,955 which consists of claims from registrant failures of \$347,348 and \$692,607 from failures of non registrant end suppliers. Included in the net claims expense are professional fees incurred in relation to closures and recoveries and also an amount for closure expenses which included the cost of temporary staff and additional telephone expenses. Recoveries from security deposits and repayments from registrants totaled \$131,984 for the year which reduces the total claim expense. This resulted in a net claim

expense for 2003/2004 of \$999,449 which is substantially more than the net claim expense for 2002/2003 of \$371,429.

Consumer and Registrant Awareness expense has increased by \$12,505 from the prior year. Expenses in this category include TICO's province wide consumer awareness campaign. In 2003/2004 TICO introduced a new series of television and radio advertisements. This category also includes the cost of the continuation of TICO's quarterly newsletter and TICO's participation in consumer trade shows.

General and Office expense has decreased in 2003/2004 by approximately \$20,000 from 2002/2003. This is due mainly to a decrease in LAT (Licence Appeal Tribunal) hearings that TICO conducted during the year and a general reduction in office expenses.

Ontario Government Oversight Fees expense total \$133,223 for 2003/2004 compared to \$151,349 for 2002/2003. These fees are paid to the Ministry of Consumer and Business Services under the terms of TICO's Administrative Agreement. The current Administrative Agreement was signed on September 9, 2003.

Regulatory reform and minimum standards expense includes expenses related to the legislative review. In the fall of 2002, the Government made amendments to the *Travel Industry Act*. TICO has been working on establishing a disciplinary process in accordance with the amendments to the *Travel Industry Act*. In March 2004, the government released draft regulations to correspond with the amended Act. In March 2004, TICO began to hold a series of Town Hall meetings to explain the draft regulations to the Industry. The remaining Town Hall meetings were completed in April 2004. In addition, TICO continues to work on the minimum educational standards. Finally, included in this expense category, is TICO's share of the cost of the Market Place Study that TICO partnered with the MCBS to have conducted to identify gaps in consumer protection in the travel industry.

**FINANCIAL STATEMENTS
MARCH 31, 2004**

INDEX	PAGE
AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGES IN NET ASSETS	3
STATEMENT OF OPERATIONS	4
NOTES TO THE FINANCIAL STATEMENTS	5 - 7





AUDITORS' REPORT

To the Board of Directors of the
Travel Industry Council of Ontario

We have audited the statement of financial position of the Travel Industry Council of Ontario ("TICO") as at March 31, 2004 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of TICO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of TICO as at March 31, 2004 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants

TORONTO, Canada
May 5, 2004

2005 Sheppard Avenue East, Suite 300, Toronto, Ontario, Canada, M2J 5B4
Telephone: (416) 496-1234 – Fax: (416) 496-0125 – E-Mail: info@mhc-ca.com – Website: www.mhc-ca.com

Travel Industry Council of Ontario

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2004

	2004 \$	2003 \$
ASSETS		
CURRENT		
Cash and short-term investments (Note 3)	27,135,862	25,668,814
Prepaid expenses and deposits	<u>63,707</u>	<u>55,637</u>
	27,199,569	25,724,451
EQUIPMENT (Note 4)	<u>156,279</u>	<u>248,815</u>
	<u>27,355,848</u>	<u>25,973,266</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	451,832	321,202
Deposits from registrants	<u>442,158</u>	<u>475,923</u>
	893,990	797,125
NET ASSETS		
Net assets per statement	<u>26,461,858</u>	<u>25,176,141</u>
	<u>27,355,848</u>	<u>25,973,266</u>

APPROVED ON BEHALF OF THE BOARD:

"RICHARD VANDERLUBBE" , Chair

"BRUCE FRASER" , Director

See accompanying notes to the financial statements.

Travel Industry Council of Ontario

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2004

	Invested In Equipment \$	Restricted For The Ontario Travel Industry Compensation Fund \$	Unrestricted \$	2004 Total \$	2003 Total \$
Balance, beginning of year	248,815	23,759,039	1,168,287	25,176,141	22,950,052
Excess of revenues over expenses (expenses over revenues)	—	1,412,517	(126,800)	1,285,717	2,226,089
Purchase of equipment	3,668	(2,017)	(1,651)	—	—
Amortization of equipment	<u>(96,204)</u>	<u>52,912</u>	<u>43,292</u>	<u>—</u>	<u>—</u>
Balance, end of year	<u>156,279</u>	<u>25,222,451</u>	<u>1,083,128</u>	<u>26,461,858</u>	<u>25,176,141</u>

See accompanying notes to the financial statements.

Travel Industry Council of Ontario

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2004

	2004 \$	2003 \$
REVENUE		
Semi-annual payments from registrants	2,689,088	2,804,355
Renewals	572,875	424,708
New registrants	413,164	480,106
Investment income	1,257,197	1,333,894
	<u>4,932,324</u>	<u>5,043,063</u>
EXPENSES		
Claims	1,039,955	732,725
Professional fees and services	53,704	39,567
Closure expenses	37,774	26,095
	<u>1,131,433</u>	<u>798,387</u>
Less: Recoveries	(131,984)	(426,958)
	<u>999,449</u>	<u>371,429</u>
Salaries and benefits	1,101,266	979,030
Inspections, compliance and prosecutions	355,858	353,750
Consumer and registrant awareness	245,607	233,102
General and office	182,310	202,791
Rent	163,223	161,081
Ontario Government oversight fees	133,223	151,349
Board meeting expense	110,493	104,969
Regulatory reform and minimum standards	103,228	12,501
Computer	41,182	69,801
Insurance	34,521	28,776
Professional fees	22,969	12,473
Governance committee	21,747	3,000
Credit checks	19,508	15,832
Travel	15,819	11,965
Amortization	96,204	105,125
	<u>3,646,607</u>	<u>2,816,974</u>
Excess of revenues over expenses	<u>1,285,717</u>	<u>2,226,089</u>

See accompanying notes to the financial statements.

Travel Industry Council of Ontario

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2004

1. NATURE OF OPERATIONS

The Travel Industry Council of Ontario ("TICO") was incorporated on April 7, 1997 as a not-for-profit corporation without share capital, under the laws of Ontario. TICO is designated by the Lieutenant Governor in Council, as the Administrative Authority responsible for administration of the Ontario Travel Industry Act ("The Act"). TICO's responsibilities are to carry out delegation of The Act in accordance with the Administrative Agreement signed on April 29, 1997 and to achieve the Minister of Consumer and Business Services' goal of maintaining a fair, safe and informed marketplace.

The Ontario Travel Industry Compensation Fund (the "Fund") is a fund established under the Ontario Travel Industry Act and Regulation to reimburse consumers for travel services when they have been paid to an Ontario registrant, the travel services have not been provided and the registrant is unable to refund their money by reason of bankruptcy or insolvency. Under certain conditions, the Fund also pays claims resulting from the failure of cruiselines and airlines (end suppliers) to provide travel services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of TICO are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant.

Investments:

Short-term investments are recorded at cost. Discounts are amortized to income over the term of the investment.

Equipment and Amortization:

Equipment is stated at acquisition cost. Amortization is provided as follows:

Furniture and equipment	20% diminishing balance
Computer hardware	3 years straight-line
Computer software	2 years straight-line
Database	5 years straight-line

Leasehold improvements are amortized on a straight line basis over the remaining term of the lease, which expires November 30, 2008.

Revenue Recognition:

The deferral method of accounting for contributions is followed. The application of this method of accounting results in revenue in the form of semi annual payments from registrants, as well as renewals and application fees from new registrants, being recorded when received. Interest income is recorded on the accrual basis.

Claims:

Claims are recorded at the time of approval by the Board of Directors. Claims must be made within six months of the event that gives rise to the claim.

Recoveries:

Amounts recoverable to offset claims paid, including commissions recoverable from registrants, are recorded when received.

Repatriation Costs:

Repatriation costs are authorized solely by the Director under The Act and are recorded when paid.

Use of Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires

management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those reported.

3. CASH AND SHORT-TERM INVESTMENTS

	<u>2004</u>	<u>2003</u>
	\$	\$
Cash on hand and in bank	3,394,752	3,093,349
Government of Canada treasury bills, Government of Canada bonds, Provincial bonds and other investments, at cost plus amortized discounts, (market value \$24,420,364; 2003 - \$22,819,321)	<u>23,741,110</u>	<u>22,575,465</u>
	<u>27,135,862</u>	<u>25,668,814</u>

4. EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2004 Net</u>	<u>2003 Net</u>
	\$	\$	\$	\$
Furniture and equipment	170,668	102,008	68,660	85,824
Computer hardware	216,649	196,284	20,365	37,411
Computer software	39,544	38,997	547	5,904
Database	244,416	192,008	52,408	101,292
Leasehold improvements	<u>39,771</u>	<u>25,472</u>	<u>14,299</u>	<u>18,384</u>
	<u>711,048</u>	<u>554,769</u>	<u>156,279</u>	<u>248,815</u>

5. RESTRICTED NET ASSETS

Article 2.01 of By-law one of TICO requires that all monies held shall be used in promoting its objects. Section 45(5) of Regulation 806/93 enacted under The Act requires that all money in the Fund and any income on such money shall be held by TICO in trust for the benefit of claimants whose claims for compensation are approved by TICO in accordance with the Regulation. Regulation 806/93 made under The Act restricts the maximum amount that may be reimbursed for a failure to provide travel services with respect to all claims arising out of an event or major event to \$5,000,000, plus an additional \$2,000,000 for repatriation

costs. The Fund pays a maximum claim of \$5,000 per person.

6. INCOME TAX

As a non-profit corporation, TICO is not subject to income taxes, in accordance with section 149(1)(w) of the Income Tax Act.

7. COMMITMENTS

(a) Under terms of an Administrative Agreement signed September 9, 2003 between TICO and the Ministry of Consumer and Business Services (the "MCBS"), TICO is obligated to pay a maximum annual fee, based on cost recovery, of \$130,000 per year to the Province of Ontario. The MCBS may increase this annual payment above the maximum amount in any given year in accordance with the terms of the Administrative Agreement.

(b) TICO is committed to minimum rental amounts under a long-term lease for its premises which will expire November 30, 2008. Minimum rental commitments remaining under this lease approximate \$435,300. Minimum rental commitments for successive years approximate the following:

2005	\$93,300
2006	93,300
2007	93,300
2008	93,300
2009	<u>62,100</u>
	<u>\$435,300</u>

8. CONTINGENT LIABILITY

TICO is committed to paying eligible claims resulting from the failure of the Canada 3000 group of companies in November 2001. All claims relating to this event have been received by the bankruptcy trustee and TICO. Approximately \$669,000 of claims have been paid as of March 31, 2004. No provision has been recorded in these financial statements for unpaid claims relating to this event.

9. FINANCIAL INSTRUMENTS

Fair Value:

Canadian generally accepted accounting principles require that TICO disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash and short-term investments, accounts receivable, accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

10. STATEMENT OF CASH FLOWS

A statement of cash flows has not been included in these financial statements as management has determined that it would not provide additional useful information.

TICO Board of Directors

Appendix II

Industry Representatives

Richard Vanderlubbe – Chair
President
Travel Superstore Inc.
Hamilton

Jill Wykes – Vice Chair
Vice President, Sales
Sunquest, Alba Tours,
The Holiday Network
Toronto

Mike Foster
President
Uniglobe Instant Travel
London

Nigel Jenkins*
President
Signature Vacations
Toronto

John Kennedy
Vice President
TravelPlus
Toronto

Mike Merrithew
President
Merit Travel Group
Toronto

Trish McTavish
Vice President
McTavish Travel
Oakville

Phil Sproul
Vice President, Sales
Air Canada Vacations
Mississauga

Scott Stewart
President
G. Stewart Travel Services Ltd.
Peterborough

Brett Walker
Operations Manager
Collette Tours
Toronto

Kathleen Warren
Manager
Meconi Travel Agency Ltd.
Windsor

Ministerial Appointments

Sue Corke**
Deputy Minister
Ministry of Consumer and
Business Services
Toronto

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

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

Edward J.W. Warren, Q.C.
Solicitor
Warren & Jansen
Kemptville

* resigned on May 10, 2004

** resigned on March 29, 2004

Appendix III

Statutory Appointments

W.H. Bruce Fraser, C.A.
Statutory Director,
Travel Industry Act

Michael Pepper
Statutory Registrar,
Travel Industry Act

TICO Staff

President & Chief
Executive Officer
Michael Pepper

Director of Operations/ Chief
Financial Officer & Treasurer
Mary-Ann Harrison, C.A.

Manager, Administration &
Claims
Dorian Werda

Legal Counsel & Corporate
Secretary
Tracey McKiernan, LL.B.

Registration Co-ordinator
Cora Reyes

Registration Officer
Anabel Linhares

Form 1 and Claims Co-ordinator
Lori Furlan

Complaints Officer
Josie Pereira

Compliance Officer
Rachel Palozzi

Client Services Representative
Tina Shewchuk

Legal Counsel
Maria Abate, LL.B.

Inspector,
Designated by the Registrar
Fred Angus, C.G.A.
Maria Descours, C.M.A.
Jack Foster, C.M.A.
Linda Gilbert, C.A.

Provincial Offences Officer
Doug Fritz
Forbes Stanway

Administrative Assistant
Susan Janko

Reception
Paula Oliveira

Auditors

McGovern, Hurley,
Cunningham, LLP
2005 Sheppard Avenue East,
Suite300
Toronto, Ontario
M2J 5B4



TRAVEL INDUSTRY COUNCIL OF ONTARIO

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