

The Power of Attraction

*Tourism is the business of attraction ...
of drawing visitors to Canada and encouraging
Canadians themselves to get out and explore
what their country has to offer.*

*When that attraction is successful, the benefits
are immense: tourism is Canada's 16th-largest
industrial sector, accounting for nearly
two percent of the country's gross domestic product.
It supports close to 160,000 businesses and directly
employs more than half a million people.
And it generated an estimated \$55.8 billion in
economic activity in 2004.*

*The aim of the Canadian Tourism Commission
is to help this country's tourism industry wield its
power of attraction most effectively—for
the economic benefit of all.*

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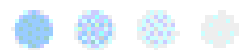
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2004 at a Glance

For Canada's tourism industry, 2004 was a year of stabilization. In the wake of the crises that pushed revenues down in 2003, growth occurred. The Canadian Tourism Commission (CTC) worked with industry, as always, to foster that growth by promoting Canada as a four-season tourism destination to travellers in key markets.

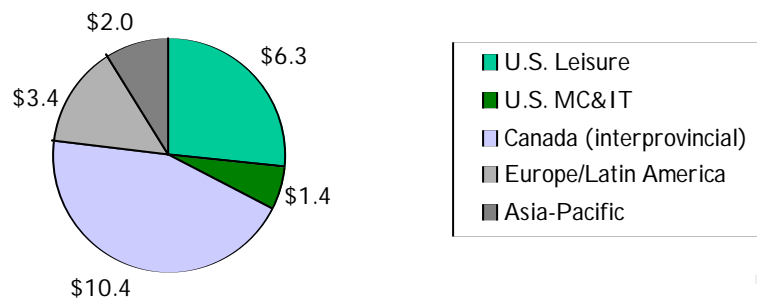
About the Canadian Tourism Commission

Through expert research, industry collaboration and innovative partnerships, the CTC develops and implements marketing programs designed to attract international and domestic travellers to Canadian destinations.

The Commission is a Crown corporation committed to conducting its business accountably, responsibly and transparently—its client-focused services are guided by the values of integrity and respect, quality, professionalism and teamwork.

Working in partnership with public- and private-sector members of Canada's tourism industry and with its in-country partners in tourism markets around the globe, the CTC is determined to become the leading national tourism destination-marketing organization in the world.

**Tourist Revenue (Overnight) by Program Market Areas 2004
(\$B)***



* CTC preliminary estimates

World's Top Tourism Earners

RANK	INTERNATIONAL TOURISM RECEIPTS (US\$B)		2003/2002 % CHANGE	MARKET SHARE
	2002	2003		2003
World	479.0	519.0	8.3	100.0
1 United States	66.5	65.1	-2.2	12.5
2 Spain	33.6	41.7	24.1	8.0
3 France	32.3	36.3	12.4	7.0
4 Italy	26.9	31.3	16.2	6.0
5 Germany	19.2	22.8	19.2	4.4
6 United Kingdom	17.6	19.5	10.9	3.8
7 China	20.4	17.4	-14.6	3.4
8 Austria	11.4	13.6	19.0	2.6
9 Turkey	11.9	13.2	10.9	2.5
10 Greece	9.7	10.6	9.5	2.0
11 Mexico	8.9	9.5	6.8	1.8
12 Canada	9.7	9.3	-4.1	1.8
13 Netherlands	7.7	9.2	19.8	1.8
14 Japan	3.5	8.8	152.8	1.7
15 Belgium	6.9	8.3	20.3	1.6

Source: World Tourism Organization (WTO) ©

Letter from the Chair

“Strategy” was a keyword for the CTC in 2004. The crises that marked the previous years demanded urgent and largely tactical responses; last year, the Board and executive asserted the primary importance of the Commission’s strategic vision to achieving long-term growth and prosperity.

At the heart of the CTC’s strategic vision is the understanding that tourism is a vital economic force, and that any investment in it constitutes a sound and practical investment in Canada’s economy. To increase the returns on its international tourism investments, the CTC decided last year to concentrate on Canada’s highest-yield markets, assigning an additional \$5.5 million to them for 2005.

While the logic of this decision is perfectly clear, it was not a wholly easy one to make. The \$5.5 million involved was reallocated from seven lower-yield overseas markets.

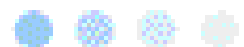
While the CTC enjoys a base budget of \$79 million, and while contributions from Canada’s travel industry match that sum dollar for dollar each year, some other countries are spending more on tourism and overtaking Canada in market share. (For example, one of our key competitors, Australia, has an annual tourism budget of approximately \$200 million.)

It is the opinion of the Board, and of the tourism industry more broadly, that increased investment in our high-return markets would yield tremendous economic benefits for Canada, adding to the already considerable \$55.8 billion that tourism generated in 2004.

In many respects, the business of tourism itself is a journey—a perpetual one. The CTC is fortunate to have Michele McKenzie as its guide: in her first 12 months as President and CEO, she has led the organization strategically, decisively and intelligently. I thank her, and the members of the Board and Working Committees, for their time and efforts. And I thank the CTC’s tireless staff for their ongoing commitment and determination.

Working together with Canada’s tourism industry—for Canada’s tourism industry—I’m confident the CTC will be able to exercise and strengthen our country’s power of attraction in 2005.

The Honourable Charles Lapointe, PC
Chairman



Message from the President and CEO

I am pleased and encouraged by all that the CTC accomplished in 2004. The steps we took—strategically and operationally—began to lay a new foundation for success in marketing Canada as a tourism destination.

This work will continue in 2005: with the launch of a refreshed tourism brand for Canada; with the adoption and implementation of electronic direct-marketing tools; with the concentration of financial resources on markets with the highest potential for returning our investments.

Tourism marketing is not the same today as it was even three years ago. More countries are competing for the attention—and dollars—of the world's travellers. More tourists and prospective tourists are gathering information and making decisions over the internet. In this context, traditional mass advertising and general promotions are increasingly expensive and decreasingly effective.

To truly stand out and exercise our power of attraction, and to capitalize more fully on the significant economic potential of tourism, we must respond decisively to these new realities.

We must, and we are. In 2004, we began to identify and adopt e-business technologies that will allow us to collect and manage information about our customers. The better we know the consumers of Canada's tourism products, the better we can reach out to them with new offers and offerings, new experiences that will draw them here.

These tools will help us build stronger relationships with our customers—relationships supported by the local, in-market activities of our sales teams around the world.

The development of a refreshed brand for Canada is essential for our outreach to succeed. More than a mere logo or wordmark, it is an identity with which travellers can associate; a promise that what they're seeking can be found here, in the cities, towns and remote spaces of our country.

The need for us to act is urgent. Our competitors have recognized the enormous potential of tourism to generate revenue. They have invested heavily in promoting their own destinations. If we respond quickly and wisely, we can ensure every dollar spent on marketing Canada finds a target and yields a return.

I am confident that we can achieve these goals, inspiring travellers around the world to come and explore what our dynamic and innovative tourism industry has to offer.

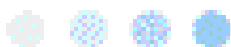
I thank everyone at the Commission for their efforts and support, and for welcoming me to my new role. I have been involved with the CTC for many years—as a member of the tourism industry and as a member of the Board. It is extremely gratifying to have this opportunity to serve in so immediate and direct a capacity.

Michele McKenzie
President and CEO

The Executive Team



From left to right: Tom Penney, Vice-President, Planning and Product Innovation and Enhancement; Karin Zabel, Chief Financial Officer and Vice President Finance; Michele McKenzie, President and CEO; Chantal Péan, Senior Vice-President, Corporate Affairs and Corporate Secretary; and Jean B. Chrétien, Senior Vice-President, Marketing and Sales.



"The Canadian Tourism Commission fulfills a vital role in Canada's tourism industry—bringing together tourism businesses, balancing the interests of industry sectors, and supporting all players with vigorous leadership and marketing initiatives founded on accurate research. If the CTC did not exist, I would begin work immediately to help create an organization exactly like it."

Tony Pollard
President
Hotel Association of Canada

Attracting Prosperity

Thirty cents of every tourist dollar goes to governments in Canada

Tourism is an investment. Its economic benefits extend from individual communities to entire provinces and territories, and ultimately throughout our country as a whole. Of Canada's nearly 160,000 tourism-related businesses, 99.6 percent are SMEs: small- and medium-sized enterprises, the kinds of companies widely recognized as the backbone of the country's economy. The sales generated by these tourism operations contribute substantially to the revenues of governments at all levels—amounting to an estimated \$16.8 billion in 2004 or \$0.30 of every tourism dollar spent.

The strongest sources

To reap the greatest returns on its marketing investments, the CTC made the decision in 2004 to reduce its total active markets to a select number, concentrating on 10 high-yield territories (the United States, the United Kingdom, Japan, Germany, France, Australia, South Korea, Mexico, China and Canada) as well as the U.S. Meeting, Convention and Incentive Travel (MC&IT) market. The Canada program focuses on non traditional partnerships, awareness campaigns and media only.

The CTC continued last year to develop a clearer understanding of the needs, means and desires of travellers in each of these key markets. Going forward, the Commission will apply that understanding to precisely targeted electronic-marketing and public-relations activities, reaching out to tourists whose travel tendencies and spending patterns are most desirable for Canada.

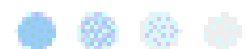
At the same time, the CTC carried out numerous macroeconomic research activities with particular emphasis on communications and forward-looking assessments of market conditions, enabling evermore precise strategic decision making.

The right approach

While mass advertising is an excellent tool for building awareness—and will always have a place in the CTC marketing mix—it is expensive. By shifting its approach to rely more heavily on public relations and electronic media such as e-marketing tools and websites, the CTC will be able to control its costs and establish stronger, closer relationships with customers. Research has shown that even as the growth of the travel industry slowed in recent years, online travel continued to burgeon.

In light of this, the Commission adopted a sales-force automation tool in 2004 to integrate and facilitate communication among its staff in Ottawa and abroad and their tourism-industry clients, such as tour operators, partners, etc. In 2005, this initiative will continue with the establishment of a marketing campaign management and e-mail tools system that will allow the CTC to process and act upon partner and tourist-consumer information with ever-increasing efficiency.

Complementing its renewed marketing approach is the CTC's ongoing commitment to maintain a comprehensive and locally connected sales force in its key markets—a strong human element that furthers the ability of the Commission to leverage its investments.



"The Canadian Tourism Commission is a catalyst for the entire tourism industry, spurring the industry to share information, pool resources and coordinate efforts. This vital leadership produces wise decision-making, effective marketing initiatives and tangible results."

John Pye
President
Delta Hotels

Attracting Attention

Revitalizing Canada's tourism brand will draw more visitors

Canada is fortunate to enjoy a positive image among travellers around the world. It is regarded as a safe and clean country to visit, but research shows that its present image, or brand, does not always compel tourists to make immediate travel plans. Many potential tourists have an idea that Canada is a cold, largely outdoor destination offering limited activities and best visited only between April and September. While Canada's natural splendour remains an important tourism offering, there is much more for visitors to see and do—possibilities that must be communicated to strengthen our power of attraction.

Revamping our image

The CTC undertook an extensive consultation process in 2004 to address the issue of Canada's tourism brand. This process included e-mail-based surveys and in-person discussions with industry associations, individual tourism operators and governments at all levels. Twenty workshops and 18 consumer focus groups were held in 23 cities and six countries throughout the year.

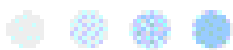
Based on those consultations, the CTC is developing a refined, refreshed and compelling tourism brand for Canada, to be unveiled in May 2005. This brand will serve as a common, recognizable hook on which to hang all manner of marketing campaigns aimed at drawing tourist traffic to Canada. Its use will be governed by a three-year Strategic Marketing Blueprint.

Rather than a statement or a definition, a brand is a promise. In the case of Canada as a tourism destination, that promise is one of experience. Travel today is less about visiting places than about collecting experiences, and the refreshed brand will accord with that attitude.

Opportunities near and far

The United States is Canada's largest foreign market, accounting for 62 percent of this country's international tourism dollars. Understanding that market—and attracting attention to Canada's diverse tourism offerings—was a central aim of the CTC in 2004. Particular attention was paid to the issue of length of stay, as 60 percent of all U.S. visitors remain in Canada for just three days or fewer. It is clear that once they come, U.S. travellers are likely to return: 90 percent of all who spent time in Canada last year were repeat visitors.

Analysis of research conducted in 2004 will help the CTC formulate strategic plans for increasing the number of first-time visits to Canada by U.S. tourists—expanding the pool of potential repeat visitors for the future. The refreshed brand will play a strong role in these efforts, particularly when reaching out to farther cities such as Los Angeles and San Francisco—and, indeed, overseas markets.



"Through the Canadian Tourism Commission, the tourism industry is an equal partner with the federal government in promoting tourism in Canada. As an equal partner, the industry helps direct marketing campaigns and research activities that are relevant to the industry. This shared leadership also means the industry is held accountable—shouldering the burden and reaping the rewards of the CTC's important work."

Randy Williams
President
Tourism Industry Association of Canada

Attracting Opportunity

Innovation drives marketing success

In 2004, the CTC helped Canada gain exposure as a tourism destination in a number of unconventional ways. Québec City was featured as the setting for a romantic getaway during an episode of the reality-TV series, *The Bachelor*, reaching 10 million viewers and achieving the equivalent of a \$750,000 advertising purchase.

Through a partnership with Scenic Tours, the CTC co-hosted Australia's *Today Show* for a week-long tour of Ontario and Quebec. The program's broadcasts generated 10 hours of live Canadian coverage a day for five days in Australia and New Zealand, in addition to two weeks of pre-broadcast promotions. The audience reach totalled one million metro and regional viewers.

Most prominently, the CTC announced a joint initiative with Air Canada to attract inbound travel from the U.S. and the U.K. through an advertising campaign to run in 2005 featuring Céline Dion's "You and I Were Meant to Fly." While not the first partnership between the CTC and Air Canada, this is certainly the largest—and an indication of the commitment of both partners to appeal to travellers in unique ways.

Air Canada also co-sponsored, along with Hotel Sacacomie, *Christmas in Canada* with Isabelle Boulay, a TV special broadcast in France featuring the famous Quebecois singer Boulay playing host to French musical guests and exposing them to the delights of Christmas in Canada. The program reached an estimated six million French viewers.

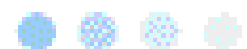
Closer to home, the CTC continued its partnership with Toyota Canada to encourage domestic travel by Canadians throughout Canada. In all, the Commission generated \$99,367,000 in partnership investments in 2004.

By all means

Extending its outreach in the virtual domain, the CTC began work in 2004 to identify new electronic systems for delivering tourism-related content to consumers. Partnerships with Expedia and Travelocity—the world's two largest travel-planning websites—were established, as were arrangements with numerous specialty cable and satellite network channels focused on travel and tourism.

The CTC will continue its successful GoMedia Canada program in 2005. GoMedia Canada facilitates the acquisition of unpaid media coverage for Canadian tourism destinations through media tours, travel assistance, editorial and image distribution, media releases, events, receptions and many other vehicles. In its first 12 months of operation ending September 2004, GoMedia Canada generated more than \$10,000,000 in coverage for Canadian tourism destinations. A central event was its Media Marketplace, which brought more than 125 journalists and 70 exhibitors to Montréal for a sampling of Canada's tourism offerings.

Going forward, the combined effect of all these activities will be to increase the ability of the CTC to promote Canada and its tourism products in a cost-effective and direct manner, reaching audiences with the greatest likelihood of responding and making travel plans.



Tourism Industry Results in Brief (preliminary estimates)

It is important to appreciate the distinction between "tourist revenue" and "tourism revenue."

"Tourist revenue" measures only overnight visitors' spending and yields a lower number than "tourism revenue," although on a per capita basis, the values are higher. "Tourist revenue" is more easily influenced by marketing and, therefore, by CTC activities conducted in partnership with the industry that most directly benefits.

"Tourism revenue," on the other hand, measures all expenditures including same-day trips in Canada, international air fares paid to Canadian air carriers, pre- and post-trip spending by Canadians taking domestic trips, and in-Canada expenditures of outbound Canadian residents. Thus, "tourism revenue" is a broader measure of the overall direct impact of tourism demand on the whole Canadian economy. The "tourism revenue" figure is a higher value than "tourist revenue," but lower on a per capita basis.

In 2004, Canada's tourist revenue was \$36.4 billion, while tourism revenue was \$55.8 billion.

Tourist revenue

Total Tourist Revenue and Tourist Trips (Overnight) 2002-2004

	REVENUE \$B			CHANGE %		TRIP VOLUME MILLIONS			CHANGE %	
	2002	2003	2004*	2003/02	2004/03*	2002	2003	2004*	2003/02	2004/03*
Canada	24.5	22.5	23.2	-8.2	3.2	95.2	86.3	87.3	-9.4	1.1
United States	8.4	7.3	7.7	-13.4	5.8	16.2	14.2	15.1	-12.0	5.8
Overseas	5.3	4.4	5.5	-16.6	27.8	3.8	3.2	3.9	-16.0	27.3
Total	38.2	34.2	36.4	-10.5	6.8	115.2	103.7	106.3	-9.9	2.5

* CTC preliminary estimates

The country's total tourist revenue increased 6.8 percent in 2004, contributing \$2.2 billion more to the economy than it did in 2003. International tourist revenue represented \$13.2 billion of the 2004 total; U.S. and overseas markets produced \$1.5 billion of the increase over 2003.

At the same time, domestic Canadian tourist revenue increased by \$697 million (3.2 percent). Total overnight tourist trips increased by 2.5 percent, or approximately 2.6 million trips in 2004. Compared to 2003, international overnight trips rose by 7.9 percent (5.8 percent for the U.S. and 27.3 percent for overseas), while domestic overnight trips increased by 1.1 percent—an increase of nearly 1.0 million overnight trips.

Domestic Tourist Revenue and Tourist Trips (Overnight) 2002-2004

	REVENUE \$B			CHANGE %		TRIP VOLUME MILLIONS			CHANGE %	
	2002	2003	2004*	2003/02	2004/03*	2002	2003	2004*	2003/02	2004/03*
Interprovincial	10.9	10.1	10.4	-7.3	3.1	18.7	16.7	17.1	-10.8	2.1
Intraprovincial	13.6	12.4	12.8	-8.8	3.2	76.5	69.6	70.2	-9.0	0.9
Total	24.5	22.5	23.2	-8.2	3.2	95.2	86.3	87.3	-9.4	1.1

* CTC preliminary estimates

Canada's domestic overnight market, which generated an estimated \$23.2 billion last year, was split almost evenly between intraprovincial and interprovincial travel. The former was driven by an enormous number of trips (70.2 million); the latter market by a much smaller number of trips of higher yield. Each market experienced slight gains in 2004.

Tourism revenue

The country's total tourism revenues have grown consistently since the CTC was established in 1995, climbing from \$37.7 billion to an estimated \$55.8 billion in 2004. Last year, approximately \$37.4 billion in tourism revenues were generated domestically, which represents a 3.3 percent increase over 2003. At the same time, international tourism revenues increased by 15.7 percent to \$18.4 billion.

Overall, in 2004, all levels of government in Canada received \$16.8 billion (+11.3%) from tourism-related taxes and fees.

2004 Total Tourism Revenue *

	REVENUE \$B	CHANGE OVER 2003 %
Total	55.8	7.1
Domestic	37.4	3.3
International	18.4	15.7

* CTC preliminary estimates

Outbound tourist expenditures

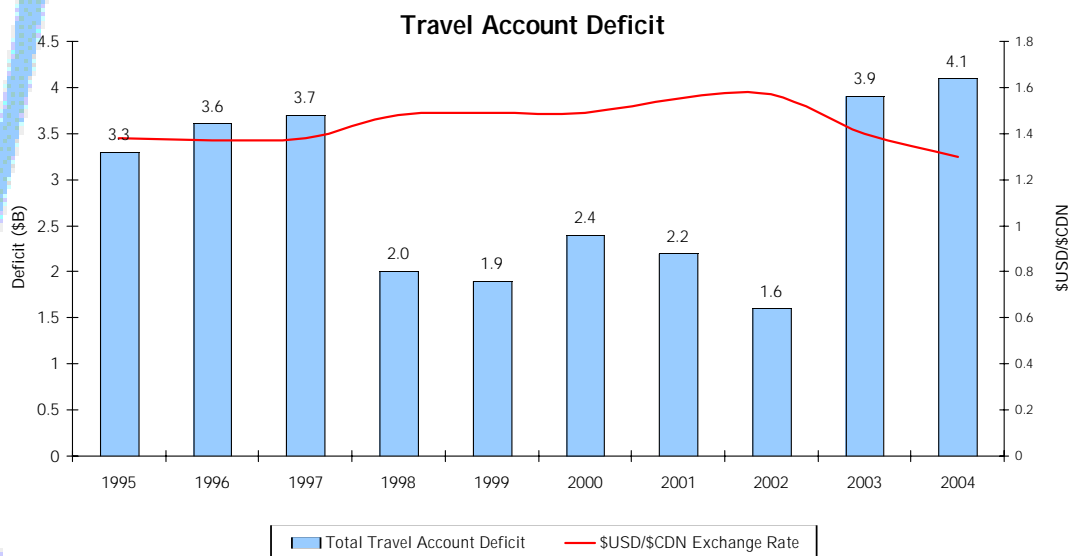
At the same time, Canadians' appetite for non-Canadian destinations continued to grow strongly in 2004 (+10.8%). Lost revenue from outbound travel to U.S. destinations rose by 8.6 percent to \$8.8 billion, while revenues to overseas destinations increased by 13.2 percent to approximately the same level—\$8.6 billion.

2004 Outbound Tourist Expenditures by Canadians *

	EXPENDITURES \$B	CHANGE OVER 2003 %
United States	8.8	8.6
Overseas	8.6	13.2
Total	17.4	10.8

* CTC preliminary estimates

Outbound travel to, and inbound travel from, the United States are sensitive to variations in the Canada-U.S. exchange rate. Given the size of the market, the appreciation of the Canadian dollar in 2004 contributed to an increase in Canada's travel account deficit, which reached \$4.1 billion¹ in 2004. This represented a 5.1 percent increase over 2003.



¹ Statistics Canada preliminary estimates

Global tourist revenue (CTC's geographic markets)

The total actual tourist revenue for 2004 was slightly lower than originally targeted. The targets for 2004 were set early in 2003, before the Iraq war and SARS had affected the Canadian tourism industry. The 2004 actual tourist revenues were 0.4 percent lower than targeted, representing \$98 million. However, tourist revenues did rebound in 2004 by almost 8.9 percent or \$1.9 billion over 2003.

CTC key overseas markets

All of the CTC's key overseas markets performed better in 2004 than originally predicted. In Europe/Latin America, Mexico led the way with 30.6 percent growth over 2003, followed by France (20.8 percent), the United Kingdom (19.5 percent) and Germany (18.3 percent).

The key Asia-Pacific markets excelled after a poor performance in 2003, showing strong growth in Japan (65.8 percent), China (32.2 percent), Australia (31.1 percent) and South Korea (27.5 percent).

U.S. and domestic performance

The U.S. markets—both leisure and meeting, convention and incentive travel—recorded significant growth over 2003 (5.8 percent and 5.7 percent, respectively).

Domestic interprovincial travel increased by 3.1 percent.

Comparisons with 2002

However, compared to 2002, the total 2004 actual revenues declined by \$960 million or 3.9 percent. The U.S. Leisure and U.S. MC&IT markets declined by 8.2 percent and 8.8 percent respectively, and domestic interprovincial travel revenues declined by 5.2 percent. For the overseas markets, on the other hand, Europe/Latin America increased by 6.8 percent, while the Asia-Pacific region increased by 4.5 percent.

Tourist Revenue Targets and Actuals

TOTAL GLOBAL MARKETS	2002 (ACTUAL)	2003 (ACTUAL)	2004 (TARGET)	2004* (ACTUAL)
	\$M			
U.S. Leisure	\$6,834	\$5,928	\$6,348	\$6,271
year/year change	6.1%	-13.3%	N/A	5.8%
U.S. MC&IT	\$1,578	\$1,361	\$1,604	\$1,439
year/year change	2.1%	-13.8%	N/A	5.7%
Canada (interprovincial)	\$10,968	\$10,086	\$10,824	\$10,400
year/year change	-1.5%	-8.0%	N/A	3.1%
Europe/Latin America	\$3,219	\$2,901	\$3,118	\$3,439
year/year change	-11.7%	-9.9%	N/A	18.5%
Asia-Pacific	\$1,948	\$1,381	\$1,788	\$2,035
year/year change	-2.9%	-29.1%	N/A	47.4%
TOTAL	\$24,547	\$21,657	\$23,682	\$23,584
year/year change	-0.1%	-11.8%	N/A	8.9%

* CTC preliminary estimates
N/A: Not applicable

CTC KEY OVERSEAS MARKETS	2002 (ACTUAL)	2003 (ACTUAL)	2004 (TARGET)	2004* (ACTUAL)
	\$M			
United Kingdom	\$993	\$945	\$996	\$1,129
year/year change	-3.3%	-4.8%	N/A	19.5%
France	\$374	\$365	\$343	\$441
year/year change	-14.2%	-2.4%	N/A	20.8%
Germany	\$385	\$345	\$347	\$408
year/year change	-15.3%	-10.4%	N/A	18.3%
Mexico	\$229	\$206	\$220	\$269
year/year change	22.3%	-10.0%	N/A	30.6%
Japan	\$666	\$348	\$494	\$577
year/year change	5.3%	-47.7%	N/A	65.8%
South Korea	\$244	\$222	\$237	\$283
year/year change	-7.5%	-9.0%	N/A	27.5%
China	\$185	\$143	\$169	\$189
year/year change	13.6%	-22.7%	N/A	32.2%
Australia	\$216	\$206	\$221	\$270
year/year change	-11.6%	-4.6%	N/A	31.1%

* CTC preliminary estimates
N/A: Not applicable

Operational Review

The global tourism market is growing. More countries have entered the field as destinations, and there is a vastly increased number of potential travellers ready to visit them. Partnerships have never been more critical to bolster the CTC's efforts to attract those travellers. At the same time, a number of factors present challenges for Canada's tourism industry—from the rising value of the Canadian dollar, to increased oil costs and delays at border crossings. All of this makes for a highly competitive

environment, one in which Canada, the CTC and its partners must be focused, nimble and inventive to capture market share.

An improving international economy and the release of modestly pent-up consumer demand were encouraging developments for Canada's tourism industry in 2004. To take advantage of these promising conditions, the CTC launched a number of marketing initiatives in Canada, the United States and in key source markets around the world. Overall industry partner contributions increased 14 percent in 2004 compared to 2003.

In addition, the CTC, collaborating closely with its partners, introduced parallel partnerships in the U.S. program. This move away from joint-venture programs more effectively leveraged everyone's investments in the marketplace. The U.S. Spring/Summer Primary Markets and Short-Haul Markets Campaigns are two such examples, as described on page 11. The new approach attracted more partners to work with the CTC, resulting in almost a 50 percent increase in partner contributions over 2003, as shown in the table above.

The CTC also continued several successful multi-year advertising campaigns, formed partnerships with prominent Canadian and multinational corporations, and conducted a number of targeted research programs to gauge the effectiveness of existing campaigns and identify future opportunities.

The launch of a refreshed Canada brand in 2005—after more than a year of extensive research, consultation and creative efforts—will bolster the Commission's future marketing efforts considerably. To further strengthen the efficacy of its communications activities, the CTC adopted Brand Arsenal in 2004, including software that will allow the Commission to unify and manage the ways Canada's revamped tourism brand is projected to partners, industry clients and travellers around the world.

Marketing initiatives

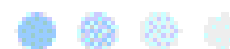
Get Going Canada

In April 2004, the CTC teamed up with Toyota Canada to launch "Get Going Canada—Drive the World's Greatest Country." A key component of the CTC's long-term partnership with Toyota, the \$13.8 million campaign encourages Canadians to jump in their cars and take to the country's roads. The centrepiece of the campaign was an informative and entertaining travel guide titled Canada's Best Drives. More than two million guides were produced and then

Industry Partner Contributions by Program*

Programs	2003 (Actual)	2004 (Target)	2004* (Actual)
	\$M		
U.S.	31.9	24.0	47.0
Canada	7.2	6.1	5.9
Europe/Latin America	16.3	13.0	16.3
Asia/Pacific	10.8	8.4	10.3
MC&IT	5.3	7.6	5.7
Research	5.6	5.0	4.6
Product Innovation & Enhancement	6.1	5.0	4.9
TOTALS	83.2	69.1	94.7

*Includes dollar and in-kind contributions.



distributed to Canadians through Toyota dealerships, Esso gas stations, National Car Rental locations, Hudson's Bay Company stores, Delta Hotels, Fairmont Hotels and Resorts, and Hilton Hotels across Canada.

ICAN

The CTC also continued its "I CAN" advertising campaign in 2004. The campaign, which portrayed Canada as the ideal place for Canadians to travel, was conducted in three phases: July 2003, November 2003 and January 2004. Results are in and they are extremely encouraging. More than half of Canadian travellers surveyed by the CTC recalled the campaign; some five percent of these particular respondents were swayed by the campaign, changing their travel plans in favour of Canada in one of three distinct ways: taking a previously unplanned trip in Canada, switching from a foreign trip to a domestic one, or taking a longer than originally planned trip in Canada. The campaign generated an estimated \$148 million in tourism revenue based on an advertising investment of \$3.1 million for the first phase of the campaign. These figures translate into a ratio of tourism revenue to advertising investment of 48:1—a comparatively high rate of return.

U.S. Spring/Summer Primary Markets and Short-Haul Markets Campaigns

In the United States, the most significant marketing initiatives undertaken by the CTC were the Spring/Summer Primary Markets and the Spring/Summer Short-Haul Markets campaigns. Launched in Boston, New York, Philadelphia, Los Angeles and San Francisco, the Spring/Summer Primary Markets campaign employed newspaper advertisements, e-marketing and a microsite to inform, remind and excite travellers in these cities about the variety of experiences that Canada offers. Messages conveyed by this overarching campaign were designed to predispose American travellers to more tactical messages conveyed by Travel Alberta, Tourisme Montréal, Tourisme Québec and many other partners who also ran advertisements in these important U.S. markets.

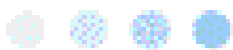
Launched last spring, the Spring/Summer Short-Haul Markets campaign was created to stimulate immediate travel by Americans in four key border markets: Seattle, Detroit, Cleveland and Minneapolis. Newspaper advertisements and radio spots were created to stimulate interest in Canada among potential travellers in these cities and direct them to a CTC microsite that showcased activities for travellers and provided consumer leads to CTC partners. The campaign was extremely effective, generating a return of \$15.6 million on \$2.2 million of advertising investment, which translates into a ratio of tourism revenue to advertising investment of 7.1:1.

Unique U.S. Marketing Promotions

Other U.S. marketing campaigns included U.S. Leisure Ski Program 2004-05, The Bachelor 5 "Dream Date of a Lifetime" and "Taste of the Nation" promotions. The U.S. Leisure Ski Program represents a joint effort between the CTC, the Canadian Destination Ski Consortium and the skiing industry valued at more than \$1.4 million. Partnership contributions from the skiing industry resulted in even greater investment, making this year's program the largest one of its kind to date, representing a very positive rate of return of 12:1.

The hit reality television program, The Bachelor 5, selected Québec as one of three cities to host a "Dream Date of a Lifetime." The primetime segment featuring Québec aired in May 2004 and was seen by more than 10 million viewers—an advertising value of \$750,000. The CTC worked with valued partners Tourisme Québec, Fairmont Hotels and Resorts, Québec City And Area Tourism and Convention Bureau and Air Canada to assist ABC Television with the production of the Québec segment of the episode.

"Taste of the Nation," a highly publicized culinary celebration, showcased two of Montréal's finest chefs at its 2004 event. The Montréal chefs were invited to participate in a "showdown" with some of New York City's best chefs. To capitalize on this unique component of "Taste of the Nation," a full-page ad was placed in Food & Wine magazine, 20 television spots were produced, including one shot in Montréal, and more than 50,000 direct-mail pieces were sent to



an exclusive list of high-income travellers. Several prominent travel writers, along with key clients of the CTC's U.S. Leisure and MC&IT groups, were also invited to the event.

Diverse International Campaigns

The CTC did not limit its marketing efforts to North America. In fact, 2004 was one of the organization's busiest years in terms of international campaigns.

In Japan, the CTC undertook a major advertising campaign entitled "Enrich Your Life." Aimed at Japanese seniors, the campaign positioned Canada as an ideal destination for those wishing to "refresh their spirits." The CTC also produced, in cooperation with Northwest Territories Arctic Tourism, the "Aurora Campaign." The campaign, which consisted of newspaper advertisements, a photo contest and a website promotion, helped convince 9,900 Japanese to visit Canada, an increase of 11 percent over the 2003 winter season.

Elsewhere in Asia, the CTC and the Ontario Tourism Marketing Partnership worked with Shanghai Oriental TV to produce "Drive Across Canada"—a month-long cross-country odyssey by car. Filmed using a diary format and aired in October 2004 as a 10-episode travel series, the broadcasts were seen in China by an audience of approximately 100 million people. These broadcasts, which translate into advertising valued at \$1.37 million, gave viewers an extended opportunity to see Canada's magnificent landscapes and learn about the country's diverse culture.

For one week in September 2004, the CTC and Scenic Tours—with the assistance of Air Canada, Fairmont Hotels and Resorts, and participating provincial governments—hosted Australia's Today Show. The week's programs were hosted live from five different locations in Quebec and Ontario, while weather forecasts were presented in British Columbia and Alberta to showcase popular tourism icons and scenery in these provinces. Through this campaign, the CTC and its partners received approximately 10 hours of live TV plus two weeks of pre-broadcast promotion per day for five days nationally in Australia and New Zealand—an advertising value estimated at \$7.5 million.

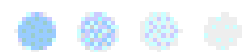
In France, an advertising campaign was launched to create awareness of Canada as a tourism destination and encourage travellers to log onto a CTC microsite—www.bienvenuecanada.com—for more information. A number of vacation packages, offered by 11 tour operators, were included on the microsite. These tour operators reported 2,100 trips, representing an additional \$2.5 million, booked as a result of this initiative.

Closer to home, an advertising campaign worth more than \$1 million was launched in Mexico. A fully integrated media campaign that featured television, print and direct-mail advertising was designed to drive consumers to a CTC microsite—www.sientecanada.com—and CTC partners. Results of the program were extremely positive: 790 calls to the O Canada toll-free telephone number and more than 5,000 visits to the microsite. Consumer demand also encouraged Air Canada to introduce five extra flights from Mexico City to Canada and prompted charter airline Onvisa to open additional routes from Mexico to Canada.

Exciting new partnerships

CTC and Air Canada

In 2004, the CTC and Air Canada embarked on a major marketing initiative, a partnership valued at more than \$46 million. Designed to stimulate inbound travel from select U.S. and U.K. markets, the agreement will see the partners launch a cooperative advertising campaign featuring Céline Dion's hit song "You and I Were Meant to Fly." Other businesses in the tourism industry will have the opportunity to participate in future advertising campaigns and associate their brands with the country's national airline.



CTC and Kodak Canada

In June 2004, Kodak Canada Inc. entered into a partnership agreement to raise awareness of the CTC's travel-planning website: www.travelcanada.ca/youcan. The site provides information and ideas to help consumers research and plan vacations in Canada. The partnership with Kodak involved multidisciplinary, bilingual communications components such as print, transit-shelter and television advertising, as well as customer-relations management services. Spots for specialty television programs and nationally posted transit-shelter ads began in the spring as did print advertisements in national publications. This campaign is a vivid example of how partnering with non-traditional tourism organizations enables the CTC to leverage the strong recognition of major national brands while ensuring that partners are able to profile their products and services in unique ways.

CTC and Northwest Airlines

This year, the CTC and Northwest Airlines launched a joint campaign to promote the airline's new routes between Japan and Canada. Sponsored by a number of Japanese wholesalers—JTB, NTAS, HIS and Hankyu—the promotion produced more than 20 different tour brochures that introduced new tourism packages available through Northwest Airlines. The promotion, which also featured trade-development components such as new tourism products, familiarization tours and educational seminars, generated a 30 percent increase in sales over the same period in 2003.

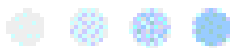
Product innovation and enhancement

The CTC continued its work last year to improve the quality of Canada's tourism offerings, with emphasis on experiential products relating to culture, adventure, cuisine, gardening, and more. Two key elements of this aspect of the CTC's efforts are the Tourism Innovation Program (TIP), formerly known as the Product Club program, and Rendez-vous Canada (RVC).

The TIP supports consortia of primarily small and medium sized businesses—which comprise more than 99.6 percent of all tourism businesses in Canada—in their efforts to develop new products and offerings. RVC coordinates meetings of international buyers and Canadian tourism vendors over the course of four days each spring.

CTC and Spa Health and Wellness Tourism Partners

A new product portfolio—Spa Health and Wellness Tourism—was created in 2004. With the creation of this portfolio, the CTC has organized an industry-led, national task force to develop pan-Canadian initiatives to support growth of this tourism product. In defining the scope and parameters for product innovation and enhancement, the task force will target industry stakeholders who conform to three core guidelines: health and wellness programs must be administered by professionally trained medical personnel; spa facilities must have fixed accommodations or accommodations offered through cooperative agreements with other facilities; and spa facilities must generate at least 10 percent of gross revenue through tourism.



Vital research programs

Research remains a vital component of the CTC's approach to marketing. In 2004, the CTC invested \$1.5 million in market research programs to identify marketing opportunities, test market perceptions, measure awareness levels, identify motivating factors, assess price competitiveness, and track product performance.

In Canada, advertising tracking and conversion studies were conducted for the "I CAN" marketing campaign to gauge its effectiveness. Other domestic programs included qualitative and quantitative research on outbound travellers.

For U.S. marketing campaigns, advertising tracking and conversion studies were conducted following the primary and short-haul markets campaigns. A survey of U.S. incentive-travel planners was also undertaken for use by the MC&IT group.

Other 2004 research programs included advertising tracking and conversion studies in the U.K. and Germany, and focus groups to help develop creative concepts for 2005 advertising campaigns in the U.K., France and Germany.

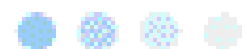
Macroeconomic Research

The CTC is Canada's leading source of macroeconomic tourism information. Its activities include core data collection, analytical refinement, international comparisons and the integration of these large-scale perspectives with market-specific research and planning activities.

In 2004, the Commission placed increased emphasis on communicating the results of its research to the industry, and on providing forward-looking assessments to support long-term strategic planning.

Key achievements last year in this area included:

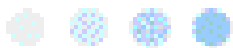
- Completion and publication of a scenario analysis on the impact of alternative Canada-U.S. exchange rates on tourism forecasts.
- Completion of a feasibility study for a Business Conditions Survey of the Canadian accommodations industry—which will be the first forward-looking survey of leading indicators for a service industry directly engaged in tourism.
- Completion of a pilot feasibility study of trends in foreign direct investment in Canada's tourism sector. This study was the first of its kind in the world.
- Development of a new media survey report that describes the coverage, reach and penetration of tourism industry information and tourism statistics in national print news media by the CTC and its research partners.
- Completion of a summary report on long-term trends and cycles in Canadian tourism, demonstrating that despite the recent years of crisis, tourism has been an economic growth leader in Canada for the past decade and a half.



Market Investment Tools

The CTC's decision in 2004, for 2005, to reallocate resources from certain lower-yield markets into those with higher potential for return on investment was based on the Market Portfolio Analysis (MPA) Index, a measurement tool developed and refined in-house by the CTC.

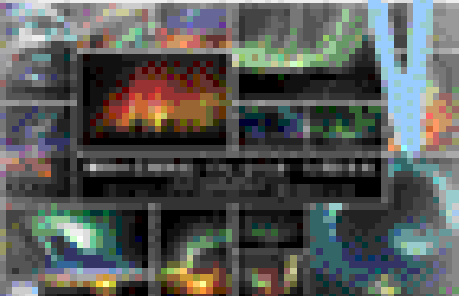
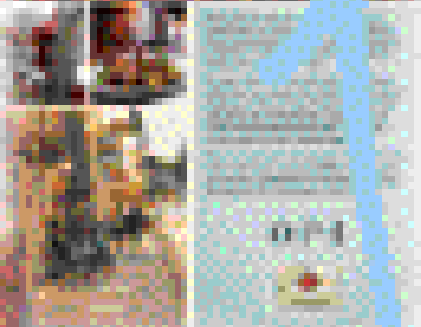
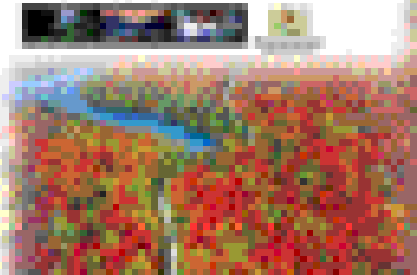
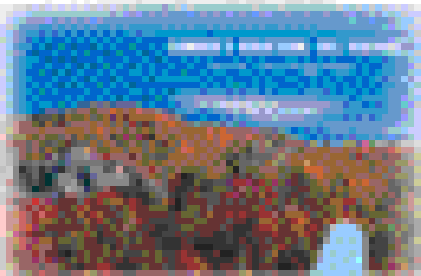
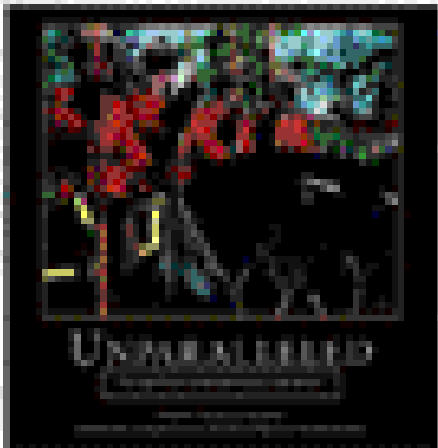
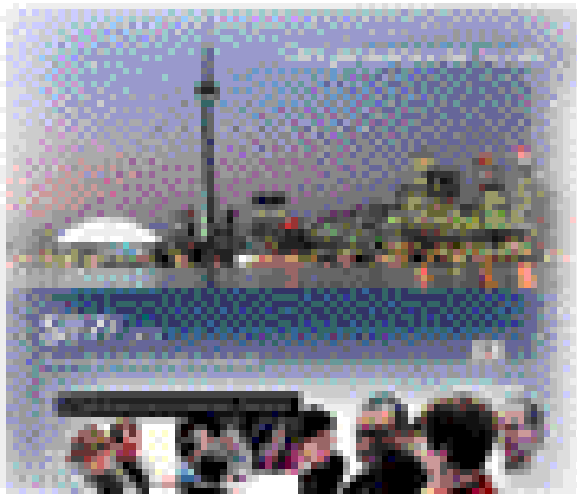
While the MPA clearly indicates markets of promise, it does not have the capability to determine what an appropriate investment in those markets might be. Consequently, the CTC is working to create a complementary Market Investment Model (MIM) which objectively distributes investments by market. It is anticipated that this model will assist in the refinement of the Commission's 2006 resource allocation.



In-market highlights

Every year, the CTC's marketing efforts include numerous cross-media advertising and promotional campaigns as well as special events targeted at customers within its specific international markets. In 2004, these ranged from Germany's Super Fam—a series of Canadian tours for more than 200 German travel agents—to the Love, Love Canada Honeymoon Festival in Korea, a web-based promotion that built awareness of Canada as a honeymoon destination among Korean travellers. Japanese travellers were drawn to Canada through the Aurora Campaign, created around the spectacle of the Northern Lights. And in Mexico, an integrated series of television, radio, web, newspaper and direct-mail advertisements is credited with helping increase the number of Mexican visits to Canada by 30 percent last year. Samples of these and other CTC in-market promotions are included in the montage below.





Report on Governance

Governance at the CTC

The CTC governance model brings public- and private-sector partners together around the boardroom table to develop strategies for promoting Canada as a world-class tourism destination.

By law, the Board must reserve 17 seats for private-sector directors from across Canada's tourism industry; the remaining seats are held for public-sector officials from federal, provincial and territorial government bodies responsible for tourism.

Working committees play a major advisory role in the decision-making and strategic-planning processes of the corporation's Board of Directors. The large majority of the Working Committees are chaired by and comprised of industry leaders and experts, ensuring that the CTC is truly "industry led."

In 2004 the Governance Committee of the Board reviewed the CTC's accountability framework and made modifications to clarify roles and relationships of directors, staff and Working Committees.

Director appointment and renewal

The Governor-in-Council appoints the Chair as well as the President and Chief Executive Officer. The Minister of Industry appoints all other Directors with Governor-in-Council approval. Directors are appointed for terms of up to three years and are eligible for reappointment. CTC Board members include CEOs and COOs of large Canadian and multinational corporations, as well as owner/operators of small and medium enterprises in the tourism industry.

An approved Board profile sets out the desired qualifications, experience, duties and responsibilities for these positions. The profile assists in succession planning and serves as a frame of reference for selecting new Board members. The Board also periodically assesses its own composition to ensure that it possesses the appropriate mix of expertise and background to meet the strategic needs of the corporation.

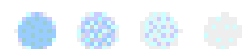
Board education

Each member of the Board receives a detailed orientation manual as well as a private briefing upon appointment. Meetings are arranged with senior management in order for new members to become fully acquainted with CTC business and affairs.

In addition, Board members receive regular information on trends in corporate governance and other issues relevant to the corporation through presentations from invited speakers and from literature distributed to them.

Board survey

An annual survey of Board members on corporate governance allows the Board to evaluate its functioning and performance and take any necessary corrective action.



Management Discussion and Analyses

This segment of the report deals with the Commission's financial performance for the year ended December 31, 2004. The audited financial statements that follow are integral to this analysis, and should be read in conjunction with it.

Funding

In 2004 the Commission received \$78.8 million in base appropriations from the Government of Canada. This reflects a \$5 million reduction in appropriations from 2003 (\$83.8 million). Additionally, surplus funds carried over from 2003 added another \$9.9 million to current year funding. These appropriations were received in 2003 but deemed to be better invested in 2004 initiatives. Lastly, the CTC also collected partnership revenues of \$9.3 million.

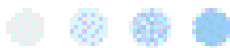
Partnership contributions

One of the principles of the CTC business model is to seek partnership contributions to fund its activities. One way of achieving this is to work closely with the tourism sector, both public and private, maximizing return on investment. This can happen in several ways. In some cases, the CTC may lead marketing or sales campaigns and the partner will choose to invest by providing funds to the CTC as a contribution to the cost of such campaigns. During 2004, such contributions generated \$9.3 million of revenue. This amount has declined from 2003 when \$12.6 million in revenues were generated. An element of this decline is attributable to parallel partnerships which represent a new approach to partnering. In order to achieve maximum impact, the CTC has chosen, in some markets, to run parallel advertising with partners. Through mutual agreement, the CTC will first advertise the Canada brand and the partners will then follow with their own directed campaigns. In these cases, monies are not forwarded to the CTC, but campaigns are funded directly by each partner. Parallel partnerships in 2004 totalled \$24.7 million. Equally, the CTC may choose to invest in partners' initiatives. These are referred to as third-party contributions and totalled \$32 million in 2004. Lastly, the Commission also receives in-kind contributions. Such contributions can range from free airfare for media familiarization tours to unpaid advertising in TV programs. This is valued at \$29 million for 2004. Total partnership contributions in 2004 equalled \$95 million, compared to \$83 million in 2003. Only those partnerships, for which the CTC acts as the banker (\$9.3 million as noted above) are recorded in the financial statements.

Expenditures

During 2004, the Commission had offices in 14 countries around the world and the majority of expenditures, \$71.5 million, were incurred to support the marketing and sales initiatives and operations in these locations. During 2003, as a result of the challenges faced by the tourism industry due to SARS and terrorism, the CTC received additional one-time funding of \$16.5 million to help minimize the impact on the tourism sector. Therefore, expenditures for marketing and sales in 2003 were significantly higher (\$87.3 million). Reductions in annual government appropriations forced the Commission to review its allocation of budgets and the return on investment of each market. As a result, the decision was taken to close four offices as at December 31, 2004: Italy, The Netherlands, Taiwan and Hong Kong.

Corporate services costs remained steady at approximately 12 percent of total expenditures. They include costs for traditional overhead items (Finance, HR, IT) as well as for the offices of the Corporate Secretary, the President and Board Liaison. Management continues to make every effort to control overhead costs. However, during 2004, the Commission committed to a long-term investment in IT infrastructure to support the ongoing web initiatives necessary to maintain its competitive position in the marketplace. Although these are recorded as IT costs, the investment supports marketing and sales.



Information Services and Research expenditures declined somewhat in 2004 to \$5.8 million from \$7.4 million in 2003. During 2003, the Commission received additional funding from the Government to help mitigate damage to the tourism sector resulting from SARS and terrorism. Some of these monies funded additional research to determine the travel intentions of consumers. Expenditures for Corporate Communications, Publishing and Industry Relations are also included in this category.

Product Innovation and Enhancement and Planning had increased expenditures in 2004, for a total of \$3.7 million (\$2.7 million in 2003). Included in these costs were monies incurred for the evaluation of marketing programs. This was previously included in marketing and sales costs and totalled approximately \$800,000 in 2004.

Employee future benefits

Effective January 2, 2004, the Commission was required to establish pension and benefit plans for its employees. Previous to this, employees participated in the pension and benefit plans of the Government of Canada.

Employee future benefits provided by the Commission include several domestic and foreign *funded* and *unfunded* pension plans as well as various other post-retirement and post-employment benefit plans.

Funded plans are plans for which segregated plan assets are invested in trusts. These plans can be in an over- or under-funded position, depending on various factors, such as investment returns. The funded plans consist of pension plans located mainly in Canada, the United States and the United Kingdom. It should be noted that for plans in the United States and the United Kingdom the Commission is not the only participant employer and that the assets cannot be allocated among participating employers. As such, these plans are deemed "multi-employer" plans for purposes of CICA Handbook section 3461 and accounted for as defined contribution plans.

For the funded plans, employer cash contributions are determined in accordance with the regulatory requirements of each local jurisdiction.

Unfunded plans are those for which there are no segregated plan assets. The employer cash requirement for these plans corresponds to the benefit payment to be made by the plans. The post-retirement and post-employment benefits plans in Canada and abroad, as well as pension plans for employees in China, Germany, Japan, South Korea and Taiwan, are unfunded plans.

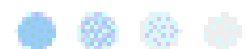
The Commission uses as a measurement date September 30 preceding the fiscal year-end for accounting purposes.

The determination of obligations under pension and other post-retirement and post-employment benefit plans, and the related expense, are actuarially determined using the projected benefit method, and require the use of actuarial valuation methods and assumptions. Assumptions typically used in determining these amounts include, as applicable, mortality rates, rate of employee turnover, retirement age, per capita claims costs, discount rates, future salary and benefit levels, return on plan assets, and future medical costs.

The fair value of plan assets is determined using market values or approximations of market values where market values are not readily available.

Actuarial valuations and the determination of certain market value approximations are based on management's best estimate assumptions and, as a result, the prepaid benefit asset (obligation) and the pension and other benefit expense may differ significantly if different assumptions are used.

Upon the establishment of certain post-retirement plans as at January 2, 2004, (post-retirement health, dental and life insurance benefits), a past-service cost arose. The Commission has elected to amortize this amount over the expected average remaining life period of the employee group to full eligibility.



In order to reduce year-to-year volatility of the pension and benefit expense, changes in these assumptions result in actuarial gains or losses. In accordance with CICA Handbook Section 3461, the Commission has elected to amortize these gains or losses over the expected average remaining service life of the employee group covered by the plans only to the extent that the unrecognized net actuarial gains and losses are in excess of 10% of the greater of the beginning-of-year balances of the projected benefit obligations and the market-related value of plan assets.

The Audit Committee of the Board, along with one member of the Human Resources Committee, have been tasked with pension plan governance and will hold their first meeting early in 2005.

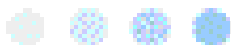
Audit

The Commission, with approval from the Audit Committee, engaged an internal auditor several years ago. The auditor continues to work with management in determining potential operational areas of risk that require examination. The auditor reports to the Audit Committee, which directs his/her work.

During 2005, the Commission will be undergoing a Special Examination by the Office of the Auditor General. This is a requirement of the *Financial Administration Act* and must be completed once every five years. Hence, this is the first such audit for the CTC. Readiness for the Special Examination has been a major focus of senior management during 2004.

Risk management

During 2004, management initiated an Enterprise Risk Management Strategy. A comprehensive process was implemented to identify and assess risks and to determine the steps required to manage and monitor the key risks identified. This analysis involved several levels of management and included the Board of Directors. Although the Audit Committee has ultimate responsibility for ensuring a risk management strategy is in place, the ongoing strategic planning cycle will ensure that the Board of Directors is kept apprised of key risks and that these are considered in the development of the annual strategic plan.



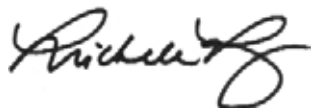
MANAGEMENT RESPONSIBILITY STATEMENT

The management of the Commission is responsible for the performance of the duties delegated to it by the Board of Directors. These include the preparation of an Annual Report together with audited financial statements. These statements, approved by the Board of Directors, were prepared in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. Other financial and operational information appearing elsewhere in the Annual Report is consistent with that contained in the financial statements.

Management maintains internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with the relevant authorities.

Management also maintains financial and management control systems and practices designed to ensure the transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Tourism Commission Act*, and by-laws of the Commission. These systems and practices are also designed to ensure that assets are safeguarded and controlled, and that the operations of the Commission are carried out effectively. In addition, the Audit Committee, appointed by the Board of Directors, oversees the internal audit activities of the Commission and performs other such functions as are assigned to it.

The Commission's external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing her report thereon.

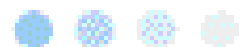


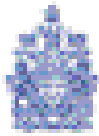
Michele McKenzie
President
and Chief Executive Officer



Karin Zabel
Vice-President Finance
and Chief Financial Officer

March 4, 2005





AUDITOR'S REPORT

To the Minister of Industry

I have audited the balance sheet of the Canadian Tourism Commission as at December 31, 2004 and the statements of operations and accumulated deficit of Canada and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Tourism Commission Act* and the by-laws of the Commission.

Douglas G. Timmins, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 4, 2005

Canadian Tourism Commission
 Balance sheet
 As at December 31
 (in thousands)

	<u>2004</u>	<u>2003</u>
Assets		
Current assets		
Cash	\$ 40,752	\$ 9,838
Accounts receivable		
Partnership contributions	3,058	3,133
Government of Canada	1,594	3,776
Parliamentary appropriations (note 4)	-	6,281
Other	118	80
Prepaid expenses and other assets	<u>1,403</u>	<u>499</u>
	<u>46,925</u>	<u>23,607</u>
Capital assets (note 3)	<u>4,410</u>	<u>3,955</u>
	<u>\$ 51,335</u>	<u>\$ 27,562</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		
Trade	\$ 15,418	\$ 18,223
Compensation	2,171	1,325
Government of Canada	834	1,848
Deferred parliamentary appropriations (note 4)	26,623	-
Deferred revenue	<u>60</u>	<u>392</u>
	<u>45,106</u>	<u>21,788</u>
Deferred capital funding (note 5)	4,410	3,955
Employee future benefits (note 6)	<u>3,702</u>	<u>3,312</u>
	<u>8,112</u>	<u>7,267</u>
Accumulated deficit of Canada (note 7)	<u>(1,883)</u>	<u>(1,493)</u>
	<u>\$ 51,335</u>	<u>\$ 27,562</u>

Commitments and contingencies (notes 10 & 11)

The accompanying notes form an integral part of the financial statements

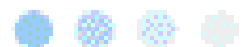
Approved on behalf of the Board of Directors:



The Honourable Charles Lapointe, PC
 Chairman



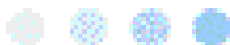
Daniel Jarvis
 Chairman of the Audit Committee



Canadian Tourism Commission
Statement of operations and accumulated deficit of Canada
For the year ended December 31
(in thousands)

	<u>2004</u>	<u>2003</u>
Revenue		
Partnership contributions	\$ 9,319	\$ 12,627
Other	<u>518</u>	<u>699</u>
	<u>9,837</u>	<u>13,326</u>
Expenses		
Marketing and sales (note 8)	71,558	87,379
Corporate services	11,621	12,596
Information services and research	5,877	7,405
Product innovation and planning	3,703	2,769
Amortization of capital assets	<u>1,860</u>	<u>1,434</u>
	<u>94,619</u>	<u>111,583</u>
Net cost of operations	(84,782)	(98,257)
Parliamentary appropriations (note 4)	82,206	97,590
Amortization of deferred capital funding (note 5)	<u>1,860</u>	<u>1,434</u>
	<u>84,066</u>	<u>99,024</u>
Net results of operations for the year	<u>(716)</u>	<u>767</u>
Accumulated deficit of Canada, beginning of year	(1,493)	(2,587)
Services provided without charge by Government departments and agencies (note 12)	<u>326</u>	<u>327</u>
Accumulated deficit of Canada, end of year	<u>\$ (1,883)</u>	<u>\$ (1,493)</u>

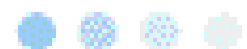
The accompanying notes form an integral part of the financial statements



Canadian Tourism Commission
Statement of cash flows
For the year ended December 31
(in thousands)

	<u>2004</u>	<u>2003</u>
Operating activities		
Net results of operations	\$ (716)	\$ 767
Items not affecting cash		
Amortization of capital assets	1,860	1,434
Amortization of deferred capital funding (note 5)	(1,860)	(1,434)
Changes in non cash working capital	30,914	(1,281)
Services provided without charge (note 12)	326	327
Change in employee future benefits	<u>390</u>	<u>(1,094)</u>
Cash provided by (used in) operations	<u>30,914</u>	<u>(1,281)</u>
Investing activities		
Acquisition of capital assets	<u>(2,315)</u>	<u>(1,258)</u>
Financing activities		
Parliamentary appropriations used for the acquisition of capital assets (note 5)	<u>2,315</u>	<u>1,258</u>
	2,315	1,258
Increase (decrease) in cash for the year	30,914	(1,281)
Cash, beginning of year	<u>9,838</u>	<u>11,119</u>
Cash, end of year	<u>\$ 40,752</u>	<u>\$ 9,838</u>

The accompanying notes form an integral part of the financial statements



Canadian Tourism Commission

Notes to Financial Statements as at December 31, 2004

1. *Authority and objectives*

The Canadian Tourism Commission (the Commission) was established on January 2, 2001, under the *Canadian Tourism Commission Act* (the Act) and is an agent Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Commission is not subject to income taxes.

As stated in section 5 of the Act, the Commission's mandate is to:

- sustain a vibrant and profitable Canadian tourism industry;
- market Canada as a desirable tourist destination;
- support a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories with respect to Canadian tourism; and
- provide information about Canadian tourism to the private sector and the governments of Canada, the provinces and the territories.

2. *Significant accounting policies*

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. A summary of significant policies follows:

a) *Parliamentary Appropriations*

The Commission is mainly financed by the Government of Canada through parliamentary appropriations. Parliamentary appropriations are recognized in the year in which the related expenditures are incurred.

Appropriations for depreciable capital assets are recorded as deferred capital funding on the balance sheet and amortized on the same basis and over the same periods as the related capital assets. Upon disposition of funded depreciable capital assets, the Commission recognizes in income all remaining deferred capital funding related to these capital assets.

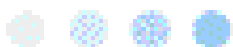
As a result of the Commission's year end (December 31) being different from the Government's (March 31), the Commission will normally have either a parliamentary appropriations receivable balance or a deferred parliamentary appropriations balance at year-end.

b) *Partnership Contributions*

The Commission conducts marketing activities in partnership with a variety of Canadian and foreign organizations. Where the Commission assumes the financial risks of conducting a marketing activity, partnership contributions are recognized as income when the marketing activity takes place. Partnership contributions received for which the related costs have yet to be incurred are shown as deferred revenue.

c) *Other Revenues*

Other revenues mainly consist of miscellaneous revenue and interest.



d) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenue and expense items are translated during the year at the exchange rate on the date of the transaction. Translation gains and losses are included in income for the year. The Commission does not hedge against foreign currency fluctuations.

e) Capital Assets

Capital assets are recorded at cost and amortized on the straight-line basis over the estimated useful life of the assets as follows:

Leasehold improvements	Remaining term of lease
Office furniture	5 years
Computer equipment and software	3 and 5 years

Capital assets transferred to the Commission as at January 2, 2001, are recorded at their historical cost, less accumulated amortization, in accordance with the above rates.

f) Employee Future Benefits

The Commission offers a number of funded and unfunded defined benefit pension plans, unfunded defined benefit plans (which include post-employment benefits and post-retirement benefits) as well as a defined contribution pension plan that provides pension and other benefits to qualified employees. The pension plans include statutory plans and a supplemental plan. Other benefit plans include post-employment severance benefits and post-retirement health, dental and life insurance benefits. The defined benefit pension plans provide benefits based on years of service and average earnings at retirement. The Commission funds certain pension plans annually based on actuarially determined amounts needed to satisfy employee future benefit entitlements under current benefit regulations. Cost of living adjustments are automatically provided for retirees in accordance with increases in the Consumer Price Index.

The costs and obligations of the defined benefit plans are actuarially determined using the projected benefit method prorated on service and management's best estimate of mortality rates, rate of employee turnover, retirement age, per capita claims costs, future salary and benefit levels, return on plan assets and future medical costs.

For the purposes of calculating the expected return on plan assets, those assets are valued at fair value.

Past service costs arising from plan amendments are deferred and amortized at the date of plan amendments on a straight-line basis over the expected average remaining service lifetime (EARSL) to full eligibility of active employees, which has been determined to be 12 years for the Supplementary Retirement Plan (SRP) and 13 years for non-pension post-retirement benefits.

The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the EARSL of active employees. This EARSL has been determined to be 18 years for the Registered Pension Plan, 12 years for the SRP and 15 years for the Pension Plan for Employees of the Canadian Tourism Commission in Germany, Japan, South Korea, Taiwan and China.

Employees working in the United Kingdom and the United States participate in the Department of Foreign Affairs defined benefit pension plans administered by the Government of Canada. The assets of these plans cannot be allocated among participating employers, and as such, these plans are deemed "multi-employer" plans and accounted for as defined contribution plans. These amounts vary depending upon the plan and are based on a percentage of the employee gross earnings. Contributions may change over time depending on the experience of the plans since the Commission is usually required under present legislation to make adjustments for the rate of contributions to cover



any actuarial deficiencies of these plans. Contributions represent the total pension obligations of the Commission for these employees and are charged to operations on a current basis.

g) Services Provided Without Charge by Government Departments and Agencies

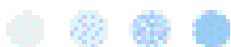
Services provided without charge by Government departments and agencies are recorded as operating expenses by the Commission at their estimated fair value. A corresponding amount is credited directly to the accumulated deficit of Canada.

h) Accounting 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 at the date of the financial statements and the amounts of income and expense during the reporting periods. Actual results could differ from those estimates. The most significant estimates involve the determination of employee future benefits.

3. Capital assets

	COST	ACCUMULATED AMORTIZATION	DECEMBER 31, 2004 NET BOOK VALUE	DECEMBER 31, 2003 NET BOOK VALUE
	(IN THOUSANDS)			
Leasehold improvements	\$ 1,729	\$ 445	\$ 1,285	\$ 1,058
Office Furniture	1,227	617	610	495
Computer equipment & software	6,613	4,097	2,515	2,402
Total	\$ 9,569	\$ 5,159	\$ 4,410	\$ 3,955



4. *Parliamentary appropriations*

As a result of the Commission's year end (December 31) being different from the Government's (March 31), the Commission will normally have either a parliamentary appropriations receivable balance or a deferred parliamentary appropriations balance at year-end. The schedule below reconciles the amount of funding available to the Commission during the year with the amount actually used in operations.

	2004	2003
	(IN THOUSANDS)	
Amount provided for operating and capital expenditures:		
Amounts voted in 2003-04 (2002-03)		
Main estimates	\$ 83,800	\$ 83,166
Supplementary estimates A	12,500	3,097
Supplementary estimates B	4,000	33
	100,300	86,296
Less: Portion recognized in calendar 2003 (2002)	(67,915)	(55,363)
	32,385	30,933
Amounts voted in 2004-05 (2003-04)		
Main estimates	78,823	83,800
Supplementary estimates A	-	12,500
	78,823	96,300
Less: Portion to be recognized in calendar 2005 (2004)	(64)	(34,666)
Parliamentary appropriations receivable (deferred) at year end	(26,623)	6,281
	52,136	67,915
	84,521	98,848
Amounts used to purchase capital assets	(2,315)	(1,258)
Parliamentary appropriations used to fund operations	\$ 82,206	\$ 97,590



5. *Deferred capital funding*

Deferred capital funding represents the unamortized portion of parliamentary appropriations and other funding received to purchase depreciable capital assets.

Changes in the deferred funding balance are as follows:

	2004	2003
	(IN THOUSANDS)	
Balance, beginning of year		
Parliamentary appropriations	\$ 3,245	\$ 3,337
Funding from related party	710	794
	3,955	4,131
Funding used in the current year for the acquisition of capital assets		
Parliamentary appropriations	2,315	1,258
Amortization		
Parliamentary appropriations	(1,776)	(1,350)
Funding from related party	(84)	(84)
	(1,860)	(1,434)
Balance, end of year		
Parliamentary appropriations	3,784	3,245
Funding from related party	626	710
	\$ 4,410	\$ 3,955

6. Employee future benefits

The Commission offers a number of employee future benefit plans covering its employees in Canada and abroad. The following table summarizes these plans and the benefits they provide:

EMPLOYEES COVERED	NAME OF THE PLAN	NATURE OF THE PLAN	CONTRIBUTORS	ACCOUNTING TREATMENT
Canada	Registered Pension Plan for the Employees of the Canadian Tourism Commission	Funded, Defined Benefit Plan	CTC and plan members	Defined Benefit Plan
	Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission	Partly funded, Defined Benefit Plan	CTC and plan members	Defined Benefit Plan
	Non-Pension Post-Retirement Benefit Plan for Canadian Employees	Unfunded, Defined Benefit Plan	CTC and plan members	Defined Benefit Plan
Germany, Japan, South Korea, Taiwan & China	Pension Plan for Employees of the CTC in Germany, Japan, South Korea, Taiwan & China	Unfunded, Defined Benefit Plan	CTC and the Government of Canada	Defined Benefit Plan
United States	Qualified Pension Plan for U.S. Citizen Employees Working in the U.S.	Multi-employer Defined Benefit Plan	CTC	Defined Contribution Plan
	Registered Pension Plan for Canadian Citizen Employees Working in the U.S.	Multi-employer Defined Benefit Plan	CTC	Defined Contribution Plan
United Kingdom	Canadian High Commission Locally Engaged Staff Pension Scheme	Multi-employer Defined Benefit Plan	CTC	Defined Contribution Plan
Australia	Hospitality and Tourism Industry defined Contribution Pension Arrangement	Defined Contribution Plan	CTC	Defined Contribution Plan
All Employees	Post-employment Severance Benefits for Canadian and Locally Engaged Employees	Unfunded, Defined Benefit Plan	CTC	Defined Benefit Plan

Defined Contribution Plans

Employees in Australia participate in the Hospitality and Tourism Industry defined contribution pension arrangement, to which the Commission is required to contribute.

The total cost for the Commission's defined contribution pension plan is \$28,844 in 2004 (nil in 2003).

The Commission also participates in multi-employer defined benefit plans providing pension benefits to employees working in the United States and in the United Kingdom. These plans, to which contributions totaled \$242,738 in 2004 (\$287,000 in 2003), are accounted for as defined contribution plans.

Defined Benefit Plans

Canada

The Commission has a number of defined benefit plans in Canada, which provide post-retirement and post-employment benefits to its employees. Effective January 2, 2004, pension arrangements include a registered pension plan as well as a supplemental arrangement, which provides pension benefits in excess of statutory limits. The Commission provides pension benefits based on employees' years of service and average earnings at the time of retirement. The registered pension plan is funded by contributions from the Commission and from the members. In accordance with pension legislation, the Commission contributes amounts determined on an actuarial basis and has the ultimate responsibility for ensuring that the liabilities of the plan are adequately funded over time. The supplemental pension plan liabilities arising on and after January 2, 2004, are funded on a pay as you go basis.



Post-retirement benefits include health, dental and life insurance benefits. The cost of these benefits is paid for by the Commission and the retirees. These benefits are unfunded. There are currently no retirees receiving benefits under this plan.

A severance benefits plan is provided for current employees. This plan is unfunded and the cost of the benefits is fully payable by the Commission.

Abroad

The Commission has a number of defined benefit plans for its locally engaged staff outside Canada, which provide pension and severance benefits. The Commission provides retirement benefits based on employees' years of service and average earnings at the time of retirement. In the United States and in the United Kingdom, the plans are funded by contributions from the Commission. In accordance with pension legislation, the Commission contributes amounts determined on an actuarial basis to the plan and has the ultimate responsibility for ensuring that the liabilities of the plan (as they pertain to its employees) are adequately funded over time. In China, Germany, Japan, South Korea and Taiwan, the plan is unfunded. The Commission is only responsible for the service accruing on and after January 2, 2001.

Severance benefits are provided for current employees living abroad. The cost of the benefits is fully paid by the Commission. These plans are unfunded.

Measurement Date and Date of Actuarial Valuation

The Commission measures its accrued benefit obligations and the fair value of plan assets of its pension plans for accounting purposes as at September 30th of each year. The most recent actuarial valuation of the Canadian registered defined benefit pension plan for funding purposes was as of January 2, 2004, and the next required valuation will be as of the date of the last transfer of assets from the Public Service Pension Plan or no later than December 31, 2006.

Benefit obligation, plan assets, and funded status:

CHANGE IN ACCRUED BENEFIT OBLIGATION	PENSION		OTHER BENEFIT PLANS	
	2004	2003	2004	2003
Accrued benefit obligation, beginning of year	\$ 401,800	\$ 196,600	\$ 3,200,000	\$ 3,181,000
Current service cost	930,300	131,100	314,400	238,600
Interest cost	691,300	21,300	215,200	173,100
Employees' contributions	224,400	-	-	-
Benefits paid	(56,300)	-	(197,900)	(534,400)
Actuarial loss	-	52,800	39,700	141,700
Past service cost (plan initiation)	(600,000)	-	529,000	-
Net transfer in	13,800,000	-	-	-
Accrued benefit obligation, end of year	\$ 15,391,500	\$ 401,800	\$ 4,100,400	\$ 3,200,000

The effect on the accrued benefit obligation at the end of the year of a one-percentage point increase in the assumed health care cost trend rate would be an increase of \$112,200 and a one-percentage point decrease would be a decrease of \$82,900.

The accrued benefit obligation at the end of 2004 related to the registered pension plan and the *Pension Plan for Employees of the Canadian Tourism Commission in Germany, Japan, South Korea, Taiwan and China* exceeds the plan assets.

The accrued benefit obligation and fair value of assets at year end are the following amounts in respect of plans that are either unfunded or not fully funded:

	PENSION		OTHER BENEFIT PLANS	
	2004	2003	2004	2003
Accrued benefit obligation	\$ 14,819,700	\$ 401,800	\$ 4,100,400	\$ 3,200,000
Fair value of plan assets	14,099,300	-	-	-
Funded status—plan deficit	\$ 720,400	\$ 401,800	\$ 4,100,400	\$ 3,200,000

CHANGE IN PLAN ASSETS	PENSION		OTHER BENEFIT PLANS	
	2004	2003	2004	2003
Fair value of plan assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Actual return on plan assets	653,500	-	-	-
Employer contributions	605,300	-	197,900	534,400
Employees' contributions	224,400	-	-	-
Benefits paid	(56,300)	-	(197,900)	(534,400)
Net transfer in	13,800,000	-	-	-
Fair value of plan assets, end of year	\$15,226,900	\$ -	\$ -	\$ -

The Commission was required, by legislation, to exit the pension and benefit plans of the Government of Canada with respect to its Canadian employees as at January 1, 2004. New plans established replicate the plans and benefits previously provided by the Government. On November 16, 2004, the Commission signed a Pension Transfer Agreement with the Government of Canada that provides employees with a one time option of transferring their past service from the Public Service Pension Plan (PSPP) and the Retirement Compensation Arrangement (RCA) to the new plans, or to leave them with the Government plans until retirement. With respect to members who elect to transfer past service, a transfer of assets from PSPP and RCA to the new plans will be made. The amount of transfer has been recognized on an estimated basis at December 31, 2004. Employees have until May 15, 2005 to make the election to transfer to the new plan.

RECONCILIATION OF FUNDED STATUS TO ACCRUED BENEFIT ASSET (LIABILITY)	PENSION		OTHER BENEFIT PLANS	
	2004	2003	2004	2003
(Deficit) excess, end of year	\$ (164,600)	\$ (401,800)	\$ (4,100,400)	\$ (3,200,000)
Employer contributions during period from measurement date to fiscal year end	350,217	54,600	165,943	197,200
Unamortized past service costs	(562,700)	-	498,500	-
Unamortized net actuarial loss (gain)	23,300	(9,800)	88,000	48,300
Accrued benefit asset (liability)	\$ (353,783)	\$ (357,000)	\$ (3,347,957)	\$ (2,954,500)

The cumulative excess of pension cost over pension fund contributions is reported as accrued pension benefit cost in *Employee future benefits*. In addition, other post-retirement and post-employment benefits are also reported in *Employee future benefits*.



Net benefit cost (income) recognized in the period:

COMPONENTS OF NET PERIODIC BENEFIT COST	PENSION		OTHER BENEFIT PLANS	
	2004	2003	2004	2003
Current service cost, net of employee contributions	\$ 930,300	\$ 131,100	\$ 314,400	\$ 238,600
Interest cost	691,300	21,300	215,200	173,100
Actual return on plan assets	(653,500)	-	-	-
Actuarial loss	-	52,800	39,700	141,700
Past service costs (plan initiation)	(600,000)	-	529,000	-
Costs arising in the period	368,100	205,200	1,098,300	553,400
Differences between costs arising in the period and costs recognized in the period in respect of:				
▪ Return on plan assets	(33,100)	-	-	-
▪ Actuarial loss	-	(55,900)	(39,700)	(141,700)
▪ Past service costs	562,700	-	-	-
▪ Plan amendments	-	-	(498,500)	-
Net periodic pension cost recognized	\$ 897,700	\$ 149,300	\$ 560,100	\$ 411,700

Significant actuarial assumptions used are as follows (weighted average):

	PENSION		OTHER BENEFIT PLANS	
	2004	2003	2004	2003
	%			
Accrued benefit obligation, end of year:				
Discount rate	6.50	6.00		
▪ Non-pension post-retirement			6.50	n/a
▪ Post-employment severance			5.50	5.50
Rate of compensation increase				
▪ Canadian	4.75	4.50	4.75	4.50
▪ Locally engaged	4.50	4.50	4.50	4.50
Net benefit cost, beginning of year:				
Discount rate	6.50	6.00		
▪ Non-pension post-retirement			6.50	n/a
▪ Post-employment severance			5.50	6.00
Expected long term rate of return on plan assets	6.75	n/a	n/a	n/a
Rate of compensation increase				
▪ Canadian	4.75	4.50	4.75	4.50
▪ Locally engaged	4.50	4.50	4.50	4.50

Assumed health care cost trend rate:

	OTHER BENEFIT PLANS	
	2004	2003
Initial	8.81%	n/a
Ultimate	4.75%	n/a
Year ultimate	2013	n/a

Total Cash Payments

Total cash payments for employee future benefits, consisting of cash contributed by the Commission to its funded and unfunded defined benefit pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, cash contributed to its defined contribution plan and cash contributed to its multi-employer defined benefit plan is \$1.4 million (\$2.422 million in 2003).

Locations Without Separate Pension Plans

The Commission contributes only to a national pension scheme in France and an insured pension plan in Mexico and the Netherlands. There is no separate pension plan established by the CTC. Upon retirement, the national pension scheme or the insurer, and not the employer, is liable to pay the benefits. Therefore the only cost to the employer is its contribution, which is recognized as a cost in the year contributions are due.

7. Accumulated deficit of Canada

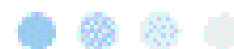
As indicated in Note 1, on January 2, 2001, the Canadian Tourism Commission became a Crown corporation and all assets and liabilities of the Commission as a Special Operating Agency of the Department of Industry were transferred to the Commission. The net book value of the elements transferred was then credited to the accumulated deficit of Canada.

The accumulated deficit of Canada represents liabilities incurred by the Commission, net of deferred capital funding, that have not yet been funded through parliamentary appropriations. A significant component of this amount is for employee future benefits that will be funded only at the time the related benefits are paid by the Commission.

8. Marketing and sales expenses

The Commission carries out marketing and sales activities in a variety of countries around the world. Expenses have been incurred in these regions as follows:

	2004	2003
	(IN THOUSANDS)	
Canada	\$ 8,925	\$ 13,457
U.S.	28,535	38,438
International (Europe, Latin America, Asia-Pacific)	31,264	31,701
Corporate Marketing	2,834	3,783
	\$ 71,558	\$ 87,379



9. Reconciliation of net results of operations to government funding basis

The Canadian Tourism Commission receives its funding from the Government of Canada based primarily on cash flow requirements. Items recognized in the Statement of operations and accumulated deficit of Canada may be funded by the Government of Canada in different years. Accordingly, the Commission has different net results of operations for the year on a government-funding basis than on a Canadian generally accepted accounting principles basis. These differences are reconciled below:

	2004	2003
	(IN THOUSANDS)	
Net results of operations for the year	\$ (716)	\$ 767
Items not requiring (not providing) operating funds:		
Amortization of capital assets	1,860	1,434
Amortization of deferred capital funding	(1,860)	(1,434)
Services provided without charge	326	327
Change in employee future benefits	390	(1,094)
Net results of operations for the year on a government-funding basis:	\$ --	\$ --

10. Commitments

The Commission has entered into various agreements for services and leases for office premises and equipment in Canada and abroad. The total commitments of the Commission as at December 31, 2004 are \$22.0 million (\$24.0 million in 2003).

The future minimum lease payments for office premises and equipment pursuant to these agreements are approximately as follows (in thousands):

2005	2006	2007	2008	2009	SUB-TOTAL	2010-2013	TOTAL
\$ 2,097	\$ 1,787	\$ 1,715	\$ 1,316	\$ 983	\$ 7,898	\$ 2,346	\$ 10,244

11. Contingencies

In the normal course of business, various claims and lawsuits have been brought against the Commission. In the opinion of management, losses, which may result from the settlement of the matters, are not determinable, and accordingly, no provision has been made in the accounts of the Commission. In the event management concludes that such losses were likely to be incurred and the costs were estimable, they would be charged to expenses.

12. Related party transactions

The Commission is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations and is primarily financed by the Parliament of Canada.

In the normal course of business and on normal trade terms applicable to all individuals and enterprises, the Commission incurred expenses totaling \$6.7 million (\$6.3 million in 2003) for services purchased and rental of space from other government departments and agencies, and received partnership and other contributions totaling \$1.0 million (\$500,000 in 2003) for capital asset acquisitions and services rendered to other departments and agencies.

During the year, the Commission received services without charge, which are recorded at their estimated fair value in the financial statements, as follows:

	2004	2003
	(IN THOUSANDS)	
Audit services by the Office of the Auditor General	\$195	\$225
Other services by government departments	131	102
	\$326	\$327

13. *Financial instruments*

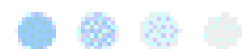
The Commission's financial instruments consist of cash held in a general bank account, accounts receivable, accounts payable and accrued liabilities, which are incurred in the normal course of business. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risk arising from these financial instruments. The carrying amounts of accounts receivable, accounts payable and accrued liabilities approximate their fair value because of their short-term maturity. There is no concentration of accounts receivable and therefore there is no significant credit risk.

14. *Closure of foreign offices*

As a result of budget reductions, management initiated a program review in order to focus limited resources on markets with the highest potential return on investment. This resulted in the closure of four offices effective December 31, 2004 - Italy, the Netherlands, Taiwan and Hong Kong. Costs incurred were for severance (\$488,000), and office lease terminations and legal services (\$68,000). Estimated severance costs of \$155,000 remain to be paid in 2005.

15. *Comparative figures*

Some of the prior year's figures have been reclassified to conform to the current year's presentation.



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Chairman of the Board

The Honourable Charles Lapointe
President and Chief Executive Officer
Greater Montréal Convention and
Tourism Bureau

President and CEO of the CTC

Michele McKenzie

National representatives

Peter Armstrong
President and Chief Executive Officer
Great Canadian Railtour Company

Jean-Marc Eustache
President and Chief Executive Officer
Transat A.T. Inc.

Daniel O. Jarvis
*President and CEO,
Leisure and Travel Group*
Intrawest Corporation

Yvon Milette
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Simon Cooper
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Rod A. Seiling
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Greater Toronto Hotel Association

Regional representatives

Newfoundland and Labrador and Nova Scotia

Roger Jamieson
Owner/Operator
Kilmory Resort, Newfoundland

Kelliann Dean (since Dec. 2004)
Deputy Minister
Department of Tourism and
Culture, Nova Scotia

New Brunswick and Prince Edward Island

Susan LeBlanc-Robichaud
General Manager
Memramcook Learning and
Vacation Resort, New Brunswick

Frank Butler (until Oct. 2004)
*Deputy Minister and
Chief Executive Officer*
Tourism PEI, Prince Edward Island

Quebec

Alexander Reford
Director
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Robert Madore (since Dec. 2004)
Associate Deputy Minister
Tourisme Québec

Ontario

Chris Cahill
President and Chief Operating Officer
Fairmont Hotels and Resorts,
Ontario

William R. Allen
Deputy Minister
Ministry of Tourism and Recreation,
Ontario

Manitoba and Saskatchewan

Deborah Greening
Owner/Operator
Land of the Loon Resort and
Jacobson Bay Outfitters,
Saskatchewan

Sandra Hardy
Deputy Minister
Department of Culture, Heritage &
Tourism, Manitoba

Alberta and Northwest Territories and Nunavut

Marilyn Backman
V.P., Business Development
Mountain Park Lodges, Alberta

Rory Campbell (since Dec. 2004)
Deputy Minister
Department of Economic
Development and Tourism, Alberta

British Columbia and Yukon Territory

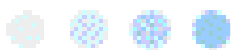
Nancy Huston
Co-owner
The Whitehorse General Store,
Midnight Gallery &
Yukon Memories, Yukon

Rod Harris (until Dec. 2004)
President & CEO
Tourism British Columbia

Andrew Wilkinson (since Dec. 2004)
Deputy Minister
B.C. Ministry of Small Business and
Economic Development,
British Columbia

Government of Canada

Suzanne Hurtubise
Deputy Minister
Industry Canada, Ontario



Working Committees

Most Working Committees are chaired by and comprised mostly of industry leaders and experts, ensuring that the CTC is truly “industry led.” These committees play a major advisory role in the decision-making and strategic-planning processes of the corporation’s Board of Directors.

Canada Marketing Committee

Pierre Labrie, Chair
General Manager
Québec City and Area Tourism and Convention Bureau

U.S. Marketing Committee

Christena Keon Sirsly,
Chair (until Feb. 2004)
Chief Strategy Officer
Via Rail Canada

Marc Rosenberg, Chair
(since Mar. 2004)
Vice-President, Sales and Product Distribution
Air Canada

Meetings, Conventions and Incentive Travel

Barry Smith, Chair
President and Chief Executive Officer
Metro Toronto Convention Centre

Europe/Latin America Marketing Committee

Sylvie Bourget, Chair
Vice-President, Marketing
Transat Tours Canada Inc.

Asia/Pacific Marketing Committee

Brian Richardson, Chair
Vice-President, Brand Marketing and Communications
Fairmont Hotels and Resorts

Research Committee

Marc Rosenberg, Chair
(until Mar. 2004)
Vice-President, Sales and Product Distribution
Air Canada

Lucille Daoust, Chair
(since Mar. 2004)
Directrice générale
Institut de tourisme et d'hôtellerie du Québec

Product Innovation and Enhancement Committee

Don Monsour, Chair
President
B.C. Cuisine and Tourism Society

In-Market Advisory Committee Chairs

Europe/Latin America

United Kingdom

Bob Atkinson
Air Canada

France

Thierry Baux
Air Canada

Germany

Tilo Krause-Donow
CANUSA Touristik GmbH & Co. KG

Netherlands

Jos Beltman
INCENTO B.V.

Italy

Marco Cisini
Hotelplan

Switzerland

Rolf Weinmann
Pandora's Enterprise

Mexico

Cristina Vazquez
Air Canada

Asia/Pacific

Japan

Tak Kitamura
Grand Circle Corp.

Australia

David Mulley
Asia Pacific Travel Marketing

South Korea

Young Lee
Air Canada

Taiwan

Vincent TSAI
Air Canada

New Zealand

Kim Houston
Adventure World

