



Canadian Tourism  
Commission

Commission canadienne  
du tourisme

# 2006 annual report

leading through rapid change

*at little  
is where we  
of the morning,  
was bustling,  
boats bringing  
etc. Had lunch  
nearby cafe, eating  
staring the boats move  
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recently been converted into a cafe  
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to tell. Could have  
- all day. We spent  
noon at the museum.  
Saw the actual boat  
wants to keep driving  
1. Sun.*



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# message from the Chairman



The paradox of the Canadian tourism industry's performance this past year masks a deeper trend. Although tourism revenues in 2006 amounted to \$67.1 billion, an increase of 7.1 percent over last year, nearly 75 percent of this was derived

from domestic consumers taking advantage of a robust Canadian economy. By contrast, total international tourism revenues actually fell 2.3 percent in 2006.

While at first many would assume the Canadian tourism industry to be celebrating a banner year, its source of real growth, international visitors, is in fact suffering serious declines. As a result, tourism operations across Canada, who rely heavily on these lucrative travellers, are being left to cope with the very real effects on their businesses and staff.

With the seeming positive performance shown for what it truly is, we need to come to grips with the reality that Canada and its traditional competitors are losing international market share in an era when there has never been more international demand. Mature competitors like Japan, the U.K. and Germany all lost market share last year. Canada has lost 20 per cent of its international share since 2000, a period in which global tourist arrivals increased 17 percent. Over a short period of time, world travel patterns have shifted dramatically.

The challenges and pressures facing the industry today will only increase as the pool of travellers

grows, economies expand and traditional barriers disappear. Rest assured it is these same factors that are driving the Canadian Tourism Commission to move forward quickly through these rapid changes with a vision that will compel the world to visit Canada.

Sincerely,

Hon. Charles Lapointe, P.C.  
Chairman of the Board

# message from the President & CEO

Facing down a difficult challenge requires the determination to keep a company's gaze fixed on the cause of the problem and the opportunity that lies just beyond. While slipping international tourism revenues would appear to some as an insurmountable challenge for Canada's tourism product, we at the Canadian Tourism Commission are leading through the rapid changes of the global marketplace with strategies and tools to enhance Canada's competitiveness and that will increase the foreign tourism revenues on which the Canadian tourism industry relies.

The consistent application of a refreshed tourism brand, one that builds powerful personal relationships between international consumers and Canada, lies at the centre of the Canadian Tourism Commission's strategic approach. In partnership with government and industry, we are putting forward a promise that if you come to Canada, you will be able to create *extra-ordinary* stories all your own. Yet, at all times, we must be aware that other destinations are making their own promises and garnering substantial consumer attention as a result.

For these reasons, it has never been more important for the tourism industry in Canada to stand behind a single tourism brand. Only with our forces aligned can we break through the advertising clutter and make our country a destination of choice. With Canada's tourism brand as the foundation, industry partnerships, leading-edge research and the world's most advanced e-marketing techniques will ensure this country attracts more high-yield customers from a wider range of lucrative markets.

The CTC has produced significant marketing and sales results this year. For example, the release of

our largest ever market-research initiative, the U.S. Leisure Travel Study, influenced a new and bolder approach in the Commission's U.S. marketing. Other innovative campaigns saw branded Smart Cars driving the streets of Paris, and a forceful Mexican promotion that was effective despite the competing draw of the FIFA World Cup.



In the Asia-Pacific markets, Canada Showcases won awards in China and Korea this year, while closer to home, industry and the Commission won the right to host the coveted ASAE Annual Trade Show and Meeting in 2009. At our annual business-to-business marketplace, Rendez-Vous Canada, the Commission helped the Canadian industry confirm \$350 million in signed contracts and tentative business. Altogether, our marketing and sales teams around the world earned more than a dozen honours and awards in 2006.

I am extremely proud of our staff's determination, and humbled by the support our government and industry partners continue to show for our efforts. The road ahead seems ever more clear and full of promise.

Sincerely,

Michele McKenzie  
President & CEO

# compelling the world to explore Canada.

# the canadian tourism commission. we promote Canada.

## The CTC's Mandate

The Canadian Tourism Commission (CTC) is Canada's national tourism marketing organization. A federal Crown corporation, the CTC leads the Canadian tourism industry in marketing Canada as a premier four-season tourism destination. The

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### CTC Core Values:

innovation  
collaboration  
respect

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Commission supports the Canadian tourism sector in generating tourism export revenues to benefit the economy.

Through collaboration and partnerships with the private sector, the government of Canada, and the provinces and territories, the CTC works with the tourism sector to maintain its competitiveness and to position Canada as a destination where

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### CTC Vision:

Compel the world to explore Canada

### CTC Mission:

Harness Canada's collective voice to grow export revenues

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travellers can create *extra-ordinary* personal experiences.

## Marketing Canadian Tourism Globally

The CTC's approach focuses on those global markets or consumer market segments where there is the highest potential for return on investment. The CTC leads international tourism marketing efforts leveraging Canada's tourism brand in the United States, United Kingdom, Germany, France, Mexico, Japan, China, South Korea and Australia.

Approximately three-quarters of the CTC's overall budget (\$86.8 million in 2006) is dedicated to marketing Canada internationally. The CTC also invests a portion of its resources to inspire and compel Canadians to explore their own country as opposed to travelling abroad.

### The CTC's leadership role

- › Promoter of Canada's tourism brand
- › World class research capacity
- › Leading source of information
- › Leader in leveraging technology and the Internet

# 2006 industry snapshot

The Canadian tourism sector is widely varied. It ranges from small and medium enterprises (SMEs) operating in a single location to large, far-reaching corporations. It also includes provincial marketing organizations (PMOs), destination marketing organizations (DMOs) as well as tourism industry and trade associations.

The provincial, territorial and federal governments also have ministries, departments and organizations that play an active role in supporting and sustaining Canada's tourism sector. As a federal Crown corporation, the CTC is unique in that it is entirely focused on tourism marketing.

The following indicators, based on CTC preliminary estimates, relate to the economic activity and performance of Canada's tourism industry as a whole in 2006:

Total tourism revenue: \$67.1 billion, an increase of 7% since 2005	Government revenues generated by tourism: \$20.1 billion	Tourism's contribution to Canadian Gross Domestic Product: \$27.6 billion, up 6% since 2005
	Total international tourism revenue down 2.3% from 2005 to \$17.1 billion	
Number of Canadians employed in tourism: 638,000	Total domestic tourism revenue up 10.5% from 2005 to \$50 billion	Canada's travel deficit up 24.2% since 2005 to \$7.2 billion

## Rapid change on a global stage

The desire to travel is deeply ingrained in modern society. The trend to travel is evident in the numbers; tourism has become one of the world's fastest growing industries. Almost every region and country around the world experienced more than 5 percent growth in international arrivals during the year, achieving record highs for the global industry in 2006.

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*It is strategically important to Canada's future competitiveness that real growth originates from international tourism markets and subsequent foreign currency investments into our tourism products.*

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Canada's share of the worldwide boom in tourism, however, paints a somewhat disparate picture. Overall in 2006, Canadian tourism revenues of \$67.1 billion posted a healthy increase-up 7.1 percent over 2005 revenues.

This positive increase, however, masks two significant dynamics: domestic revenue representing \$50 billion was up 10.5 percent since 2005; at the same time, international revenue representing \$17.1 billion was down 2.3 percent over 2005.

While the Canadian economy benefits from strong domestic tourism demand, continued domestic growth coupled with declines in international visitation will fuel a type of tourism development that is not necessarily internationally competitive. It



is strategically important to Canada's future competitiveness that real growth originates from international tourism markets and subsequent foreign currency investments into our tourism products.

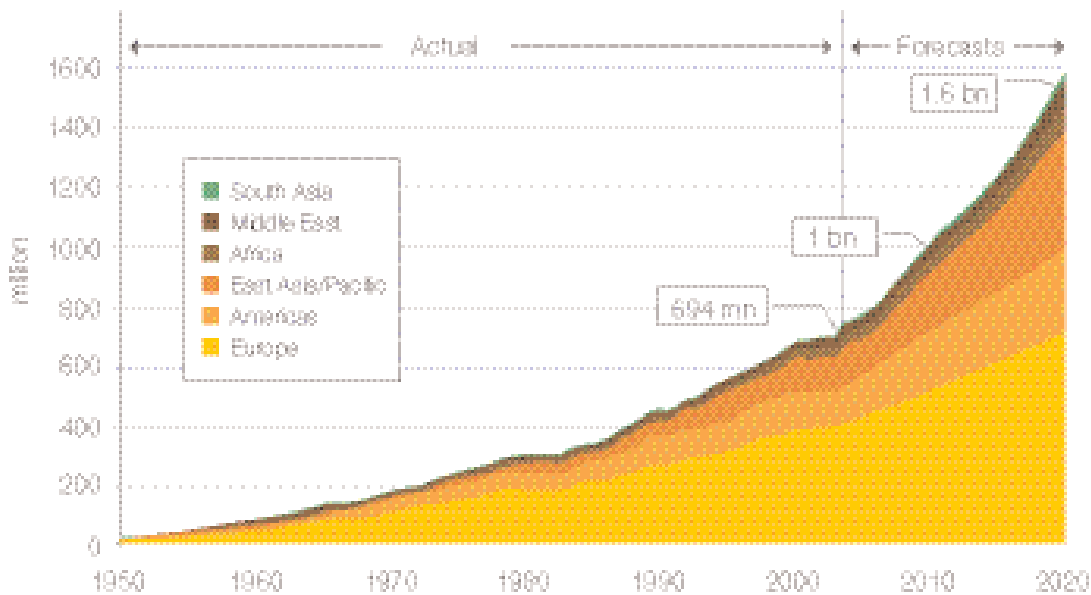
*The loss in international markets is partially explained by a significant increase in demand for new and exotic emerging destinations.*

Notwithstanding regional variations, nationally performance was down in half of the CTC's ten core international markets, registering an overall decline in receipts of 4.1 percent over 2005 core market results. These underperforming markets

account for over 80 percent of the volume from our total core markets. Since 2000, Canada's overall market share of global tourist arrivals has decreased approximately 20 percent, while global tourist arrivals overall have increased by approximately 17 percent.

The loss in international markets is partially explained by a significant increase in demand for new and exotic emerging destinations. This growth in demand comes at a time when barriers to travel are being reduced. Air carriers are increasing flights to formerly difficult-to-access destinations. Foreign governments are strengthening investment in tourism product development and marketing (for instance, in competing countries such as the U.K. and Australia).

WTO international tourist arrivals, 1950-2020



\* International tourists refers to overnight visitors who stay at least one night in a collective or private accommodation in the country visited. Same-day visitors are not included. Arrivals data refers to the number of arrivals and not to the number of persons.

Source: UN World Tourism Organization (UNWTO)

Increased competition is considered the major factor in declines from traditionally high-performing markets such as Japan, Germany, the U.K. and Australia.

*Travel surged considerably from Canada's secondary growth markets, including China, South Korea and Mexico.*

Canada's overall negative performance in international tourism demand, however, was largely due to sharp declines from the U.S. leisure travel market — still Canada's largest international market in 2006 accounting for 72 percent of volume from Canada's core markets. A strengthening Canadian dollar, high fuel costs, fierce competition and misconceptions around travel document requirements were amongst the factors hindering U.S. leisure travel to Canada during the year.

Yet, several markets performed well in 2006, mitigating the declines in other sectors. Travel surged considerably from Canada's secondary growth markets, including China, South Korea and Mexico, while the French market stayed strong. Market performance also remained solid in U.S. Meetings Conventions and Incentive Travel (MC&IT).

### Competitor performance in 2006

Canada was not alone in experiencing a loss in international tourist arrivals. Many of Canada's established international competitors, such as the U.S. and Australia, continued to lose market share in 2006. The U.S. experienced losses in international travel from Japan, the U.K. and Germany, while Australia experienced declines from Japan and the U.K.

The following table illustrates estimated 2006 volumes of international overnight trips (visits) from CTC core markets to Canada and compares these with the volumes of international trips to Canada's three primary competitor destinations: the U.S., Australia and the U.K.

### Estimated Overnight-trips (000's)

	Canada	06/05 %	U.S.	06/05 %	AU	06/05 %	U.K.	06/05 %
U.S. Total	13,731	-4.6	-	-	412	+2.0	3,677	+7.0
U.K.	850	-4.4	4,166	-4.3	734	+3.7	-	-
France	361	+2.8	780	-12.6	68	+6.5	3,733	+12.0
Germany	289	-7.7	1,373	-3.1	149	+1.5	11,245	+4.0
Mexico	198	+10.7	2,152	+29.0	-	-	79	+2.0
Japan	369	-8.1	3,696	-5.1	651	-5.0	317	-3.0
S Korea	185	+6.9	752	+6.7	261	+4.2	N/a	N/a
China	140	+23.6	303	+12.0	309	+8.5	100	+9.0
Australia	176	-1.6	610	+4.9	-	-	888	-3.0
Total Core Markets	16,300	-4.1	13,832	+0.6	2,584	0.0	20,039	+7.0
Total Internat. Markets	17,965	-3.6	51,666	+5.0	5,443	-1.0	32,368	+8.0

Source: CTC preliminary estimates, U.S. Office of Travel & Tourism Industries (OTTI), Tourism Australia, Visit Britain

### Canada's travel deficit

In 2006, Canadian outbound travel continued to rise, reaching a record level of \$10.4 billion and increasing by 6.2 percent over 2005. With a strengthened dollar, the spending of Canadians abroad increased significantly, raising Canada's international travel deficit (the difference between what Canadian residents spend abroad and what international travellers spend in Canada) to an estimated record level of \$7.2 billion.

marketplace. The goal is to achieve sustained "real" growth, despite continued loss of market share.

In 2006, the CTC focused its marketing on 10 international markets with potential for the highest return on investment: U.S. (Leisure and MC&IT), the U.K., Germany, France, Mexico, Japan, China, South Korea and Australia.



Source: Statistics Canada, International Travel Account

### Focus on international top-10 markets

Given that tourism is growing so rapidly on a variety of global fronts, Canada cannot expect to maintain the market share it enjoyed in the past. Instead, Canada's strategy is focused on competing successfully in an increasingly cluttered

The Canadian Tourism Commission's 2006 Annual Report, *Leading Through Rapid Change*, reviews how the CTC is working with the tourism industry to keep abreast of Canada's competitive challenges while developing a marketing foundation and strategies to meet them head on.

*"I think the CTC is heading in the right direction. As we hear about the research on the power of the Canada brand and its recognition world-wide, we've got a great story to tell. Getting very focused and targeted will help get Canada more recognition and more prominence."*

— Stephen Foster, Senior Vice-president,  
Operations, Starwood Hotels and Resorts Worldwide Inc.

## 2006 year in review

In the face of changing market dynamics, the CTC has turned its attention more than ever to the task of setting Canada apart from the rest of the world. The CTC's 2006 Annual Report, *Leading Through Rapid Change*, details the innovative strategies, programs, partnerships and results that moved the Commission closer to its goals in 2006, helping gain momentum for continued success in 2007.

### Highlights of 2006 CTC achievements

- › Increased understanding of traveller motivations, particularly in the U.S. Leisure market
- › Created new visual identity for Canada's tourism brand
- › Implemented new marketing strategy with greater emphasis on electronic media, public relations and Web marketing
- › Leveraged \$ 103.1 million in partner investments
- › Developed 2010 Olympic Strategy

This section highlights the CTC's major achievements over the past 12 months and reviews the Commission's progress against the Performance Dashboard presented in the CTC's 2006-2008 Strategic Plan, *Realizing our Potential*.

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Canada has simply "fallen off the radar" among many Americans due to an increasingly competitive travel world.

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### Understanding today's travellers

Given the challenges the industry is facing with the loss of U.S. visits and market share between 2000 and 2005, the CTC initiated a research study to gain insights into the American traveller's decision-making process and attitude toward vacationing in Canada. In particular, the research was designed to highlight the relevance of current perceived barriers to Canada across border, mid, and southern U.S. markets.

Research revealed that factors such as border issues, political disputes and the price of gas were not the most important issues affecting U.S. visitation (particularly in non-border states). The primary issue was a lack of top-of-mind consideration among Americans. Canada has simply "fallen off the radar" among many Americans due to an increasingly competitive travel world.

In response to the research findings — and to break through the clutter — the CTC's U.S. marketing approach has become less subtle and more in tune with the American style of advertising. The U.S. marketing activities profiled later in this report demonstrate the new and bolder approach taken in 2006.

### Creating a visual identity

To differentiate Canada from its competitors, the CTC worked during the year to articulate the tourism brand strategy launched in 2005. Efforts focused on developing the visual identity as the first step in taking the concept of the tourism brand to market. The brand's visual identity including colour palette, logo, photographic style and imagery was tested in consumer focus groups in New York, Los Angeles, Montréal, Toronto and Vancouver, and was positively received in all markets.

While some marketing activities started "bringing the brand to life" in 2006, all marketing campaigns will use the new visual identity in 2007.

### Moving from mass to relationship marketing

In 2006, the CTC focused on re-balancing its marketing mix — moving away from traditional advertising and placing greater emphasis on electronic media, public relations and Internet

marketing. This marketing strategy focuses on leveraging public relations and strategic alliances to build Canada's tourism brand and to increase attention for Canada beyond what would be achieved through traditional advertising.

From drop-offs of youth-oriented USB drives in Chicago to branded Smart Car advertising in Paris, the CTC used innovative direct marketing techniques to reach potential customers in their daily lives.

### Leveraging tourism sector and non-traditional partnerships

Partnerships are essential to the CTC's ability to deliver on its mandate and extend its marketing reach with limited resources. In 2006, the CTC succeeded in leveraging \$103.1 million in partnership contributions. While maximizing potential market impact, this high level of partnership involvement also confirms the tourism sector's support and endorsement of the CTC's activities.

Historically, partner agreements have generated revenues that have, for the most part, enabled the CTC to maintain the targeted 1:1 investment ratio (average of total partner investments to CTC budget appropriations). In 2006, the CTC achieved an overall 1.2:1 partnership investment ratio, while on a program-by-program basis, industry financial support often exceeded this.

Through their support for new, innovative marketing approaches, non-traditional partners such as Toyota and American Express enabled the CTC to leverage its marketing dollars still further and reach consumers on an everyday basis.

## Leading in e-marketing

The CTC continued to make significant investments in the area of e-marketing and customer relationship management with the goal of creating valuable online experiences that will ultimately convert interested visitors into customers.

With the strengthening of the E-Marketing program in 2006, an increased emphasis was placed on using the Internet as a primary communication tool. Web activity was moved from the periphery to the centre of a fully integrated marketing solution.

The CTC and Canada were positioned as innovators in e-marketing by taking a leadership position globally with the dot travel initiative and serving as the global case study for dot travel. The Canada.travel strategy ensures the protection of place names in Canada. The CTC worked with Canadian destinations to register and activate their dot travel domain name; this allows consumers to find any destination, heritage site and attraction in Canada online by entering the destination name followed by dot travel. The international travel trade has since written several articles featuring the CTC and Canada as leaders in e-marketing.

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*“Other nations are looking to adopt a similar template to the Canada.travel portal for protecting their own tourism assets. Extending the Place Name Priority Right affords other countries the opportunity to replicate the process and streamline their own country’s online travel information and communications systems.”*

— Dr. Taleb Rifai, UNWTO  
Deputy Secretary General

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## Leveraging the 2010 Olympic and Paralympic Winter Games

In 2006, the CTC began to develop its strategy for leveraging the media exposure that will be afforded by the Vancouver 2010 Olympic and Paralympic Winter Games. The CTC was instrumental in engaging John Morse, former President, Australian Tourism Commission, to learn from the best practices and approaches that have been employed by other countries that have hosted the Olympic Games. In October 2006, Mr. Morse shared best practices with key tourism industry leaders at the Tourism Industry Association of Canada’s Leadership Summit. The CTC has been actively working with partners to develop a strategy that will see every region of the country benefiting from the media exposure of the 2010 Olympic Winter Games.

## Measuring 2006 against the Performance Dashboard

The CTC evaluates performance at a number of different levels. The following table outlines how its corporate performance is evaluated as a whole. Developed as part of the 2006-2008 Strategic Plan, *Realizing our Potential*, the dashboard measures the overall effectiveness of the CTC’s tourism marketing programs and organizational processes.

As the table shows, in 2006 the CTC met or exceeded targets in ten of its twelve overall objectives.

## CTC Performance Dashboard

PROGRAM ACTIVITY	OBJECTIVE	MEASURE	BENCHMARK	2006 PERFORMANCE TARGET	RESULT	COMMENTS
CTC and industry	Harness Canada's collective voice to grow tourism revenues in CTC core markets (total domestic and total international)	Tourist Revenues	\$35 billion <sup>1</sup> (2004 preliminary data)	↑ 4.0%	✓	\$38.8 billion (based on preliminary 2006 estimates)
Marketing programs	Grow qualified CTC consumer databases	To increase consumer databases	-	↑ 6%	✓	The number of net new consumers in the CTC database resulting from campaigns increased by 93,703 or 12%
Canada brand	To determine the success of the refreshed brand	Brand health	-	The CTC will establish a benchmark in 2006 to evaluate the health of the brand	⌚	Due to later than expected visual identity roll-out, 2007 will pose as the benchmark year for the measurement of the refreshed Canada brand
Partner support for CTC programs	To build the right partnerships with industry and meet or exceed the partnership goal of 1:1 (partners \$ ≥ CTC \$)	Partner satisfaction through survey	76% partner satisfaction	TBD	⌚	No survey was conducted in 2006; a partner satisfaction survey will be conducted in 2007
		Number of unique partners	1000 approx. (2004)	↑ 5%	✓	1484
		Dollar amount	\$95 million~(2004)	↑ 5%	✓	\$103.1 million
		Partner funding ratio	1.2: 1~(2004)	1.3 :1	✓	1.2:1.0 <sup>2</sup>
Research: communications and information sharing	To increase awareness and use of partnered information products	Visits to corporate website	398,990 visits to corporate website (2005)		✓	In 2006, there were 661,588 visits to the CTC corporate website, representing a 66% increase from 2005
		Volume of Tourism Online visits	42,943 site visits (2005)		✓	51,411 site visits were made to Tourism Online, almost a 20% increase from 2005
Overall CTC financial management	Accurately forecast budget vs. actual	Variance in year spend	-	4%	✓	Expenditures were 3.2% less than forecast
Organizational health of CTC	To provide a productive working environment in which the CTC delivers value-added services to its stakeholders	Organizational health (aggregate of different measures such as leadership and employee satisfaction)	57% employee satisfaction (2004)	Improve ratings in areas cited in 2004 as needing improvement, namely organizational leadership and satisfaction	✓	Employees' views on organizational leadership considerably improved from 2004 to 2006
					✓	Overall employee satisfaction increased to 65% in 2006, up by 8% in 2004

<sup>1</sup> Tourist revenues are benchmarked against CTC core markets only (Canada, U.S. Leisure, U.S. MC&IT, U.K., Germany, France, Mexico, Japan, China, South Korea, Australia). While tourist revenues are dependent upon many variables, the CTC together with its partners influence only a portion of this amount. Variables may include: marketing activities of competing destinations, independent private sector spending, available airlift capacity, exchange rates, and, the general economic conditions in countries of origin. Achieving a profitable and sustainable tourism industry is the ultimate goal and mandate of the CTC.

<sup>2</sup> In 2006, core CTC funding totalled \$78.8 million, which results in a 1.3:1 ratio of partner contributions to core CTC funding. The inclusion of \$7.8 million in received one-time funding in 2006 results in a ratio of 1.2:1.1 time funding in 2006 results in a ratio of 1.2:1.

✓ Met or exceeded  
⌚ Work in progress

### Additional 2006 achievements against 2006-2010 directions

The following provides a brief overview of the corporate results achieved in 2006 in additional areas identified in the 2006-2010 *CTC Corporate Plan*.

#### Conduct in-depth customer and partner analysis

The CTC continued to develop the Explorer Quotient (EQ), a segmentation tool designed to better understand and help build relationships with various global types of travellers. The CTC's customer relationship management (CRM) database, a powerful customer and partner analysis tool, has been implemented.

#### Make the Canada.travel website CTC's call to action

Using the Canada.travel platform, the E-Marketing team launched global consumer sites for each of the CTC's core markets, as well as a new MC&IT website for the U.S. market. In each case, the Canada.travel website became the CTC's call to action for all of its marketing activities globally.

#### Implement improved management information systems

In 2006, in addition to ongoing desk top and lap top replacement, all finance systems servers were replaced, and all file and print servers were replaced with virtual servers. The CTC's finance software system was upgraded to the latest available version.

Operationally, the Commission's CRM Sales and Campaign Manager, and CRM Analytics systems have been rolled-out.

### Develop a succession planning system

In 2006, the Commission developed a succession plan addressing senior-level employees: executive directors, managing directors and vice presidents. The CTC's succession plan focuses on the identification of "at-risk" positions and methods of mitigating risks.

#### Place greater emphasis on performance measures

In 2006, the CTC began developing a common evaluation framework to support the assessment of its various marketing campaigns. This framework will establish a consistent approach for undertaking pre-campaign, post-campaign and conversion studies. A standard evaluation cycle is in development for each of the CTC's international markets.

### Strengthening the CTC mandate

The initiatives undertaken in 2006 establish an important foundation for the detailed marketing, partnership and research activities that are outlined in this report. What follows are examples of initiatives that demonstrate the progress the Commission has made over the past year in the following four areas of its mandate:

- Sustaining the Industry
- Marketing Canada to the World
- Partnerships
- Research and Information



# sustaining the industry

The CTC works with its industry partners to ensure their individual marketing and promotional efforts are strengthened through the activities of the Commission.

While partners focus on the unique aspects that define their individual brands, the new Canada Brand Strategy will provide a valuable framework for amplifying their collective voice around the world. In 2006, the Commission also introduced new materials and products designed to inform and support the industry in other key areas.

## Support to small and medium enterprises (SMEs)

Tourism stands out among industrial sectors because it is an industry where a *small* number of large businesses providing transportation and accommodation infrastructure, is complemented by a very large number of small and medium businesses, providing the great range of services that contribute to the tourism experience.

### New Internet and e-business guide

The CTC recognizes the importance of SMEs within Canada's tourism sector. In April 2006, the CTC published a new guide, *Learning About Computers, the Internet and E-business: Guide to Federal Government Courses and Services for SMEs*. The guide helps connect SMEs with federal programs that support web-site development and improvement. It provides tips and contacts to help business owners take advantage of the world of e-marketing and, in the process, boost profitability. The guide is available free of charge at:

[www.corporate.canada.travel/en/ca/research\\_statistics/industryResearch/industry\\_resources/learning\\_about\\_computers.html](http://www.corporate.canada.travel/en/ca/research_statistics/industryResearch/industry_resources/learning_about_computers.html)

## Supporting new product development

The overarching purpose of the CTC's Product Innovation and Enhancement (PIE) program is to work with the Canadian tourism industry to identify tourism products that promote new experiences in Canada. Through research, PIE identifies market demand for product, assesses Canada's capacity to deliver on this demand and facilitates the development of new tourism experiences to meet demand. The PIE team facilitates market access to the product through the marketing, public relations and e-marketing channels of the CTC. In 2006, PIE initiatives provided new product development and sales opportunities to Canadian tourism operators, as well as opportunities for provincial and destination-marketing organizations to market their products effectively.

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*"It is the CTC's mandate to make information available to SMEs, and this (the Internet and E-business guide) is another example of fulfilling that aim."*

— Debbie Greening,  
Regional Private Sector representative for  
Saskatchewan/Manitoba on the  
CTC Board of Directors and  
Past Chair of the ad hoc SME Committee

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## Showcasing leading spas of Canada at Go Media

In an example of the PIE program at work, the CTC developed a 2006 product showcase focusing on the Canadian spa experience in conjunction with the Leading Spas of Canada and in support of the CTC's Go Media event. The attending media were treated to approximately 15 different indigenous spa treatments being offered by spas across Canada. Story ideas were provided to the media to support future print editorial. This afforded an excellent opportunity to create media awareness of top spa experiences among pre-qualified domestic and international travel media.

## Integrated promotion on Canadian Rockies trekking product

Recognizing an untapped opportunity to introduce Korean travellers to a unique way of experiencing the Canadian Rockies, the CTC assisted in the development of a new western Canadian product — a trekking tour package. The initiative was made possible through partnerships with tour operators specializing in overseas trekking products: Travel Alberta, Arc'teryx, Kootenay Rockies Tourism and KBS TV. It involved an integrated marketing program with TV exposure, co-operative print advertising, a non-traditional partnership consumer event and joint-brochure production.

In addition to new product development and production of a Canadian Rockies Trekking brochure, marketing and sales results to date have been significant. A total of 6,500 entries were received for the non-traditional partnership event with Arc'teryx, while 120 minutes of TV exposure resulted in an equivalent advertising value of over \$1.8 million.

## Leading with new tools and trends

E-marketing is a valuable emerging tool shared across provincial, regional and destination tourism marketing organizations in Canada. Recognizing a need to share knowledge and best practices, the CTC partnered with *A Couple of Chicks Marketing* and PMOs in offering several e-marketing events, including the *2006 E-Marketing CEO Summit* and the first Canadian online travel conference, *Online Revealed Canada* (ORC).

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*"The inaugural Canadian online travel conference, Online Revealed 2006, affirmed the true arrival of the Internet as a critical channel for the Canadian travel industry."*

— Sean C. Shannon  
V.P. and General Manager  
Expedia Canada Corp and  
Online Revealed Canada Speaker

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In May 2006, ORC brought together more than 200 e-marketers, software development agencies, tourism leaders and destination marketing organizations. Attendees heard from more than 30 outstanding speakers about how to take actionable steps to compete in the online global economy. Workshops allowed participants to look at a more tactical approach to online travel advertising space.

## Annual CTC Road Show

In October and November 2006, the CTC travelled across Canada to discuss the Commission's five-year strategic plan and 2007 marketing strategies. Themed *Differentiating Canada*, the cross-Canada tour travelled to seven locations to share a vision for the future with Canadian tourism industry partners.

Registrants received an overview of the CTC's 2007-2011 Strategic Plan and its marketing strategies for the U.S., Canada, Europe, Latin America and Asia Pacific markets. More than 820 individuals attended the CTC's 2006 Road Show events either in person or via a web-cast, resulting in an attendance rate of 96 percent.

### Rendez-Vous Canada 2006

The annual Rendez-Vous Canada (RVC) took place April 22-26, 2006, in Toronto. RVC 2006 offered tourism buyers from around the world the opportunity to carry out business with Canada's top destination wholesalers, provincial marketing organizations, tour operators and vacation packagers. Canadian tourism sellers revealed the latest in what makes Canada an appealing four-season destination.

With 1,500 top tourism industry buyers and sellers in attendance, the breadth and scope of RVC 2006 were an integral aspect of its success. Operators represented nearly every tourism organization across Canada. Scheduled appointments were combined with many networking events and familiarization tours within the vibrant, arts-rich city of Toronto. Overall, it is estimated that because of its one-stop-shopping nature, this annual tourism marketplace generates more than \$350 million in sales each year.

### Global tourism tradeshows and marketplaces

Based on a broad, integrated strategy involving innovative pre-event marketing, buzz-generating on-site activities and displays, and comprehensive follow-up programs, the CTC and its partners succeeded in showcasing Canada to the world in 2006.

### Global tradeshows

The travel trade industry meets, networks, negotiates and conducts business at a small number of major business-to-business (B2B) exhibitions each year. Canada's coordinated participation and leveraging of these events encourages top-level international travel decision makers to discover what Canada has to offer as a premier four-season tourism destination.

A wide range of Canadian tourism products were showcased this year through partner involvement. The CTC's Canada pavilions and exhibits met the diverse need of global buyers, whether they were interested in a specific niche (such as ski or adventure travel), business or meetings and incentive travel, or travel experiences designed for particular geographic markets.

#### Examples of Major 2006 Global Tourism Tradeshows

- › *ITB*  
Berlin, Germany  
March 8-12, 2006
- › *Top Resa*  
Deauville, France  
September 21-23, 2006
- › *World Travel Mart (WTM)*  
London, U.K.  
November 6-9, 2006
- › *China International Travel Mart (CITM)*  
Shanghai, China  
November 16-19, 2006

### Showcasing Canadian tourism products in China

Until Canada receives Approved Destination Status (ADS) from the China National Tourism Administration (CNTA), the CTC and its tourism partners are unable to directly promote or advertise Canada to Chinese consumers. However, recognizing that China is the fastest growing market in the world for visitors to Canada, a number of major B2B initiatives were undertaken in 2006.

In March 2006, Shanghai was the location for Showcase, a three-day event matching Canadian sellers and Chinese travel agents. Participating travel agents came from the major cities of Beijing, Shanghai and Guangzhou, while more than 40 Canadian tourism sellers attended to increase their business opportunities and relationship building.

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*"This was my first year to Conozca Canada. Being new in my role I learned so much about the Mexicana Media and Travel Trade thanks to all your seminars and appointments. It was wonderful to meet you all and you should be so proud for organizing such a wonderful show. You all work so well as a team."*

— Michelle Edington  
Sales Manager, Leisure Travel, Tourism Victoria

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Similarly, Canada had a significant attendance at the 2006 China International Travel Mart (CITM) in Shanghai in November 2006. There were 45 Canadian tourism sellers and 110 Canadian delegates in attendance at this four-day event, which is the largest trade-and-consumer show in Asia.

The benefits of these activities are significant for the CTC and the tourism industry. Awareness of Canadian product was enhanced, business opportunities expanded and relationship-building strengthened.

### Canadian tourism marketplace events

Throughout its global markets, the CTC's annual marketplace events provided invaluable support to industry partners in 2006. At the events, Canadian tourism companies and organizations (sellers) gained valuable opportunities to meet with local travel-industry professionals (buyers) to promote their products.

Over the years, these annual events have grown and successfully gained an enviable reputation among travel professionals as a way to expand business in a host of global markets, particularly where Canadian sellers are hoping to see growth and local buyers are looking to plan and promote the sale of Canadian tour products.

#### Examples of 2006 CTC marketplace events

- › Conozca Canada  
Mexico City, Mexico  
September 27-30, 2006
- › Kanata 2006  
Tokyo/Nagoya/Osaka, Japan  
October 16-20, 2006
- › Showcase Canada  
Chicago/Seattle, U.S.  
April/May 2006

## Publications

In support of the Canadian tourism industry and in fulfillment of its mandate to share research and information, the Commission continues to disseminate its *TOURISM* Daily, *TOURISM* Online and *TOURISM* magazine. Together, these three sources of information provide free, up-to-date strategic information that helps inform the travel industry's business decisions.

*TOURISM* Daily is distributed via e-mail to keep readers abreast of recent business developments in the Canadian tourism industry.

*TOURISM* Online is published monthly. It is a compendium of news, opinion, markets, research information on trends and opportunities, and new developments in the tourism industry.

*TOURISM* is Canada's tourism business magazine, a bi-monthly B2B publication distributed to 24,000 subscribers.

*TOURISM* Snapshot is a new publication distributed monthly via email that provides the latest information available regarding tourism arrivals to Canada.

### 2006 Distribution of *TOURISM* publications

- *TOURISM* Daily  
approximately  
10,000 subscribers
- *TOURISM* Online  
Over 51,000 online visits
- *TOURISM*  
24,000 subscribers

The CTC also regularly produces and disseminates research reports on the Canadian tourism industry and its global markets. Descriptions and weblinks of key 2006 research publications are provided in the Research and Information section of this report.

## Innovative industry communications

Recent CTC communications efforts have centred on finding ways to cost-effectively improve external information sharing. For example, using web audiocasts, the CTC was able to reach more than 1,000 tourism stakeholders with a presentation on important U.S. market research. A web-cast of the Vancouver CTC Road Show presentation reached audiences across the country unable to attend any of the CTC marketing strategy presentations that happened in seven cities coast to coast.

The CTC has also been expanding its database of industry and government contacts, who receive CTC publications, research and event invitations. In 2006, 30,000 contacts were added to the CTC's consolidated CRM database. This increasingly sophisticated database not only allows the CTC to stay current with key contacts and to reach out to more industry members, but also to reach strategically targeted groups.

# marketing Canada to the world

The CTC markets Canada through its Marketing and Sales teams. The Commission has global in-market sales offices in nine countries that work closely with regional marketing teams based in Vancouver.

Aligned with the CTC Strategic Plan, Marketing and Sales staff collaborates in the development of annual plans, marketing and business development, as well as media and promotions activities. The overarching strategy is to use innovation and creativity to *differentiate* Canada and capture the attention of global travellers to engage them to come *explore* Canada.

## Canada's tourism brand

In 2006, the CTC made significant investments in the creation of a refreshed brand promise and visual identity. The visual identity was well received by the CTC's industry partners and is seen as an integral tool in increasing Canada's recognition and performance in the global travel marketing environment. Canada's refreshed tourism brand has been developed with an emphasis on distinguishing Canada from its competitors.

Canada's new tourism brand imagery builds on people's love of the Canadian landscape, but portrays the subject matter in a personal and interactive manner. The visual identity emphasizes the three pillars of Canada's tourism brand: Culture, Geography and People.

Through photographic images, the CTC is seeking to capture unique Canadian experiences through the eyes of the traveller. It focuses on authenticity, differentiating Canada by inviting travellers to share real-life travel experiences representative of "a life less ordinary."



## The CTC's 10 global markets

The CTC currently focuses its marketing programs in the following 10 global markets:

- Australia
- China
- France
- Germany
- Japan
- Mexico
- South Korea
- U.K.
- U.S. Leisure Travel
- U.S. MC&IT

The colour palette and organic shapes that form the basis of the refreshed tourism brand highlight Canada's natural elements and add a modern twist on the vibrant colours of Canada's four seasons.



While work was underway to prepare for the full global launch of the new visual identity in January 2007, successful "*Canada. Keep Exploring*" campaigns were launched in the CTC's Europe and Latin America markets in 2006. The CTC will continue to work closely with the tourism industry to develop and strengthen the tourism brand.

### Bringing the brand to life: 2006 CTC marketing campaigns

The following examples of 2006 CTC marketing campaigns demonstrate how the brand was made tangible to primary target markets in unique ways.

#### Out on the street in Paris

For four weeks in May 2006, 200 Smart Cars travelled around Paris reflecting the refreshed Canada tourism brand with a "*Canada. Keep Exploring*" logo and web address.

Meanwhile, during the opening week in Paris of *The Da Vinci Code*, more than 142,500 theatre-goers in 21 cinemas viewed a 14-second Canada clip prior to the movie. As a result of these attention-grabbing campaigns, the number of

visitors to the CTC website increased and hundreds of thousands of French consumers were exposed to Canada. At the height of the campaign, visitors to the CTC-France website rose from 7,424 to 13,463.



#### Streaming e-mails in Germany

An electronic newsletter extended with a streaming e-mail sent to 50,000 individuals in the CTC's Germany database illustrates the CTC's innovative campaign in Europe and Latin America (ELA) in 2006.

The e-mail contained a "stream" video clip that starts while opening the e-mail. The e-mails were opened 11,000 times, translating into a phenomenal click-rate of almost 20 percent.

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#### Brand Promise:

Come to Canada and create extra-ordinary stories all your own.

#### Brand statement:

Canada is a catalyst for self-expression

#### Brand pillars:

culture geography people

#### Brand personality:

confident, youthful, informal, warm, witty, intriguing, open and authentic

#### Reward:

Proof of a life less ordinary

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Traffic to the linked website doubled during the subsequent two-week period. During the campaign, the website experienced its second busiest day for web activity with more than 4,100 unique visits.

**Targeting European gym enthusiasts**

Building on the new Canada Brand Strategy, an edgy, innovative poster campaign was launched in



Germany and the U.K. to build awareness of Canada and improve its top-of-mind position.

Catching consumers unexpectedly in the course of their regular day, the posters built on the CTC's overall strategy of

differentiating Canada and piquing consumers' curiosity to learn more about Canada.

In all, approximately 200 posters were situated in foyers and workout areas of key upscale gym chains in the U.K. and Germany, including Holmes Place, David Lloyd, Total Fitness and Esporta. In Germany, eye-catching muscle posters were placed in over 100 Fitness Company gyms, a popular chain of fitness clubs targeting high-end consumers. Fitness Company congratulated the CTC as "an innovative and risk-taking National Tourism Office."

**Catching the curiosity of young travellers in Chicago**

Responding to U.S. research calling for bolder approaches, the CTC launched an innovative two-pronged pilot program in Chicago targeted to 18-

34 year olds. Drop-offs of USB flash drives allowed people to explore real images of a couple's Canadian vacation. A second component led callers to a 1-800 line to hear vacation stories, then directed them to the website for prizes and packages from partners.

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*As a testament to the campaign's success, Contagious Magazine, which covers revolutionary marketing strategies, featured an extensive piece on the campaign in fall 2006.*

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The campaign elements generated over 4,200 calls and more than 2,000 unique visits to the website. As a testament to the campaign's success, *Contagious Magazine*, which covers revolutionary marketing strategies, featured an extensive piece on the campaign in fall 2006.

**Germany Clever Women campaign**

Recognizing Germany is a key overseas market for Ontario tourism, an exciting joint promotion, "Clever Women," first launched in 2005 with Travel Alberta continued in 2006 with the CTC and the Ontario Tourism Marketing Partnership Corporation (OTMPC).

This multi-level campaign involved media coverage of female German celebrities who travelled through Ontario accompanied by German TV and print media. The German-language website <http://www.cleverwomen.de> has received approximately 50,000 visitors per month since the campaign launched. The consumer reach was 1.5 million people and the advertising value approximately \$785,400. Tour operators have reported close to 200 enquiries leading to bookings.



### Take a summer break in Canada

As part of a summer campaign to help tour operators encourage Mexican travellers to visit Canada during the Soccer World Cup and Mexican presidential elections, the CTC launched newspaper and Internet promotions in collaboration with Travel Alberta, Tourism BC, Tourisme Quebec, and the Ontario Tourism Marketing Partnership (OTMP), as well as local in-market partners Turismo Marben, Grupo Ofertur and Euromundo.

These were targeted to Mexican travel consumers in Mexico City, Guadalajara and Monterrey, 30-to-40 years old without children, over the four-month period from May-August 2006. Internet banner ads generated an impressive 7 percent click-through rate and, as a result of the initiative, 56,000 new users visited [www.canada.travel/mexico](http://www.canada.travel/mexico) during the campaign.

### Canadian winter wonderlands in New York, London and Paris

To promote Canada as a four-season destination, the CTC's 2006 Winter Wonderland campaigns attracted high-yield winter visitors to Canada and drove people to local places where they could experience a taste of Canada firsthand.

#### Canada in New York

In the heart of Manhattan, a team of Canadian designers, chefs, entertainers, retailers and tourism partners converted the eight-acre Bryant Park into *Canada in New York*, including a free outdoor skating rink, a retail market and restaurant, *Celsius*, designed by Canada's Designer Guys, Chris Hyndman and Steven Sabados.

Marketing included print, radio and e-marketing, along with branded Canada bicycle taxis, whose drivers prompted fares to come to Bryant Park for a taste of Canadian style and cuisine. More than 1.1 million people visited the park during the



November 2006 to January 2007 promotional period. The space was also used to hold a successful December 2006 CTC trade and partner event.

#### Colours of Canada in Paris

Across the globe, similar marketing events took place. As part of local year-end celebrations in Paris, France, on the rue de Caumartin, the colours of Canada were everywhere through the collaborative efforts of the CTC and local partners.

In December 2006, participating stores and restaurants were decorated with a Canadian theme and motif. Restaurants also added Canadian foods and maple-sugar candies to their menus. Every person who made a purchase from a participating merchant was entered in a draw to win a trip for two to Canada.

#### Canada Square Park in London

In London, England, the CTC and its partners were sponsors of the Canary Wharf ice rink. An estimated 100,000 skaters visit the rink, in the heart of London's financial district, each season. During January-February 2006, the rink also hosted seven TV programs and generated numerous national press stories.

Total partnership contributions toward this marketing initiative included media exposure valued at approximately \$901,600. Themed weeks gave consumers the chance during the 2006/07 season to enter one of five unique competitions linked to the CTC website for chances to win trips to Canada.

#### **Creating awareness in Japan of aurora borealis winter activities**

In 2006, the CTC undertook a promotion to educate Japanese consumers and travel trade about aurora products and experiences in the Northwest Territories. The ongoing initiative involved partnerships with Northwest Territories, Air Canada, JTB, Olympus and *Sankei Living*. Newspaper articles informed consumers about the beautiful aurora borealis in Yellowknife. Consumers were invited to seminars in Tokyo, Nagoya and Osaka. Lectures were offered to travel agency sales staff in Yellowknife and the Aurora Photo Contest was held for the fourth year. Partnership contributions generated \$132,000 in



public relations value, over 10,000 applications were received for 800 seminar spaces and 250 travel agents received aurora product training.

#### **Broadcasting direct from the Yukon**

In collaboration with Scenic Tours and Tourism Yukon, CTC-Australia staff worked with Australia's Channel Nine to coordinate a visit to the Yukon from the popular *Mornings with Kerri-Anne*

television show. The show was broadcast live or by delayed telecast over two days from Dawson City and Whitehorse.

As a result, awareness of Canada and the Yukon as travel destinations increased in Australia, as did scenic coach tours to the Yukon market. Another unique CTC partnership with Tourism Yukon led to a Japanese film crew visit from the popular Nippon Television Network (BS NTV) program "*Travellix*." The advertising equivalency generated by this was approximately \$1.3 million.

#### **Koukousei Ryugaku magazine in Saskatchewan**

*Koukousei Ryugaku* is a Japanese magazine targeted to high school students interested in studying abroad. In September 2006, the magazine's editorial crew visited Saskatchewan as preparatory work for a 2007 magazine feature on Saskatchewan tourism attractions and lifestyle.

Tourism Saskatchewan, Global Partners Institute, Tourism Prince Albert, Air Canada and CAN-Z Company Limited were the CTC's partners for this project. The advertising equivalency of this initiative is expected to be approximately \$45,000.

#### **Strategically targeting high-yield consumers**

##### **Explorer Quotient**

The CTC continued to develop the Explorer Quotient (EQ), a global traveller segmentation tool that enables the CTC to better understand types of travellers and build one-to-one relationships with them. The EQ taps into the emotions of the traveller and is based on the concept that two travellers visiting the same place at the same time will differ in their experiences.

### Pure Canada magazine

*Pure Canada* is the CTC's travel lifestyle magazine that promotes unique destinations in Canada and the glamour of the Canadian travel experience.

The success of *Pure Canada* in 2006 is attributed to its targeted focus and strategic mailing to partner database members, Amex travel agencies,



key events (e.g. NYC Bryant Park ), and CTC database registrants. Surveys indicate that of those who recalled receiving the magazine, more than two-thirds went on to research a trip to Canada and 21 percent travelled to Canada within six months. The magazine generated \$358,000 in partnerships in 2006. *Pure Canada* has also won 16 international awards since 2004.

To view *Pure Canada* online, visit:  
<http://www.explore.canada.travel/ctc/ke/pc-home.jsp?cat=5000&localeId=16>

### Marketing Canadian spa and well-being with Estée Lauder

In 2006, the CTC-South Korea office launched a successful spa and well-being travel promotion,

targeting Korean women aged 30s to 60s, in partnership with Estée Lauder, Tourism Ontario, Hyundai Dream Tour and Style H, an exclusive Korean magazine. The promotion coincided with Estée Lauder's launching of a new cosmetic line, *Nutritious*.

Customers who purchased *Nutritious* products were given a chance to win a five-night spa trip to Ontario. As part of the promotion, *Style H* magazine will be visiting Ontario to cover spa facilities and wellness tours, accompanying Estée Lauder event winners in 2007.

### Innovative programming

#### Improving knowledge of Canadian tourism products

The CTC's in-market sales staff worked throughout the year with travel agents and wholesalers to improve local knowledge of available Canadian tourism products.

#### Canada Specialist Program (CSP)

Participating travel agents were offered a range of information and support, based on varying market needs, to increase their ability to sell Canada as a destination in 2006. These included:

- Certified training programs and testing
- Conferences and seminars
- Familiarization trips
- Tools and training manuals
- Canada specialist websites and e-newsletters.

#### Targeted training in South Korea

As an example of the CTC's additional targeted professional training, in South Korea 1,366 key retail agents and Hana Tour sales representatives in secondary cities were provided with updated Canadian tourism information. This extensive co-op Training

Program was jointly held with Hana Tour in 2006 - and in partnership with Tourism BC and Travel Alberta under a partner co-op project. Rather than focusing only on the major Seoul market, 13 cities across South Korea were targeted based on potential market for Canada business growth. As a result, there was a 20 percent increase in Hana Tour sales of Canadian tour packages over 2005 results.

#### **Tourism media marketplaces**

Annually, the CTC hosts its GoMedia Canada Marketplace (GMCM) in Canada and Media Marketplace in the U.S.

Held May 22-25, 2006 in Huntsville, Ontario, GMCM 2006 was the most successful to date with 86 tourism organizations and 104 media registered, including 50 international journalists. The estimated annual value of the post-event media coverage is more than \$4 million.

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*"The CTC's media relations program is justly famed for its exceptional Media Marketplace, perhaps the most important single media event for Ontario destinations, attractions and events. Further, the program has been a wonderful partner in many Ontario events in the U.S. We appreciate the opportunities it affords us for first rate U.S. media exposure."*

— Helen Lovekin,  
Ontario Tourism

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The successful 2006 U.S. Media Marketplace held in Los Angeles attracted 122 Canadian partners and 198 media. Activities included one-on-one editorial appointments, partner-sponsored hospitality events, professional development

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*"The Canadian Tourism Commission's programs, such as Canada Media Marketplace and the Visiting Media Program, are invaluable in helping Tourism British Columbia generate unpaid media coverage in our key markets."*

— Mika Ryan,  
Media Relations Manager,  
Tourism British Columbia

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seminars and the presentation of Canada's Northern Lights Awards for Excellence in Journalism.

#### **Online tourism media centre**

Initiated in 2006, Canadian tourism stories and images are now available online for media outlets throughout the world to use for content in their own publications.

Accessible through the media section of the CTC website, royalty-free and rights-free images, b-roll or videotape, and written content are available to media professionals free of charge.  
[Canada.travel/mediacentre](http://Canada.travel/mediacentre)

#### **U.S. MC&IT sales & marketing**

The CTC's U.S. MC&IT sales team used an integrated marketing campaign in 2006 that included direct mail, website, in-market sales, trade show activities and targeted advertising in U.S. trade publications.

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*"The programs provided by the U.S. MC&IT business unit are top-notch and provide us the perfect platforms to reach the decision makers — senior planners and executives. The programs provide true value to the MTCC and our hospitality community."*

— Barry Smith,  
President & CEO,  
Metro Toronto Convention Centre

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The strategy focused on five highly successful ongoing programs the CTC undertakes with the following U.S. MC&IT organizations:

- Professional Convention Management Association (PCMA)
- American Society of Association Executives (ASAE)/The Center for Association Leadership
- Meeting Professionals International (MPI)
- Financial Insurance Conference Planners
- Experient.

Tourism partner support and engagement in these programs continues to be strong, with 2006 partner contributions totalling \$12.3 million.

Direct results also include the booking of the PCMA 2007 Annual Meeting in Toronto, the first time it will be held outside of the U.S. Similarly, the MPI has made a commitment to return to Canada in 2007 (Montreal) and again in 2010 (Vancouver), while the ASAE/The Center has agreed to host its 2009 Annual Meeting and Exposition in Toronto.

#### **MC&IT direct mail**

An innovative direct marketing campaign was launched in early 2006, running from April to June. Unique 3D puzzles were sent to 7,500 U.S. association executives and corporate and incentive travel planners, who after completing them were directed to the re-launched CTC MC&IT website, [www.meetings.canada.travel](http://www.meetings.canada.travel).

Results to date include a threefold increase in the number of website visitors, with the number of page views/visits increased to four pages per visit. In June 2006, website traffic reached approximately 5,000 unique visitors and 22,000 page views. There were 187 online contest entries, providing MC&IT sales directors with valuable updated sales intelligence and business opportunities.

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*"The puzzle direct mail piece was effective, very clever and it really captured what Canada is all about - playful and witty."*

— Peter J. O'Neil, CAE  
Assistant Executive Director,  
American Industrial Hygiene Association

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# partnerships

The CTC is founded on the principle of partnership between the public sector and private industry. Through contributions from partners that match its own funding contributions, the CTC is able to achieve the maximum return on investment for its tourism marketing initiatives.

In 2006, partnership contributions totalled \$103.1 million, resulting in an overall 1.2:1.0 ratio of partner contributions to the CTC's annual appropriation.

There are four types of CTC partnership arrangements:

- (I) CTC-led marketing or sales campaigns. During 2006, partners chose to invest \$6.8 million directly in such campaigns.
- (II) Marketing initiatives where a partner takes the lead in managing the campaign. Partner investments in these types of initiatives totalled \$41.8 million in 2006.

(III) Parallel partnerships where the CTC runs parallel advertising with its partners. Partner contributions to parallel partnership initiatives in 2006 totalled \$11.8 million.

(IV) Partner contributions in-kind. These can range from airfare for media familiarization tours to unpaid advertising in TV programs. In-kind contributions in 2006 were valued at \$42.7 million.

## CTC partnerships with Canada's tourism sector

### U.K. ski-focused cinema advertising

Viewed by an estimated 400,000 U.K. consumers, a ski-focused movie trailer advertisement was developed in 2006 by Travel Alberta, Fairmont Hotels and Resorts, and the CTC to raise awareness of the Alberta ski product among a target audience of young, affluent, adventurous consumers.

**The CTC's total partnership contributions in 2006 were \$103.1 million compared to \$86.5 million in 2005.**

<b>\$ 86.8 Million</b>	2006 CTC Budget Allocation
<b>+ \$103.1 Million</b>	2006 Partnership Contributions
<b>\$189.9 Million</b>	Total 2006 investments towards CTC activities

The 30-second advertisement incorporated images of skiers and boarders with stunning Alberta winter scenery. Images of Fairmont Alberta properties were also included with the call to action leading to a dedicated Fairmont website address. The advertisement ran on an estimated 75 cinema screens for four weeks in August 2006 before the film *You, me and Dupree* and in November 2006 before the film *Casino Royale*.

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*"What's encouraging isn't so much the content of the advert, but the way in which it's been produced, in partnership .... It's the latest in a long line of co-operative marketing efforts by the Canadians... Smaller countries like ours would do well to learn from the Canadian approach: stop squabbling and pool resources for a bigger impact."*

— Matthew Hampton,  
Features Editor,  
U.K. Travel Weekly magazine

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### **German Whale and Dolphin Conservation Society partnership**

Since 2002, the CTC has collaborated with various provincial tourism SMEs and non-traditional partners to promote high quality whale-watching opportunities to German travellers through a partnership with the Whale and Dolphin Conservation Society (WDCS), the largest protection agency for whales and dolphins worldwide.

In 2006, the CTC and WDCS worked together with Frontiers North to develop a whale-watching program in Churchill, MB. This program then formed the basis of a media trip in July involving

six German magazines and newspaper writers. The program was very well received by the journalists. CANUSA Touristik, the tour operator partner in this promotion, created various travel packages to different Canadian destinations and has reported total additional sales of \$2.6 million.

### **Dinosaurs unearthed**

In partnership with the Australian Museum, Travel Alberta, Adventure World and Rocky Mountaineer, the CTC-Australia was involved in an exciting exhibition at the Australian Museum, which ran September 2-November 19, 2006. The exhibition provided visitors the opportunity to see massive Canadian rock slabs from Dinosaur Provincial Park being excavated by museum staff. The CTC and Travel Alberta sponsored the exhibition and a sweepstakes. More than 3,000 entries were received for the major prize, a family trip for four to Alberta.

### **Travelling from France for New Brunswick lobster**

In 2006, the CTC partnered with Tourism and Parks New Brunswick to develop an extensive press and Internet campaign. Full-page ads and banners promoted New Brunswick as a travel destination and profiled Corsair's air service to Moncton.

The campaign ads used a lobster as the visual with the heading, "*This is the only lobster in the world that speaks both English and French, but where can you eat it?*" The ads directed readers to [www.homardbilingue.com](http://www.homardbilingue.com), where they were led to the French micro-site and exposed to tour-operator offers for the destination. From March to November 2006, there were 18,170 visitors to the [www.homardbilingue.com](http://www.homardbilingue.com) website.

## Leveraging Canada's tourism brand through non-traditional partnerships

Non-traditional partnerships involve partners not commonly perceived as part of the tourism landscape. However, they have affinities with Canada as a destination and are invested in how Canada's image is portrayed. They help build brand awareness and pique curiosity. Following are examples of the CTC's non-traditional partnerships in 2006:

### American Express

The CTC embarked on a successful partnership with American Express beginning in April 2006. The initiative involved advertising, direct mail, e-marketing, 500 retail travel agencies and in-market promotions leveraging the American Express card member and subscriber database.

The partnership provided an unprecedented opportunity to reach high-yield travellers in the U.S., Japan and the U.K, while generating \$11.8 million in partnership contributions. Within the context of an overall 6 percent decline in U.S. leisure overnight trips in 2006, interim results show the charge volume for U.S. Amex cardholders up 4 percent and the number of consumers spending in Canada up 1 percent.

### Toyota

Now in its third successful year, the CTC and Toyota Canada launched their successful "*Get Going Canada*" campaign in May 2006 to promote summer travel and tourism within Canada. The initiative involved federal and provincial tourism organizations, plus private-sector partners RBC Royal Bank, Esso, National Car Rental, The Hilton Family, Delta Hotels, and Fairmont Hotels and Resorts.

Breaking conventional rules, a successful series of television, cinema, radio newspaper and online advertisements encouraged Canadians to travel domestically. In a reverse twist, the ads featured international travellers in their home countries in front of iconic symbols, such as the Eiffel tower, Egyptian pyramids and Rome Coliseum, talking about an exciting Canadian experience and asking Canadians "*Have you been there?*"

In conjunction, 1.4 million copies of an associated Driving Guide were distributed to over 1,700 locations across Canada. The promotion created significant buzz, generating additional newspaper, magazine and television coverage for the campaign, as well as 318,108 grand prize entries, 627,807 unique website sessions and 93,671 unique e-mail addresses.



# research & information

The CTC invests in a comprehensive research program as part of its mandate to provide information about tourism as a whole. CTC research activities track the industry's performance, market trends, profiles and shifts in Canada's key markets. The goal is to create a research-clearing house, where industry and governments can obtain leading information on the tourism sector.

## Current and forward-looking indicators

In 2006, the CTC maintained its investments in the core surveys undertaken by Statistics Canada: *International Travel Survey* and *Travel Survey of Residents of Canada*. In addition, work began on updating the *Canadian Tourism Satellite Account* and the *Government Revenue Attributable to Tourism* study.

Begun in 2005, the CTC also continued work on the *Tourism Attitude and Motivation Study* (TAMS) - a large-scale survey of consumers in Canada and the U.S., conducted to better understand the potential size, characteristics and interests of activity-based market segments in both countries. Over the course of 2007, research will analyze the data made available by this survey.

## U.S. traveller perceptions study

In 2006, a comprehensive research study was published by the CTC providing insight, facts and evidence on the American traveller's mindset/decision process and attitude toward a vacation/getaway in Canada. The research carried out by DK Shifflet & Associates highlighted the key factors in the decision process and the relevance

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*"We need to look through the front window, and not the rear-view mirror, to anticipate the future. We need to have our fingers on the pulse of what is driving demand and how Canada resonates with consumers in existing and potential markets."*

— Stephen Pearce,  
Vice-president,  
Leisure Travel and Destination Management at Tourism  
Vancouver and  
Chair of the CTC Research Working Committee

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of current perceived barriers to Canada across border, mid, and southern U.S. markets. The information will help the CTC and the Canadian tourism industry to identify critical factors that must be addressed to restore and grow the U.S. travel market to Canada.

## Understanding and targeting spa travellers

In collaboration with the International SPA Association, in 2006 the CTC presented new research findings on U.S. and Canadian spa travellers. The first of its kind, the report addressed topics including spa traveller demographics, vacation planning characteristics, seasonality for spa vacations, top domestic and international spa destination preferences, and the characteristics of a spa vacation experience. The *2006 Canadian Spa Sector Profile* was completed in partnership with 10 destination and provincial marketing organizations and spa associations

across Canada. To read the full report, visit: [http://www.corporate.canada.travel/en/ca/research\\_statistics/productknowledge/product\\_research/spa/spa.html](http://www.corporate.canada.travel/en/ca/research_statistics/productknowledge/product_research/spa/spa.html)

### Consumer and travel studies

On a cyclical basis the CTC undertakes in-depth primary research of long-haul outbound travel markets to stay on top of trends and changing expectations of consumers. These studies provide business intelligence for the CTC and the Canadian tourism industry to aid in developing effective one-to-one relationships with customers. In 2006, the South Korea market study was completed and consumer and travel studies for the Japan, Australia and Mexico markets were initiated, with results expected in early 2007.

#### India travel trade research study

In the fall of 2006, a consumer and travel trade research study in India was initiated to gain market intelligence on Indian long-haul travel to Canada and the potential outbound Indian market to Canada. Following this research, if feasible, a recommendation for a market entry strategy in India will be made. The study is currently in progress with results expected in early 2007.

### Exploring future opportunities

The CTC made a long-term commitment to research and development in 2006, establishing a Research and Development fund. The purpose of the new fund (\$1.2 million in 2007) will be to explore new opportunities in emerging markets and new methods of marketing Canada.

A consistent framework has been developed to guide the research and assessment process for emerging markets. If a market demonstrates opportunity, recommendations for a market entry strategy will be made.

### Evaluating performance

In 2006, the CTC continued to track and evaluate the success of its marketing campaigns through evaluation and conversion studies. Advertising tracking and conversion studies were conducted for campaigns carried out in the Canada, U.K. and U.S. markets.

#### 2006 Canada conversion study

The Canada Marketing program, launched in May 2006, was designed to encourage Canadians to consider Canada as their main choice when deciding on a vacation destination. The campaign conversion study assessed the likelihood of short- and long-term travel within Canada and the influence the campaign had on trip booking. The advertisements resonated well with travellers, as they were introduced to the country through a foreigner's point of view. About 42 percent of those recalling the ads stated they were more likely to travel within Canada after the media exposure.

As a result of the summer campaign, the projected expenditures generated by trips in the summer of 2006 were \$144 million, equating to a 30:1 ratio in gross travel expenditures for every

dollar spent on advertising. The research also projected an additional 151,000 trips to be taken from September to December that were motivated by the advertising.

#### 2006 U.K. conversion study

The U.K. *Advertising Tracking and Conversion study* evaluated the 2006 spring/summer seasons of a multi-year campaign between the CTC and Air Canada to promote tourism from the U.K. to Canada. The campaign centred on a television commercial featuring Celine Dion's hit song "You and I Were Meant to Fly."

When shown the CTC/Air Canada ad, 29 percent of the target audience recalled seeing it, up from 26 percent in 2005 and suggesting the multi-year campaign may have a building effect. The \$3 million campaign is projected to generate approximately \$7.1 million in tourism revenue to Canada. In other words, each dollar spent on the campaign is expected to generate twice as much in Canadian tourism revenue.

#### 2006 U.S. conversion study

The 2006 spring/summer advertising campaign focused on four key U.S. markets: Boston, New York, Chicago and Los Angeles. The purpose of the campaign was to generate interest in Canada as a travel destination and to generate Canadian vacation trips. The campaign targeted a significantly larger population than in the previous year — 31.7 million travellers in four markets versus 25.4 million travellers in three major markets in 2005.

Advertising recall fell slightly from the previous year to 35 percent from 39 percent; however, despite this, projected revenues as a result of the campaign remain at over \$24 million. This equates to nearly \$4 in Canadian tourism revenue for every dollar spent on the campaign. Compared with the same campaign conducted in only three of the four markets in 2005, this is an estimated revenue increase of more than \$5.5 million.

## Key 2006 CTC research and analysis

### Monthly *tourism snapshot* and year review

In 2006, CTC Research implemented a new product, the monthly *Tourism Snapshot*. This short report provides statistics on the most current monthly international arrivals, as well as on other market intelligence the Canadian tourism industry can use to make business decisions. It offers estimates on the number of trips, dollars spent, types and seasons of trips, and provides detail on the characteristics of travellers such as age and gender. To read the report, visit:

[www.corporate.canada.travel/en/ca/research\\_statistics/statsFigures/year\\_review\\_stats\\_figures](http://www.corporate.canada.travel/en/ca/research_statistics/statsFigures/year_review_stats_figures)

### Consumer and travel study in South Korea

South Korea is emerging as a significant source country for tourism and Canada's market share there is steadily increasing. The CTC's previous research projects on South Korea were undertaken in 1990 and 1997. Since much has changed in the last decade, particularly in Asia, a study of consumer and travel trade in South Korea was completed in 2006 to gain market intelligence of South Korean long-haul travel to Canada and the potential outbound South Korean market to Canada. The information will be used to guide future tourism strategies in this valuable, growing market. To read the full study, visit:

[www.canadatourism.com/ResearchandStatistics/MarketKnowledge/Asia/Pacific/SouthKorea/ConsumerTravelTradeResearch/](http://www.canadatourism.com/ResearchandStatistics/MarketKnowledge/Asia/Pacific/SouthKorea/ConsumerTravelTradeResearch/)

# honours and recognitions

The CTC and its partners continually seek innovative and effective ways to rise above the norm and capture the attention of consumers. In 2006, the CTC's programs and staff were recognized and honoured by peers and competitors around the world.

## Marketing & publishing

The CTC received three prestigious Adrian Awards in 2006 from the **Hospitality Marketing and Sales Association International (HMSAI)**. The annual Adrian Awards honours the best in advertising, public relations and web marketing in the hospitality, travel and tourism industries worldwide. The CTC's awards were in the Convention and Visitors Bureau Destination/Conventions category for Advertising Series/Direct Mail - Image (Silver), Website (Gold), and Feature Print Placement — Video News Release/Television (Gold).

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In 2006, the CTC's programs and staff were recognized and honoured by peers and competitors around the world.

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The *U.K. (Awards for National Newspaper Advertising)*, the ANNAs, are awarded monthly by a panel of judges made up of advertising executives to recognize the best in print advertising in the U.K. A CTC print ad featuring a

broken snow globe and the line, "We are all born explorers", was nominated in March 2006. The creative ad ran in four major UK publications, including *The Times* (circ. 650,723) February 27-March 5, 2006, as an inspiring creative campaign that successfully "cut through the clutter."

*Pure Canada*, a CTC lifestyle magazine about travel and adventure, aims to convert sophisticated and savvy U.S. consumers into visitors to Canada. This year, the publication won several industry awards, including:

- **Awards for Publishing Excellence (APEX):** Grand award, Magazines & Journals category
- **2006 Pearl Awards:** Silver awards, Most Improved Design and Best Overall Design categories
- **2006 Folio Awards:** Silver Ozzie (design) award, Best Supplemental or One-Shot category
- **2006 Magnum Opus Awards:** Best Feature Design, Best Feature Article, Best Use as an Integrated Marketing Tool, Best Reader Survey and Best Return on Investment categories

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*"A simply gorgeous magazine - superlatives in every area: photography, illustration, type and layout. Interesting top-flight copy keeps the reader reading and completes the package."*

— APEX judges

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- **2006 Integrated Marketing Awards:** Honourable Mention, Custom Publishing Project category
- **2006 NATJA Awards:** Runner-up, "Local Catch" and "Paradise on the Fly" categories.

### Programs & tradeshows

The CTC-U.K. office was named the recipient of the **2006 Nielson Mark of Excellence Award for Best Tourist Board**. The award recognizes the manner in which Canada's marketing partners work in partnership with the U.K. market.

For the fourth year running, the Canada counsellors agent training programme, set up and managed by the CTC-U.K. office, has been voted winner in the category **Best Travel Agent Training Programme** by the U.K.'s *Selling Long-Haul magazine*. *Selling Long Haul*, with a circulation of 16,000 travel agents, is the only monthly travel trade publication dedicated to the long-haul market.

Across the globe, Canada's exhibits were recognized at tourism marketplaces and tradeshows. In Shanghai, at the **Chinese International Travel Market (CITM)**, the CTC was awarded **Excellent Booth Award** from the China National Tourism Authority, in recognition of its Canada booth, which involved 45 Canadian partners.

The **American Society of Association Executive (ASAE) Annual Tradeshow and Meeting** is the leading event for the U.S. MC&IT market. At the 2006 tradeshow, the Canada Pavilion coordinated by the CTC MC&IT group received the **Best in Show Award** for its efforts to attract U.S. buyers and to ensure that Canada's MC&IT industry received the highest level of visibility and return on investment.

Similarly, the CTC-South Korea office was awarded the **Best Booth Operation Award** by the Daegu Metropolitan City at the **Tour EXPO Daegu 2006** for "its exemplary booth operation with the kindest guide and substantial display." The Korea International Travel Fair (KOTFA) also awarded CTC-South Korea with the **Best Tourism Promotion of KOTFA 2006** for greatly contributing to excellent tourism promotion.

In its November 2006 edition, *National Geographic Adventure Magazine* recognized the CTC and Austin Lehman Adventures' Okanagan Wine Country Adventures, as **one of the world's best new trips** for 2007. The award is given for trips that "*broaden your perspective, push your limits and reignite your sense of possibilities.*" The six-day trip was developed by the CTC with the support and cooperation of the Thompson Okanagan Tourism Association.

# the CTC organization

## CTC staff and organization

The Commission currently employs 159 people. Just over 60 percent of the staff are located at the CTC's head office in Vancouver and are engaged in marketing and research activities, as well as providing corporate and information services. The Commission has also retained a small corporate office in Ottawa with two employees. The Commission's remaining staff work in CTC offices around the world.

The CTC currently has 61 full-time international marketing and sales staff, and operates international offices in the U.S., Mexico, the U.K., France, Germany, China, Japan, South Korea and Australia. The CTC maintains its strongest presence (26 people) in various U.S. cities, given that over 76 percent of international overnight trips to Canada currently involve U.S. travellers.

CTC staff support the Board of Directors and its working committees. They liaise with industry stakeholders, facilitate partnership initiatives and implement action plans for marketing, research, and product innovation and enhancement.

## HR update

It was a challenging year for the CTC human resources team. The relocation of the office from Ottawa to Vancouver resulted in close to 80 percent turnover. As 2006 came to a close, the vast majority of vacancies had been filled. Despite highly competitive job-market conditions, the CTC was able to bring on board skilled and talented individuals, many of whom have spent a significant part of their careers in the private sector.

These achievements enable the Commission to further align its business with the 2007-2011 CTC Strategic Plan, *Moving Forward with Vision*, and the direction formulated by the CTC's Board of Directors.

# corporate governance & accountability

## CTC board of directors

A 26-member Board of Directors manages the Commission, which is operated in partnership with the public and private sectors. This board establishes the Commission's strategic direction, and approves the corporate plan, the strategic plan and the allocation of resources.

The Governor in Council appoints the Chairperson and President & CEO. The remaining directors are appointed by the Minister of Industry with the approval of the Governor in Council. The Deputy Minister of Industry Canada is an ex-officio director.

There were three vacancies on the Board at the end of 2006. Six directors joined the Board during the year; two terms were not renewed.

### Chairman of the Board

The Honourable Charles Lapointe  
President and CEO  
Tourism Montréal

### CTC President & CEO

Michele McKenzie

## National representatives

Peter Armstrong (until November 2006)  
President and CEO  
Great Canadian Railtour Company

Montie Brewer  
President and CEO  
Air Canada

Chris Cahill  
President & COO  
Fairmont Hotels & Resorts

Jean-Marc Eustache  
President and CEO  
Transat A.T. Inc.

Christiane Germain  
President & Owner  
Germain Group

Daniel O. Jarvis  
Chief Corporate Development Officer  
Intrawest Corporation

Liette Lacroix Kenniff (since November 2006)

David R. Podmore (until March 2006)  
President & CEO  
Concert Properties Ltd.

Rod A. Seiling  
Chairman  
Ontario Racing Commission

Sandra White  
Sandra White & Associates

## Regional representatives

### Newfoundland and Labrador and Nova Scotia

Roger Jamieson (until November 2006)  
Owner and Operator  
Kilmory Resort, NL

Gina Noordhof (since November 2006)  
Owner  
Norseman Restaurant and Gaia Art Gallery, NL

Kelliann Dean  
Deputy Minister  
Department of Tourism, Culture and Heritage,  
NS

**New Brunswick and Prince Edward Island**

Gordon MacInnis  
 Owner and Operator  
 Cavendish Maples Cottages, PEI

Brian Alexander  
 Deputy Minister  
 Department of Tourism and Parks, NB

**Quebec**

Alexander Reford  
 Director  
 Les Jardins de Métis Inc.

Louise Pagé  
 Deputy Minister  
 Ministry of Tourism, QC

**Ontario**

Bhagwant S. Parmar (since October 2006)  
 Owner / Operator  
 Travelodge Hotel, Days Inn Hotel and Quality  
 Hotel & Conference Centre and Spa Royal  
 Brock, Brockville, ON

William R. Allen (until June 2006)  
 Deputy Minister  
 Ministry of Tourism and Recreation, ON

David Lindsay (since November 2006)  
 Deputy Minister  
 Ministry of Tourism and Recreation, ON

**Manitoba and Saskatchewan**

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

Roy Anderson (from September to November  
 2006)  
 President & CEO  
 Tourism Saskatchewan

Sandra Hardy (until September 2006)  
 Deputy Minister  
 Department of Culture, Heritage and Tourism,  
 MB

**Alberta, Northwest Territories and Nunavut**

Marilyn Backman Morton  
 Vice President, Business Development  
 Mountain Park Lodges, AB

Rory Campbell (until December 2006)  
 Deputy Minister  
 Department of Economic Development, AB

**British Columbia and Yukon Territory**

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

Virginia Greene (until May 2006)  
 Deputy Minister  
 Ministry of Tourism, Sports & the Arts, BC

Bruce Okabe (since September 2006)  
 Deputy Minister  
 Ministry Tourism, Sport & the Arts, BC

**Government of Canada**

Richard Dicerni (since May 2006)  
 Deputy Minister  
 Industry Canada

Suzanne Hurtubise (until April 2006)  
 Deputy Minister  
 Industry Canada



## Committees of the Board

There are four standing committees of the CTC Board of Directors, established by the *CTC Act*:

- Executive Committee
- Nominating Committee (renamed Governance and Nominating Committee in 2006)
- Audit Committee
- Human Resources Committee.

In 2006, the *Governance and Nominating Committee* combined the responsibilities of the *Corporate Governance Committee* and the *Nominating Committee* (i.e. the general responsibility for developing the corporate approach to governance issues, advising and supporting the directors in applying the CTC's corporate governance principles and providing advice to the Minister regarding appointments to the CTC Board).

### Working committees

According to the CTC's corporate bylaws, the Board of Directors may from time to time create working committees composed of such persons, as it may deem necessary, to advise it on any matters pertaining to the affairs of the Commission. There are currently seven working committees. The majority of the committees are chaired by and comprised of tourism industry leaders and experts.

The CTC Board of Directors also extended the term of the Ad Hoc Small and Medium Enterprises (SME) Committee for an additional two years in 2006.

See Annex 1 for a listing of 2006 CTC Working Committee Chairs.

### Meetings

In 2006, the CTC Board of Directors met four times in person and three times by teleconference.

Board meetings were held throughout Canada, giving Board members an opportunity to interact with local tourism industry stakeholders.

The Executive Committee met three times in person and twice by teleconference. All committees report their activities and decisions to the Board of Directors at each board meeting.

### Board self-assessment

The CTC continually strives to exceed stakeholder governance expectations by rigorously scrutinizing its performance in comparison to industry best practices. For the fifth consecutive year, the CTC conducted its annual survey of the Board of Directors. Surveys assessing Board committee performance were also administered, with peer-to-peer assessments reinstated this year as well.

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*"The CTC's Research Committee is a beneficial resource for the Canadian tourism industry. Its meetings are constructive and informative. I see the value, to the CTC and my company, in providing input to the development of research that aligns with the strategic direction of the CTC."*

— Jane Osler,  
Vice President,  
Market Research, Intrawest ULC.

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Several specific recommendations arose from the survey results, including the amalgamation of the Governance and Nominating committees, development of an identification process for new prospective board directors, the review of board agendas to allow for ample time for discussion, and an updated mandate and terms of reference for the Ad Hoc SME Committee.

### Board education

The CTC developed an orientation manual and program for new directors. In 2006, new and current directors were invited to an orientation session that covered their roles and responsibilities, and an overview of the business of the corporation. All directors were also encouraged to attend Treasury Board of Canada sessions for directors.

Board members regularly received information on trends in corporate governance and other issues relevant to the corporation.

### Key governance responsibilities

#### Auditor General of Canada 2005 Special Examination

During 2005, the Commission underwent a Special Examination by the Office of the Auditor General (OAG). This is a requirement of the *Financial Administration Act* and must be completed once every five years. The CTC became a Crown corporation in 2001; hence, this was the first such audit for the CTC. The final special examination report was published in April 2006. Since that time, the CTC has been working to implement the recommendations made by the OAG as a means of improving CTC's core business practices.

The OAG special examination assessed whether: (1) systems and practices ensured CTC assets were safeguarded and controlled (2) resources were managed economically and efficiently, and (3) operations were carried out effectively. Recommendations for improvement were in the areas of strategic management, and planning and accountability for marketing activities. In each of these areas, the OAG made several suggestions for improvement.

In response to the findings and recommendations, the Commission's *2007-2011 Strategic Plan* and

*2007-2011 Corporate Plan* clearly indicate how the CTC links its objectives, strategies, measures and targets to its performance and mandate. The CTC also began work in fall 2006 to evolve a comprehensive performance measurement system (PMS), including establishment of clearly defined measures for all the CTC key activities.

Regarding CTC's marketing activities, market research plans under development for 2007 are based on identified strategic priorities and information needs.

The 2007 CTC marketing plans also detail research results and are linked to the strategic priorities.

### Update on horizontal federal initiatives

#### Federal identity program

In 2006, the CTC revamped its visual identify to become fully compliant with the Government of Canada's *Federal Identity Program* (FIP).

#### Official languages

In 2006, a CTC *Official Languages (OL) Policy* was developed and approved. The CTC is committed to both official languages having equality of status and equal rights and privileges in the way they are used within the Commission. The CTC also completed an annual Official Language Action Plan for 2007 that includes expected results and performance indicators to ensure that the Commission is meeting its obligations under the *Official Languages Act*.

The CTC offers and provides services and communicates with stakeholders, suppliers and partners in their preferred official language from both its headquarters in Vancouver, BC, and corporate office in Ottawa. The Commission ensures its corporate culture promotes the

effective use of both official languages in the workplace.

The CTC is also committed to involving the English and French linguistic minority tourism business communities in Canada, so they have fair access to the tourism support services provided by the Commission.

# management discussion and analysis

This segment of the report deals with the Commissions' financial performance for the year ended December 31, 2006. The audited financial statements that follow are integral to this analysis, and should be read in conjunction with it.

## Funding

The CTC is funded through the receipt of appropriations from the Government of Canada. In 2006 the Commission received \$79.824 million in appropriations. Additionally \$19.325 million was received as funding to pay for the head office relocation to Vancouver and to invest in marketing programs. Lastly the CTC also collected partnership revenues of \$6.757 million and other income of \$636,000.

## Expenditures

The head office of the CTC is located in Vancouver and the CTC has marketing sales offices in its nine core international markets. Given the mandate of the CTC, the majority of expenditures are committed to sales and marketing programs and operational costs. Also included in marketing and sales would be costs incurred for brand, e-marketing and product enhancement. These totaled \$72.9 million in 2006 and are consistent with the prior year's expenditures (\$73.8 million).

Expenditures for Strategy and Research totaled \$2.9 million in 2006, down from \$4.4 million in 2005. Included in these costs are expenditures for research, corporate strategy and planning.

Corporate Services expenditures for 2006 were \$14.5 million compared to \$19.7 million in 2005. Corporate Services includes costs for those

functions that provide support to the operations of the CTC and include corporate communications, human resources, finance, information technology and corporate secretary. Also included are costs of the CTC's head office relocation to Vancouver. These totaled \$4 million in 2006 (\$8.5 million in 2005).

## Relocation

During 2005, the CTC was mandated to relocate its head office from Ottawa to Vancouver. The office in Vancouver officially opened on December 5, 2005. In 2005, the Government approved \$25 million in one time funding to the CTC to both pay for the relocation and to invest monies into marketing programs. Although receipt of funds was anticipated in 2005, due to the dissolution of Parliament in November 2005, the funds were actually received in 2006 through Special Warrants. Total funds received were \$19.3 million. Total costs for the move, including costs incurred in 2005 and 2006, are \$12.4 million. Included in this amount would be costs for the head office renovation and relocation, costs for employee severance for staff who chose not to move to Vancouver and costs for the recruitment of new staff. The balance of funds was directed towards 2006 marketing initiatives.

## 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 mainly located 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 therefore deemed "multi-employer" plans for purposes of CICA Handbook section 3461 and accounted for as defined benefit plans.

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

*Unfunded* plans are plans 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 Germany, Japan, South Korea & China are unfunded plans.

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

The determination of obligations under the 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 were 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 the 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 which in accordance with CICA Handbook Section 3461, the Commission has elected to amortize 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 the year balances of the projected benefit obligations and the market related value of plan assets.

In 2005, the registered pension plan for the Canadian employees of the CTC was amended effective August 1, 2005 to add a defined contribution component and to close the existing defined benefit component to new salaried (non - unionized) staff. Currently all non-unionized staff hired after August 1, 2005 are members of this plan. The plan was also amended to incorporate an early retirement incentive program to members who met certain age and service eligibility requirements during the period from May 1, 2005 to December 31, 2005.

The amendments to the plan resulted in the need for an actuarial valuation for funding purposes. The latest valuation was done as at December 31, 2005. The valuation identified a solvency deficiency of \$4, 444,100 for a solvency ratio of 77%. This requires special payments to be made of \$809,600 annually from 2007 to 2010, and \$202,400 in 2011. The next valuation will be done as at December 31, 2006.

The Audit Committee, along with one member of the HR committee of the Board, have been mandated with pension plan governance and held four meetings in 2006.

### Audit

The Commission, with approval from the Audit committee of the Board, engaged an internal auditor several years ago. The auditor continues work with management in determining potential operational areas of risk which require examination. The auditor reports to the Audit committee and is directed by them in the work he carries out.

### Risk

The CTC has in place an Enterprise Risk Management strategy. A comprehensive process was implemented to identify and assess risks in order to determine the necessary steps to manage and monitor the key risks identified. Although the Audit Committee has ultimate responsibility for ensuring a risk management strategy is in place, the ongoing strategic planning cycle will ensure the Board of Directors are kept apprised of key risks and that these are considered in the development of the annual strategic plan.

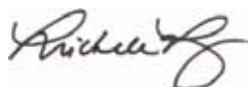
# management responsibility statement

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.

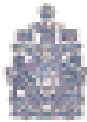


Michele McKenzie  
President  
and Chief Executive Officer



Karin Zabel  
Vice-President Finance  
and Chief Financial Officer

March 2, 2007



## AUDITOR'S REPORT

To the Minister of Industry

I have audited the balance sheet of the Canadian Tourism Commission as at December 31, 2006 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, 2006 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.

*Sheila Fraser*

Sheila Fraser, FCA  
Auditor General of Canada

Vancouver, Canada  
March 2, 2007



# audited 2006 financial statements

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

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 19,746	\$ 14,041
Accounts receivable		
Government of Canada	2,424	1,573
Partnership contributions	1,807	1,592
Other	242	192
Parliamentary appropriations (note 3)	-	6,772
Prepaid expenses and other assets	3,105	1,760
	<u>27,324</u>	<u>25,930</u>
Capital assets (note 4)	5,079	4,284
	<u>\$ 32,403</u>	<u>\$ 30,214</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities		
Trade	\$ 15,841	\$ 19,048
Employee compensation	1,824	3,056
Government of Canada	757	1,057
Deferred parliamentary appropriations (note 3)	5,734	-
Deferred revenue	1,280	881
	<u>25,436</u>	<u>24,042</u>
Deferred capital funding (note 5)	5,148	4,353
Accrued benefit liability (note 6)	3,245	4,552
	<u>8,393</u>	<u>8,905</u>
Accumulated deficit of Canada (note 7)	(1,426)	(2,733)
<b>Total Liabilities</b>	<u>\$ 32,403</u>	<u>\$ 30,214</u>

Commitments and contingencies (notes 9 & 10)  
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



Alexander Reford  
Director

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

	<u>2006</u>	<u>2005</u>
Revenue		
Partnership contributions	\$ 6,757	\$ 6,786
Other	636	334
	<u>7,393</u>	<u>7,120</u>
Expenses		
Marketing and sales (note 8)	72,941	73,866
Corporate services (note 8)	14,579	19,785
Strategy and research	2,977	4,486
Amortization of capital assets	1,437	1,698
	<u>91,934</u>	<u>99,835</u>
Net cost of operations	(84,541)	(92,715)
Parliamentary appropriations (note 3)	84,411	90,167
Amortization of deferred capital funding (note 5)	1,437	1,698
	<u>85,848</u>	<u>91,865</u>
Net results of operations for the year	<u>1,307</u>	<u>(850)</u>
Accumulated deficit of Canada, beginning of year	(2,733)	(1,883)
Accumulated deficit of Canada, end of year	<u>\$ (1,426)</u>	<u>\$ (2,733)</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>2006</u>	<u>2005</u>
Cash flows from / (used in) operating activities:		
Cash paid to employees and suppliers	\$ (98,657)	\$ (92,159)
Parliamentary appropriations used to fund operating activities	96,917	56,772
Cash receipts from partners	6,766	8,122
Interest income received	679	485
Cash flows from / (used in) operating activities	<u>5,705</u>	<u>(26,780)</u>
Cash flows from / (used in) investing activities:		
Acquisition of capital assets (note 5)	(2,232)	(1,642)
Proceeds on disposal of capital assets	0	69
Cash flows from / (used in) investing activities	<u>(2,232)</u>	<u>(1,573)</u>
Cash flows from financing activities:		
Parliamentary appropriations used for the acquisition of capital assets (note 5)	2,232	1,642
Increase / (decrease) in cash for the year	<u>5,705</u>	<u>(26,711)</u>
Cash, beginning of year	14,041	40,752
Cash, end of year	<u>\$ 19,746</u>	<u>\$ 14,041</u>

The accompanying notes form an integral part of the financial statements

## Canadian Tourism Commission Notes to Financial Statements as at December 31, 2006

### 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 a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Commission is for all purposes an agent of her Majesty in right of Canada. As a result, all obligations of the Commission are obligations of Canada. 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 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 used to fund operations are recognized in the year in which the related expenses are incurred. The Commission will have a deferred parliamentary appropriations balance at year-end when the appropriations received exceed expenses incurred. On the other hand, the Commission will have a parliamentary appropriations receivable balance when expenses incurred exceed parliamentary appropriations received.

Appropriations used for acquiring 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 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 than the Government's (March 31), the Commission is funded by portions of appropriations from two Government fiscal years.

#### 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 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 reported in expenses for the year under "Corporate services". 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 hardware .....	3 years
Computer software.....	5 years
Website .....	3 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 defined contribution pension plans that provide 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 the Consumer Price Index increases.

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, cost of claims per person, 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 10 years (11 in 2005) for the Supplementary Retirement Plan (SRP), 30 years (31 in 2005) for the Registered Retirement Plan (RPP) and 18 years (18 in 2005) 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 14.5 years (15 in 2005) for the RPP, 15 years (15 in 2005) for the SRP, 15 years (16 in 2005) for the Pension Plan for Employees of the Canadian Tourism Commission in Germany, Japan, South Korea and China, 13 years (18 in 2005) for non-pension post-retirement benefits, and 9 years (9 in 2005) for severance benefits.

In the case where the benefit plans are impacted by both a curtailment and a settlement, the curtailment is taken into consideration first in calculating the accrued benefit obligations of the plans.

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. The Commission's contributions to these plans reflect the full benefit cost of the employer. 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 during the year in which the services are rendered.

#### **g) 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 significantly from those estimates. The most significant estimates involve the determination of employee future benefits.

### 3. Parliamentary appropriations

The schedule below reconciles the amount of funding available to the Commission during the year with the amount actually used in operations.

	2006	2005
	(in thousands)	
<b>Amount provided for operating and capital expenditures:</b>		
<b>Amounts voted in 2005-06 (2004-05)</b>		
Main estimates	\$ 78,823	\$ 78,823
Treasury Board Vote 15	1,001	-
Special warrants	19,325	-
	99,149	78,823
<b>Less: Portion recognized in Calendar 2005 (2004)</b>	<b>(65,122)</b>	<b>(52,136)</b>
	<b>34,027</b>	<b>26,687</b>
<b>Amounts voted in 2006-07 (2005-06)</b>		
Main estimates	76,526	78,823
<b>Less: Portion to be recognized in Calendar 2007 (2006)</b>	<b>(18,176)</b>	<b>(20,473)</b>
Parliamentary appropriations receivable (deferred) at year end	(5,734)	6,772
	<b>52,616</b>	<b>65,122</b>
	<b>86,643</b>	<b>91,809</b>
Amounts used to purchase capital assets	(2,232)	(1,642)
<b>Parliamentary appropriations used for operations and relocation, in the year</b>	<b>\$ 84,411</b>	<b>\$ 90,167</b>

### 4. Capital assets

	Cost	Accumulated Amortization	December 31, 2006 Net Book Value	December 31, 2005 Net Book Value
	(in thousands)			
Leasehold improvements	\$ 3,303	\$ 1,089	\$ 2,214	\$ 1,946
Office furniture	1,876	880	996	949
Computer hardware	1,302	1,135	167	191
Computer software	2,950	2,089	861	1,067
Website	3,613	2,772	841	131
<b>Total</b>	<b>\$ 13,044</b>	<b>\$ 7,965</b>	<b>\$ 5,079</b>	<b>\$ 4,284</b>

### 5. Deferred capital funding

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

Changes in the deferred funding balance are as follows:

	2006	2005
(in thousands)		
<b>Balance, beginning of year</b>		
Parliamentary appropriations	\$ 3,811	\$ 3,784
Funding from related party	<u>542</u>	<u>626</u>
	4,353	4,410
<b>Funding used in the current year for the acquisition of capital assets</b>		
Parliamentary appropriations	2,232	1,642
<b>Amortization</b>		
Parliamentary appropriations	(1,353)	(1,615)
Funding from related party	<u>(84)</u>	<u>(84)</u>
	(1,437)	(1,698)
<b>Balance, end of year</b>		
Parliamentary appropriations	4,690	3,811
Funding from related party	<u>458</u>	<u>542</u>
	\$ 5,148	\$ 4,353



## 6. Accrued benefit liability

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 - Defined Benefit component	Funded, Defined Benefit Plan	CTC and plan members	Defined Benefit Plan
	Registered Pension Plan for the Employees of the Canadian Tourism Commission - Defined Contribution component	Combination of Defined Contribution Plan and Group RRSP	CTC and plan members	Defined Contribution 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 & China	Pension Plan for Employees of the CTC in Germany, Japan, South Korea & 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.	Funded Multi-employer Defined Benefit Plan	CTC	Defined Contribution Plan
	Registered Pension Plan for Canadian Citizen Employees Working in the U.S.	Funded Multi-employer Defined Benefit Plan	CTC	Defined Contribution Plan
United Kingdom	Canadian High Commission Locally Engaged Staff Pension Scheme	Funded 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	Severance Benefits for Canadian and Locally Engaged Employees	Unfunded, Defined Benefit Plan	CTC	Defined Benefit Plan

**Defined contribution plans**

The Commission has established a defined contribution pension plan for non-unionized employees in Canada, hired on or after August 1, 2005. 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 plans is \$151,277 in 2006 (\$49,621 in 2005).

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 \$252,534 in 2006 (\$201,380 in 2005) 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 retirement 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.

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.

As a result of the move of the Commission's headquarters to Vancouver in 2005, several employees decided to terminate their employment. The curtailment effect related to these terminations has been reflected in the accrued benefit obligation at the end of the 2005 measurement period.

**Abroad**

The Commission has a number of defined benefit plans for its locally engaged staff outside of 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 and South Korea, 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.

Effective January 1, 2005 the Commission no longer maintained an office in Italy and Taiwan. The curtailment and settlement effects related to these office closures have been reflected in the 2005 measurement period.

### 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 and post-retirement non-pension benefits 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 December 31, 2005, and the next required valuation will be as of December 31, 2006. The going concern financial position as at December 31, 2005 shows an unfunded liability of \$434,900. The required payments to reduce this unfunded liability are \$85,200 annually from 2007 to 2010, and \$21,300 in 2011. The valuation also identified a solvency deficiency of \$4,444,100 and a solvency ratio of 77%. Due to the solvency ratio being less than 100%, the Commission is required to make special payments of \$1,020,800 annually from 2007 to 2009 and \$413,600 in 2010.

### Accrued benefit obligation, plan assets, and funded status:

Change in Accrued Benefit Obligation	Pension		Other Benefit Plans	
	2006	2005	2006	2005
Accrued benefit obligation, beginning of year	\$ 20,637,200	\$ 15,391,500	\$ 2,456,100	\$ 4,100,400
Actuarial loss (gain) due to remeasurement	-	-	-	(28,200)
<b>Remeasured Accrued benefit obligation at beginning of the year</b>	<b>\$ 20,637,200</b>	<b>\$ 15,391,500</b>	<b>\$ 2,456,100</b>	<b>\$ 4,072,200</b>
Current service cost	656,600	1,036,800	187,800	313,800
Interest cost	1,061,500	1,054,500	127,800	219,900
Employees' contributions	264,300	308,600	-	-
Benefits paid	(597,400)	(219,000)	(40,800)	(611,000)
Actuarial loss (gain)	(1,477,300)	2,506,900	2,700	(748,600)
Past service cost	-	876,300 <sup>1</sup>	-	-
Increase (Decrease) in accrued benefit obligation due to curtailments	-	(277,800)	-	(790,200)
Reduction in accrued benefit obligation due to settlement	-	(40,600)	-	-
<b>Accrued benefit obligation, end of year</b>	<b>\$ 20,544,900</b>	<b>\$ 20,637,200</b>	<b>\$ 2,733,600</b>	<b>\$ 2,456,100</b>

1. This past service cost is due to the early retirement incentive program (ERIP) amendment at May 1, 2005.

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 \$145,000 (\$107,600 in 2005) and a one-percentage point decrease would be \$111,500 (\$83,200 in 2005).

The accrued benefit obligation at the end of 2006 related to the Registered Pension Plan, the Supplementary Retirement Plan and the Pension Plan for Employees of the Canadian Tourism Commission in China, Germany, Japan and South Korea exceeds the plan assets. In 2005 the accrued benefit obligation also exceeded plan assets for all plans.

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	
	2006	2005	2006	2005
Accrued Benefit Obligation	\$ 20,544,900	\$ 20,637,200	\$ 2,733,500	\$ 2,456,100
Fair value of plan assets	16,605,400	15,738,200	-	-
Funded status - (deficit), end of year	\$ (3,939,500)	\$ (4,899,000)	\$ (2,733,500)	\$ (2,456,100)

Change in Plan Assets	Pension		Other Benefit Plans	
	2006	2005	2006	2005
Fair value of plan assets, beginning of year	\$ 15,738,200	\$ 15,226,900	\$ -	\$ -
Actual return on plan assets	(506,600)	(386,900)	-	-
Employer contributions	1,706,900	849,200	40,800	611,000
Employees' contributions	264,300	308,600	-	-
Benefits paid	(597,400)	(219,000)	(40,800)	(611,000)
Settlements	-	(40,600)	-	-
Fair value of plan assets, end of year	\$ 16,605,400	\$ 15,738,200	\$ -	\$ -

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 provided employees with a one time option of transferring their past service from the Public Service Pension Plan (PSPP) and the Retired Compensation Arrangement (RCA) to the new plans, or to leave them with the Government plans until retirement. With respect to members who elected to transfer past service, a transfer of assets from PSPP and RCA to the new plans will be made. A partial transfer of \$5.5 million was made during 2005 and \$5.0 million was transferred in 2006. The amount of transfer has been recognized on an actual basis at September 30, 2006 (see also "Note 14. Subsequent events").

Reconciliation of Funded Status to Accrued Benefit Asset (Liability)	Pension		Other Benefit Plans	
	2006	2005	2006	2005
(Deficit), end of year	\$ (3,939,500)	\$ (4,899,000)	\$ (2,733,500)	\$ (2,456,100)
Employer contributions during period from measurement date to fiscal year end	885,800	360,600	-	-
Unamortized past service costs	(312,300)	(357,100)	88,200	96,800
Unamortized net actuarial loss (gain)	3,649,000	3,684,600	(882,400)	(982,000)
<b>Accrued benefit asset (liability)</b>	<b>\$ 283,000</b>	<b>\$ (1,210,900)</b>	<b>\$ (3,527,700)</b>	<b>\$ (3,341,300)</b>

The cumulative excess of pension contributions over pension benefit cost is reported as accrued benefit asset. Other post-retirement and post-employment benefits are reported as an accrued benefit liability. The net of these two amounts (\$3.245 million) is reported as the Accrued benefit liability on the balance sheet.

#### Net benefit cost (income) recognized in the period:

Components of Net Periodic Benefit Cost	Pension		Other Benefit Plans	
	2006	2005	2006	2005
Current service cost, net of employees' contributions	\$ 656,600	\$ 1,036,800	\$ 187,800	\$ 313,800
Interest cost	1,061,500	1,054,500	127,800	219,900
Actual return on plan assets	506,600	386,900	-	-
Actuarial loss (gain)	(1,477,300)	2,506,900	2,700	(776,800)
Past service costs	-	876,300 <sup>2</sup>	-	-
Curtailement loss (gain)	-	686,800	-	(136,000)
Settlement (gain)	-	(2,900)	-	-
<b>Costs arising in the period</b>	<b>\$ 747,400</b>	<b>\$ 6,545,300</b>	<b>\$ 318,300</b>	<b>\$ (379,100)</b>
<b>Differences between costs arising in the period and costs recognized in the period in respect of:</b>				
• Return on plan assets	(1,552,600)	(1,407,000)	-	-
• Actuarial loss (gain)	1,588,200	(2,506,900)	(99,700)	776,800
• Past service costs	(44,800)	(914,500)	-	-
• Plan amendments	-	-	8,600	40,700
<b>Net periodic benefit cost recognized</b>	<b>\$ 738,200</b>	<b>\$ 1,716,900</b>	<b>\$ 227,200</b>	<b>\$ 438,400</b>

2. Please see previous footnote on page 59

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

	Pension		Other Benefit Plans	
	2006	2005	2006	2005
<b>Accrued benefit obligation, end of year:</b>				
Discount rate	5.20 %	5.10 %		
• Non-pension post retirement			5.25 %	5.25 %
• Post employment severance			5.00 %	4.75 %
<b>Rate of compensation increase</b>				
• Canadian	4.00 %	4.50 %	4.00 %	4.50 %
• Locally engaged	4.50 %	4.50 %	4.00 %	4.50 %
<b>Net benefit cost, beginning of year:</b>				
Discount rate	5.10 %	6.50 %		
• Non-pension post retirement			5.25 %	6.50 %
• Post employment Severance				
Before Curtailment			4.75 %	5.50 %
After Curtailment			n/a	5.25 %
Expected long-term rate of return on plan assets	6.50 %	6.50 %	n/a	n/a
<b>Rate of compensation increase</b>				
• Canadian	4.50 %	4.75 %	4.00 %	4.50 %
• Locally engaged	4.50 %	4.50 %	4.00 %	4.50 %

Assumed health care cost trend rate:

	Pension		Other Benefit Plans	
	2006	2005	2006	2005
Initial health care trend rate	n/a	n/a	9.35 %	8.32 %
Ultimate health care trend rate	n/a	n/a	4.80 %	4.75 %
Year ultimate rate reached	n/a	n/a	2015	2013

### 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 plans and cash contributed to its multi-employer defined benefit plan is \$977,968 (\$1.5 million in 2005).

### Locations without separate pension plans

The Commission contributes only to a national pension scheme in France and an insured pension plan in Mexico. 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 of 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:

	2006	2005
	(in thousands)	
U.S.	\$ 29,215	\$ 29,577
International (Europe, Latin America, Asia-Pacific)	29,743	29,891
Corporate Marketing	11,012	10,647
Canada	2,971	3,751
	<b>\$ 72,941</b>	<b>\$ 73,866</b>

### 9. 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, 2006 are \$36.5 million (\$26.6 million in 2005).

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

2007	2008	2009	2010	2011	Sub-total	2012-2016	Total
\$ 2,484	\$ 2,101	\$ 1,774	\$ 1,602	\$ 1,567	\$ 9,528	\$ 3,172	\$ 12,700

### 10. 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.

### 11. 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 \$2.5 million (\$2.6 million in 2005) for services purchased from other government departments and agencies, and received partnership contributions and other amounts totaling \$1.4 million (\$1.1 million in 2005) from other departments and agencies.

### 12. 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.



### 13. Head office relocation

As a result of a decision made by the Government of Canada, the Commission relocated its head office from Ottawa to Vancouver effective December 5, 2005. In October 2005, Treasury Board approved the inclusion of an amount of \$25 million in the 2005-06 Supplementary Estimates A to pay for the office relocation and to invest any remaining funds in marketing programs. However, due to the dissolution of Parliament on November 29, 2005, these funds were received in 2006 through Special Warrants. The total amount received was \$19.325 million. In September 2006, the Government announced the elimination of the unused funds of \$5.675 million for the relocation.

For the year ending December 31, 2006, the Commission incurred costs of \$4.0 million (\$8.4 million in 2005) related to the move. Costs consisted of \$77,000 (\$1.3 million in 2005) for relocation costs of staff moving from Ottawa, \$398,000 (\$2.6 million in 2005) in severance payments to staff not relocating, \$2.0 million (\$3.6 million in 2005) for human resource transition costs, and \$1.5 million (\$905,000 in 2005) for the office renovation and move.

### 14. Subsequent events

On January 30, 2007, the Canadian unionized employees of the Commission agreed to participate in the defined contribution plan effective March 8, 2007. This will impact all unionized employees hired on or after August 1, 2005. It is expected that the plan will be amended to close the existing defined benefit component to new unionized employees. For service prior to March 8, 2007, members of the defined benefit plan shall have a one time option to either retain their accrued defined benefit pension in the plan, or to transfer the commuted value of such accrued benefits to the defined contribution plan.

On February 7, 2007, the final transfer of funds outstanding regarding the transfer of assets from PSPP and RCA to the defined benefit plan and supplementary retirement plan, was made. The amount transferred was \$2,650,868.

### 15. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

# annex 1: 2006 CTC working committee chairs

## **Europe/Latin America Marketing Committee**

Sylvie Bourget, Chair (until April 2006)  
General Manager  
Aeroplan.com

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### **France**

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Transat A.T. Inc.

### **Germany**

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**Japan**

Tak Kitamura  
Regional General Manager  
Grand Circle Corp.

**Australia**

David Mulley  
Director  
Asia Pacific Travel Marketing

**South Korea**

Young Lee  
General Manager  
Air Canada

quaint little  
village where we  
most of the morning  
aboard was bustling  
with boats bringing  
daily catch. Had lunch  
seaside cafe, eating  
& watching the boats  
return



cafe was once a storage and  
at had recently been converted into a cafe.  
eternal view. Doubt it gets much better than this.  
ing along the wharf, we met Murray, a charming  
shopman who has lived here  
hole life. He had so many  
stories to tell. Could have  
to him all day. We spent  
the afternoon at the museum.  
the actual boat

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