

# CORPORATE PLAN SUMMARY 2005-2009

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**Corporate Plan Summary  
2005-2009**

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## 1. Mandate

On January 2, 2001 the Canadian Tourism Commission (CTC) became a Crown Corporation with the coming into force of the Canadian Tourism Commission Act.

As stated in section 5 of the Act, the CTC'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 to the governments of Canada, the provinces and the territories.

## 2. The Canadian Tourism Commission's (CTC's) Future

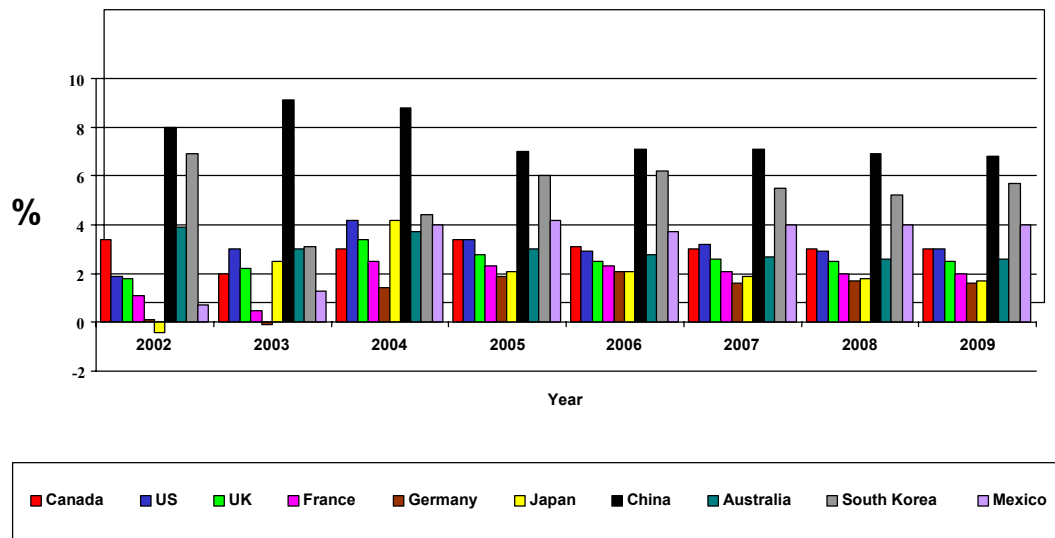
The mission of the CTC is to increase awareness of Canada and promote it as a four-season tourism destination through industry-led, market-driven and research-based activities.

Three consecutive years of a weak tourism industry have resulted in the CTC developing a number of innovative ways of doing business. Strategies have and continue to be designed for an increasingly competitive environment. Despite a climate of uncertainty caused by terrorism, war, disease and the rapid movement of exchange rates, Canada has been successful at maintaining tourism flows to Canada, under difficult circumstances. In fact, the decline has been fairly moderate, considering the shocks experienced in 2003. Revenues declined by -2.0 per cent to \$52.1 billion in 2003 from \$53.2 billion in 2002, indicating fairly sustained levels of tourism flows. While the shocks of the last few years are predominantly to blame for this slowdown, contraction began even prior to the events of September 11, when the U.S. economy entered into a recession in March 2001 and slightly prior to that, when the industry experienced its own natural life cycle slowdown. Compounded by the events since then, particularly those of 2003, a cyclical recovery has been near impossible.

However, following the last few years of so-called abnormal conditions, there appears to be a light at the end of the tunnel for the tourism sector. That glimmer of light is the projected upturn in the world economy, with growth forecasted to be at around three per cent over the next couple of years for most of CTC's core markets. With tourism being a direct function of personal disposable income and all the CTC's core markets expecting to achieve growth in their economies over the next six years (albeit at a slower rate for some), the future appears to be brighter for Canada's tourism industry (see Chart 1). In fact, all of Canada's key international markets registered growth over the first six months of 2004, compared to the same period last year. While it is unlikely that overall year-end results will reach the levels achieved in 2002, an improving economy and pent-up demand suggest that signs of growth exist, and this upward trend is expected to continue into 2005.

Chart 1 shows the GDP projections for all of CTC's core markets over the next five years, which demonstrate this phenomenon of moderate growth projections.

**Chart 1: Actual and Estimated Real GDP (% change from previous year)**



*Source: World Overview from Global Insights – 3rd Quarter 2004*

With emerging opportunities now attainable, the lingering effects of 2003 appear to be relatively negligible for the time being. The goal is to capitalize on opportunities and continue to stimulate growth in the tourism sector. This plan summary outlines the CTC's future direction. Strategies and objectives taken by the CTC will focus on value-added propositions and return on investment (ROI).

Despite a projected positive turnaround, there are still several challenges that Canada's tourism industry faces: competition is more aggressive than ever; the stigma of being cold and boring is still a commonly held perception in many of Canada's key markets; our knowledge of customer needs and wants needs to improve; we need to deliver more high-impact messaging; and the Canada brand needs to be refreshed to position Canada in a more compelling manner.

To overcome these challenges and issues working against Canada's tourism industry, major changes in the CTC are required. With a repositioning strategy in place for 2005, the CTC will capitalize on the opportunities that are presented to it and create new ones where appropriate.

First and foremost, the CTC will have a stronger focus on marketing as defined in the large sense: research, price, product, promotion, sales and distribution channels. Enabling units will enhance this focus:

- by providing the proper and valid technology infrastructure to support the e-business suite of activities required;
- by expanding the visibility of the CTC and its products and services among stakeholders through strong relationships with the media;
- by delivering time-critical business information to CTC's various stakeholders;
- by providing valid, reliable and timely financial management reports, and conducting better financial management to guide program decisions;

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- by providing the right staff in the right positions and ensuring the staff in general have the proper human resources/relations support; and
  - by providing essential market research analyses, through program tracking evaluation and conversion studies of marketing campaigns.

Subsequent to a program review of all business units and using the CTC's own in-house tool to determine the potential and performance of markets, the Market Portfolio Analysis Index (MPA), it was determined that the CTC will focus on 11 key markets which will yield the highest return on investment to the tourism industry. These markets include the U.S., U.S. Meetings, Conventions and Incentive Travel (MC&IT), the U.K., Germany, France, Mexico, Japan, Australia, South Korea, China; and Canada. As a result of this fundamental change in direction, the CTC will cease activities in the following markets on January 1, 2005: Taiwan; Hong Kong; Southeast Asia (Singapore, Thailand, Malaysia and the Philippines), Italy, Brazil, Switzerland and the Netherlands.

While the MPA analysis provides a hierarchy of the potential of various markets in relation to each other, it does not establish levels of investment. Following the termination of activities in other markets and budgetary reductions, a total of \$5.5 million will be re-invested in CTC's core markets. In terms of these amounts, we note the following re-investments: \$1.6 million in Europe, \$1.6 million in Asia, \$800,000 in U.S. MC&IT and \$1.5 million in special marketing initiatives. These budget allocations have been based on the recommendations of the Working Committee Chairs.

By focusing on 11 markets that are projected to yield the best returns, the goal for the CTC will be to ensure a high ROI to the tourism industry. The CTC is keen to concentrate resources in markets with the greatest potential.

Within those 11 markets, the CTC will concentrate on: 1) revitalizing the Canada brand; 2) understanding the customer better (both potential tourists and partners) through the development of e-business suite activities, including a new customer relationship management and sales force automation system, and extensive e-marketing; and 3) developing state-of-the-art websites which are easy to navigate and deliver high-impact messaging.

This focus will allow new tools to be developed. A new emphasis will be placed on public relations rather than on traditional mass marketing. New electronic customer delivery systems will be established through partnerships with such on-line travel agencies as Travelocity and Expedia. Content distribution will be the priority, especially through the development of partnerships with specialty cable networks or satellite network channels whose audiences comprise our customer.

Repercussions for the CTC will entail a rethink of advertising agency requirements. The nature of agency work will be redirected and minimized. The current structure of the sales force mirrors an External Affairs approach some 25 years old.



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The CTC inherited the Department of Foreign Affairs and International Trade tourism structure when it became a Special Operating Agency. The structure in place was organized geographically and reflected the program priorities of foreign affairs. Over the years, the validity of this structure has come into question. With the advent and upsurge in the Internet, e-marketing, and e-mail, this structure has come under even closer scrutiny as the industry knows no geographic boundary. Being organized geographically, is inline with much of the way the tourism industry does business and will do business in the future. However, it is a structure which is expensive, repetitive and, in some cases, inefficient suggesting separate publications/activities for each area. It may be more appropriate to organize by product line or function or some other method and reflect that in the activities of the CTC. As a consequence, the CTC is preparing to review not only how it does business but also how it is organized to support and conduct that business.

This approach, given the realities and technology of today, will require a review of the sales force structure, priorities and deliverables.

Product Innovation and Enhancement will continue to influence the development of products identified by market research, and work more directly with Marketing and Sales. Such actions will minimize the perception of cold and boring, concentrate resources where ROI will be highest, maximize visitor knowledge, underscore new and refreshed product offerings, and maximize Canada's impact in our core markets.

Partnership will be redefined such that it enhances the presence of a new and refreshed Canada brand. The level and kind of partnerships will change dramatically, focusing on those that support the intent of the marketing strategy, which is content distribution. The CTC will continue to seek out non-traditional partners. Furthermore, a major influencer of tourism, Canada's national airline, will be welcomed as a major partner to the CTC's activities. While this is not the first time the CTC and Air Canada have partnered, it will be the biggest marketing initiative that the two organizations have embarked on together.

Niche markets will be better targeted; roles and responsibilities of core functions such as Research, Product Innovation and Enhancement, and Sales will be better defined. A horizontal approach for CTC activities will start to replace the more costly vertical (geographic) approach currently in place.

The above indicates the future direction of the CTC. By focusing on 11 markets that are projected to yield the best returns, the goal of the CTC will be to ensure a high return on investment. Market changes, however, will necessitate constant review. Relevant sections in the Corporate Plan elaborate on this new direction for the future.

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## **3. Objectives, Strategies, Goals and Priorities**

### **Objectives**

The CTC's primary objectives for the period 2005 through 2009 are to:

- maximize overall return on investment (ROI);
- strengthen the Canada brand;
- optimize industry performance;
- optimize marketing performance;
- optimize commission performance – programs and people.

### **Strategies**

Strategies through 2009 are:

- regain the 2002 level in 2006 and increase international overnight receipts by 3.0 per cent in 2007.
- regain the 2002 level in 2006 and increase international overnight trips by 3.2 per cent in 2007.
- resume positive growth in 2004 in domestic interprovincial overnight travel by 3.9 per cent.
- maintain Canada's market share in overseas markets and increase by one percentage point Canada's share in the U.S. leisure market.
- increase international overnight receipts to Canada in winter and shoulder seasons (QI, QIV) by more than ten per cent over 2002; and
- maintain an overall partnership ratio of at least one-to-one that is generating partnership contributions equivalent to the available CTC partnerable dollars.

### **Long-Term Goal**

The projected long-term goal for the CTC is to increase revenue from its 11 core markets by \$7.5 billion by the end of 2009. This represents an increase of 23.0 per cent over the total achieved in 2003, or an increase of 3.5 per cent per year on average over the six-year period. This assumes that no other major disturbances occur and that global economic conditions improve.

### **Priorities**

The CTC's priorities are to:

- ensure its direction and strategy continue to be linked to the industry's priorities (industry-led);
- be responsive to the business environment and trends in its key markets (market-driven) while remaining focused on its business objectives (marketing and sales);
- gather customer and industry information needed to make informed and effective decisions (research-based);
- develop ways and means to make the tourism industry more resistant to external shocks;
- prioritize marketing and maximize return on investment, with a focus on its core markets;
- minimize potential of reduced travel due to heightened security delays at Canada-U.S. borders;
- deliver a refreshed Canada brand that communicates Canada in a more compelling manner;

- 
- as part of the brand building initiative, welcome a major tourism influence as a substantive partner, Canada's national airline – Air Canada;
  - buy in to the notion of content distribution, whereby partnerships are formed with non-traditional advertising channels, to communicate a refreshed Canada brand;
  - develop sales and marketing tools (via an e-business suite of activities) so that it can identify and target its customers better; manage marketing campaigns with clear goals and objectives; generate quality leads for the sales team; and measure performance of its initiatives more accurately;
  - increase business with non-traditional partners;
  - develop comprehensive corporate, individual business unit and continue to refine industry performance measures;
  - expend all required efforts to ensure the right person is in the right position; and
  - continue to refine the financial management system to provide more timely, informative and management responsive reports to guide program decisions.

## **4. The Global Tourism Industry**

Tourism is one of the largest industry sectors in the global economy, with a growth rate that tends to surpass that of most other industries. Based on initial analysis of the World Tourism Organization's (WTO's) figures, international tourism was valued at US\$514 billion in 2003, an increase of 8.4 per cent over the US\$474 billion achieved in 2002. As indicated by the WTO, this substantial increase, however, is a reflection of the strong depreciation of the U.S. dollar versus several other currencies, in particular the euro. Expressed in euros, the picture would be completely different. In 2003, one euro was worth on average 20 per cent more than the U.S. dollar compared to 2002. The geopolitical uncertainty and economic downturn of the last three years have taken a toll on the tourism industry. With the expected upturn in the world economy, a more relaxed geopolitical situation and pent-up demand, confidence appears to have returned among travellers. According to the WTO, the tourism sector is expected to rebound in 2004, with this trend continuing into 2005. However, uncertainties, such as the threat of further terrorist attacks and rising energy prices, still remain.

Factors that contribute most significantly to the global growth of tourism are:

- an effective worldwide travel infrastructure;
- positive economic trends;
- peaceful political conditions;
- the active development and promotion of new destinations;
- a strengthened middle class in developing countries;
- an aging population possessing both the time and the capital to travel; and
- an expanded global awareness, the result of both an international economy and the spread of technology.

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## 5. Canada's tourism industry

Tourism is the 16<sup>th</sup> largest (2002) industrial sector in Canada, representing \$22.6 billion (tourism GDP at basic prices in 2003), – or 1.9 per cent – of Canada's gross domestic product. As of the year 2000, within the tourism sector, there were 158,600 business establishments. Of these business establishments, 99.6 per cent generate annual revenues of less than \$10 million and thus fall into the category of small - or medium-sized enterprises (SMEs).

The principal industry groups within the Canadian tourism sector are:

- transportation;
- accommodation;
- food and beverage services;
- recreation and entertainment; and
- travel services.

### Canada's tourism revenue

Canada's tourism revenues have exhibited healthy growth since the CTC was established in 1995. Revenues increased from \$42.6 billion in 1997 to \$52.1 billion in 2003. In constant dollars revenue actually declined since its peak in 2001 when reaching \$49.3 billion to \$47.4 billion, a decrease of 3.9 per cent. This represents an average annual growth rate of 3.4 per cent in current prices.

### Tourism's contribution to government revenues

According to Statistics Canada estimates, the Government of Canada receives approximately 15 cents of every dollar spent by tourists. This includes revenues related to tourism from all federal, provincial and municipal taxes on goods and services, such as excise taxes on alcohol, tobacco and fuel; sales taxes on accommodation, and food and beverages; and the various taxes that apply to passenger transportation. For all levels of government, the total received per dollar is 30 cents. By applying these benchmarks to the National Tourism Indicators for 2003, CTC estimates that current tourism expenditures of \$52.1 billion generate over \$7.7 billion for the Government of Canada, \$7.0 billion for provincial/territorial governments, \$0.9 billion for municipal governments, and over \$15.7 billion for all levels of government.

### Tourism generated employment

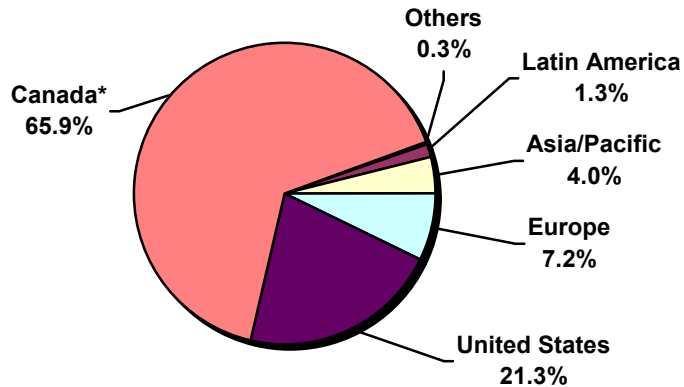
Tourism accounted for 577,600 direct jobs in 2003 (of which 457,600 were within the sector). Of these, food and beverage services industry generated the highest employment – 24.0 per cent of the total tourism employment – followed by accommodation at 23.0 per cent, recreation/entertainment and travel services combined at 18.0 per cent and transportation at 14.0 per cent.

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## Canada's Source Markets

Revenues received from Canada's source markets are indicated in Chart 2.

Chart 2: Sources of Tourism Receipts (2003)



\*Canada refers to inter- and intra-provincial travel

Source: Statistics Canada, Canadian Travel Survey and International Travel Survey 2003 – final data

## Canada's international ranking

According to the latest available WTO data, Canada is one of the most popular destinations in the world, holding the tenth position in 2003 and a 2.5 per cent share of the global international tourism travel market.

## 6. Industry Performance

In 2003, total tourism expenditures in Canada reached \$52.1 billion, down by 2.0 per cent from 2002. This total should not be confused with the total revenue figure of \$34.1 billion, which appears in Table 1. That lower total applies only to overnight visitors' spending in Canada, and hence is not as inclusive as the larger total, which captures all tourism spending in Canada. The difference between the two totals stems from the inclusion in the larger total of spending on same-day trips in Canada by Canadians and international visitors; pre- and post-trip spending by Canadians taking domestic trips, as well as in – Canada expenditures of outbound Canadian residents.

Travel by Canadians within Canada also declined by -9.3 per cent to 86.3 million trips over 2002, with revenues also declining by -8.6 per cent over 2002 to \$22.5 billion (Table 2).

Foreign travellers made 17.4 million overnight trips to Canada in 2003, representing a -12.8 per cent decrease over 2002. The number of trips made by Americans decreased by -11.9 per cent to 14.2 million. Overnight trips by overseas residents decreased by -17.1 per cent, to 3.2 million (Table 3).

Outbound travel by Canadians increased slightly by 0.2 per cent in 2003, to total 17.7 million overnight trips. The number of overnight trips made by Canadians to the U.S. decreased by -2.8 per cent to 12.7 million. Travel to overseas countries increased by 8.4 per cent, reaching 5.1 million overnight trips (Table 4 and 5).

## Performance of the Tourism Industry in Canada in 2003 – Overnight Visitor

**Table 1: Total revenues and trips**

	REVENUES (BILLIONS)	CHANGE OVER 2002	TRIP VOLUME	CHANGE OVER 2002
Canada	\$22.5	-8.6%	86,309,000	-9.3%
United States	\$7.3	-13.4%	14,231,900	-11.9%
Overseas	\$4.3	-17.1%	3,119,000	-16.2%
Total	\$34.1	-10.6%	103,659,900	-9.9%

Source: Statistics Canada, International Travel Survey and Canadian Travel Survey 2003 – final data

**Table 2: Domestic revenues and trips**

	REVENUES (BILLIONS)	CHANGE OVER 2002	TRIP VOLUME	CHANGE OVER 2002
Interprovincial	\$10.1	-7.9%	16,722,000	-10.6%
Intraprovincial	\$12.4	-9.1%	69,586,000	-9.0%
Total Domestic	\$22.5	-8.6%	86,309,000	-9.3%

Source: Statistics Canada, Canadian Travel Survey – final data

**Table 3: Inbound revenues and trips**

	REVENUES (BILLIONS)	CHANGE OVER 2002	TRIP VOLUME	CHANGE OVER 2002
United States	\$7.3	-13.4%	14,231,900	-11.9 %
Overseas	\$4.3	-17.1%	3,119,000	-16.2%
Total inbound	\$11.6	-14.8%	17,350,900	-12.8%

Source: Statistics Canada, International Travel Survey 2003 – final data

**Table 4: Outbound expenditures by Canadians**

	REVENUES ( BILLIONS)	CHANGE OVER 2002
United States	\$8.1	-4.5%
Overseas	\$7.6	6.8%
Total outbound	\$15.7	6.8%

Source: Statistics Canada, International Travel Survey 2003 – final data

**Table 5: Outbound trips by Canadians**

	<b>VOLUME</b>	<b>CHANGE OVER 2002</b>
United States	12,665,000	-2.8%
Overseas	5,074,000	8.4%
Total outbound	17,739,000	0.2%

*Source: Statistics Canada, International Travel Survey 2003 – final data*

## **7. The Travel Environment**

### **Loss in market share**

In the past five years, Canada has performed relatively well as an international tourism destination; however, there has not been a unidirectional upward trend. Instead, there have been ups and downs. As was explained in Section 2, the last three years have been years of contraction. It is a recognized fact that as more countries realize the potential of tourism, more emphasis in terms of resources and actual participants in markets is increasing; as a result the loss in market share may be inevitable. In fact, where outbound travel from our primary markets is concerned, Canada has experienced a loss in market share. This loss has resulted in substantial foregone potential revenue opportunity for the Canadian tourism industry.

### **The seasonal factor**

Canada's seasonality is a major factor that affects the profitability of the country's tourism industry. Nearly 70 per cent of international visitors to Canada arrive between April 1 and September 30. While some operators are able to extend the spring and fall shoulder seasons, there is a clear need to focus on winter tourism. For the past few years, Canada has witnessed an increase in the winter seasonal share of revenue from most markets. Indeed, the need to position Canada as a four-season destination is made evident in the CTC's vision statement and the Commission continues to make strides in this area.

Winter tourism is a high priority for the CTC, whose objective it is to help the industry expand and better market the inventory of winter travel products. It is for this reason that all market programs underscore the importance of winter activities. Growth in winter tourism will contribute significantly to overall growth in Canada's tourism sector, and help it regain global market share.

### **Refreshing the Canada brand**

The CTC continues to develop numerous programs that aim to dispel negative perceptions of Canada, and build on positive ones. Currently, the Canada brand and in particular the double entendre of the brand's expression "Discover our true nature" does not resonate well with the U.S. consumer, Canada's most important international market. Also, the execution of the brand has evolved into predominantly a unidimensional nature-based depiction of Canada, which omits Canada's other equally important key driver for travel to Canada – its cultural/urban products.

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Travellers choose a destination based on one or a number of motivators. With successful branding, a destination will become the reason to travel, not merely a vehicle for meeting a traveller's demands. In an increasingly competitive marketplace, there is a need to differentiate Canada from other destinations, and strengthen the emotional appeal of the destination in the minds of prospective travellers. Strong and powerful brands can influence customer preference, as well as the bottom line.

To address this fundamental strategic issue, the CTC has undertaken an exhaustive consultative branding exercise to augment the appeal of Canada. With full industry involvement, the process and the outcome are vital to differentiating the breadth and depth of Canada's tourism product from that of its competitors in every international market.

As part of refreshing the Canada brand, the CTC and Air Canada have entered into an agreement and embarked on a major marketing initiative. The goal of the agreement is to bring more international tourists to Canada. The three-year agreement, valued at more than \$46 million, will see the partners launch a cooperative advertising campaign featuring international singing sensation Céline Dion's and her hit song, *You and I ... Were Meant to Fly*. The agreement is geared to stimulate inbound travel from select U.S. and U.K. markets. Other tourism businesses will have the opportunity to join in/associate their own brand and reach, guaranteeing even greater visibility for Canada's tourism products and the country's national airline. The partnership covers Canada's top two international markets. In the U.K., the campaign will run in January and February 2005, to stimulate spring and summer travel to Canada. The CTC will enter the U.S. market with a six-week campaign slated to start in March and run through April. Additional branding and tactical advertising initiatives will follow, as will marketing endeavours undertaken with other industry partners.

## **Price competitiveness**

In the past few years, the rising cost of travel-to-Canada packages has hindered Canada's ability to remain competitive. The increased cost of key Canadian travel products and services to visitors from abroad stems, in large part, from the decreased currency exchange rates in several overseas markets. With the euro reaching a lifetime high in 2004, outbound travel from European markets should increase. However, with the rise in oil prices, the euro may see some volatility, which may affect travel from European markets. Also, it is noted that with the rise of charters, particularly the rise of low-cost carriers in Europe, some price competition is being achieved in the air portion of costs.

With the weakening U.S. dollar against Canada's loonie, Canada will become more expensive for American travellers. In the past, the weak Canadian dollar has characterized Canada as an ideal travel destination for U.S. travellers because of its price competitiveness. The strength of the Canadian dollar may deter some travel from the U.S.. Travel within Canada for Canadians has also become more expensive relative to other goods and services. Since 1997, the travel price index in Canada has increased by 18.7 per cent, while the consumer price index has increased by only 13.8 per cent over the same period.

With pricing being the result of market fluctuations and therefore beyond the control of the CTC, the best the Commission can do under such circumstances is prepare the industry for impending price disparities and suggest appropriate action. The Commission achieves this objective through its international sales force and its industry Working Committees, equipping them with detailed and accurate market research.



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## **International demand**

The desires and needs of international visitors change, many times unexpectedly. In the past five years, international demand for outbound travel from Canada's major markets has grown despite changing economic conditions in those markets.

These changes are forcing marketing organizations to reassess the ways in which they respond to travellers' needs. Through research and market analysis, the CTC helps these organizations in their assessments, and also adjusts its own market objectives. One of the trends the CTC has identified, for instance, is the increase in experience-based travel: more tourists are now seeking a specific experience rather than a particular destination. These experiences might be health related, as in the case of spa vacations, or they might revolve around a love of nature – or a love for good food. To address such trends, the CTC must regularly adjust its marketing focus and related promotional material. A second area is the rise in e-marketing; to this end, the CTC is being a leader in the application of customer relationship management (CRM), sales force automation (SFA) and e-marketing.

## **Aggressive competition**

Many countries are becoming increasingly aware of the important role tourism plays in their economies. As a result, these countries have developed targeted international tourism campaigns, investing large amounts of capital to attract international visitors.

Canada's major tourism competitors are Australia, France, Germany, the United Kingdom, and individual states and cities in the U.S. All of these competitors continue to allocate increasingly substantial resources to promote themselves. In comparison, the CTC's annual budget has tended to lag or be reduced.

## **Rising oil prices**

A major concern that could threaten the current strategy is that of rising oil prices. On September 27, 2004, oil prices rose to US\$50 a barrel. These soaring oil prices could dampen growth in Canada's tourism industry. In a members' briefing produced by The Conference Board of Canada, Canadian Tourism Research Institute, an analysis of the impact of high gas prices on Canada's tourism industry was conducted. When the analysis was carried out in May of 2004, oil prices had reached a high of US\$41.85 a barrel. Their analysis considered oil prices rising approximately 33 per cent more, roughly between US\$50 and US\$55 a barrel. Their preliminary analysis indicated that rising oil prices could:

- reduce the number of overnight domestic trips by one to two per cent;
- potentially reduce the number of overnight domestic air trips by two to four percentage points;
- curtail overnight auto travel from the U.S. by approximately one to two per cent;
- curtail overnight travel by air from the U.S. in the three per cent range; and
- curtail overnight travel by air from overseas by one to two per cent (assuming a five per cent increase in airfares).

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## **Exchange rates**

As the loonie reaches an 11-year high against the U.S. dollar, surpassing the 80-cent mark, there is concern over its implication on travel to and from Canada. A recent report prepared for the CTC by the Canadian Tourism Research Institute showed what effect this could have on the tourism industry in Canada. It focuses on distinct scenarios covering the most likely range of possibilities for the coming year, with a base-case assumption of \$0.742 against the U.S. dollar. A five percent appreciation in the value of the Canadian dollar could reduce (by 0.7 per cent) the 6.8 per cent growth in the volume of overnight U.S. travel to Canada forecasted in the base-case scenario.

From a travel-deficit perspective, a ten per cent increase in the value of the Canadian dollar could amount to a \$1.2 billion increase in spending by Canadians travelling to the U.S. in 2005, compared to the base case. A 15 per cent increase in the value of the Canadian dollar could see Canada's world travel deficit reach \$6,677 million in 2005, compared to \$4,404 million in the base case.

## **Border crossings**

With pending threats of terrorism, there has been increased security at the U.S.-Canadian border and hence delays in border crossings. Delays at Ontario's border crossings are of major concern. From a tourism perspective the recent decline in U.S. travellers to Ontario has cost the province over \$200 million in annual potential revenue (*Source: Borders and Trade Development Committee of the Ontario Chamber of Commerce (OCC), Cost of Border Delays to Ontario*).

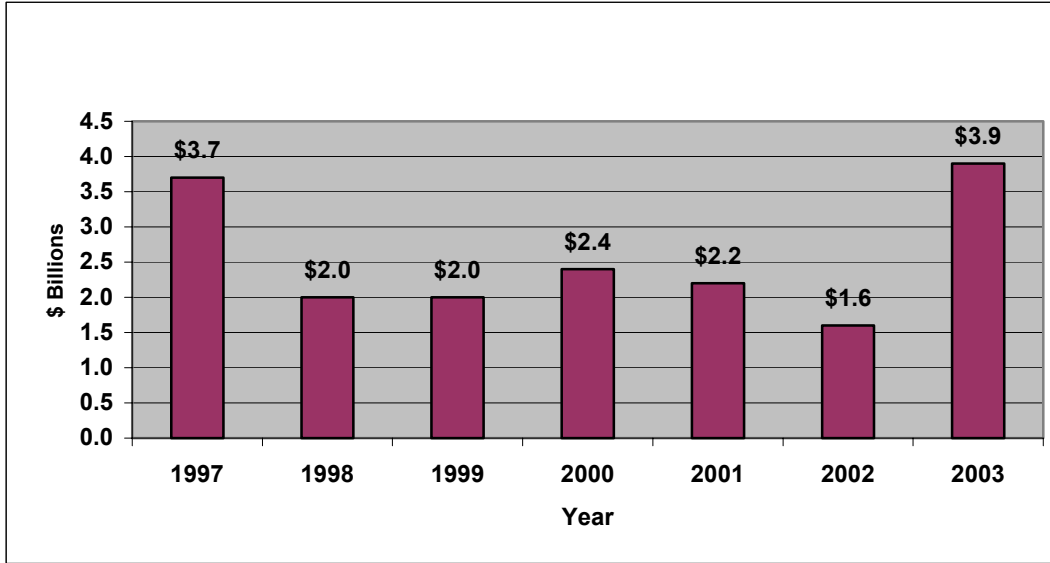
Close to 28 million U.S. residents travelled to Canada by car in 2003; delays affecting tourists and business travellers at U.S.-Canadian border crossings are therefore an ongoing concern for the Tourism Industry Association of Canada (TIAC). It is seeking to address border issues both independently and through the Coalition for Secure and Trade-Efficient Borders, of which TIAC is a founding member.

## **Canada's travel deficit**

Despite substantial tourism expenditures in Canada, Canadians spend significantly more outside the country than foreign visitors spend in Canada. The result is a deficit in Canada's travel account. With a strengthening Canadian dollar vis-à-vis the U.S. dollar, more Canadians will continue to travel to the U.S. and overseas. Therefore, with greater tourism expenditures being spent outside Canada by Canadians, a rising travel deficit will continue. In fact, the Canadian dollar reached an 11-year high in October 2004, cracking the 80-cent mark. This rise in the Canadian dollar does not bode well for Canada's travel deficit.

Chart 3 illustrates Canada's travel deficit over the past seven years. In 2003, the travel deficit was the highest since 1997 at \$3.9 billion.

**Chart 3: Canada's Travel Deficit**



Source: Statistics Canada, National Tourism Indicators, Quarterly Estimates, Second Quarter, 2004

## Summary

In summary, the government overall, and the CTC in particular, face a number of ongoing risks which are both controllable and non-controllable. In many cases, these risks are very similar to those of the industry, given the nature of tourism. The business risk exceptions, especially for the CTC, are cost overruns and partnership credits. It is the intention of the CTC to mitigate these risks in all its ongoing activities.

**Table 6: Controllable and Uncontrollable Risks**

CONTROLLABLE	UNCONTROLLABLE
Cost overruns	Economic conditions
Partnership credits	Market fluctuations
Partners	Foreign exchange
Air access	Cost of air fuel
Government policies	Competitive activity
Canada's brand	Catastrophic events
High-impact messaging	

Source: CTC Compilation

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## **Contingency Plan**

The contingency plan developed by the CTC is fourfold. First, as part of a risk reduction strategy, our research staff and international sales force are continuously scanning the global industry, markets, media and existing information systems for indications of emerging issues that could grow into another major shock. These are assessed, summarized and discussed on a monthly basis. Second, when a major shock is materializing the CTC assumes a leadership role in providing the best and most timely information available so that the industry can make business-case decisions given the impending shock. This information comprises in-market intelligence from our sales force plus commissioned research. Also, consultation on a weekly basis is conducted with industry representatives to gain and share knowledge regarding the shock. Third, the CTC has agreed to review resource allocations on a yearly basis given market fluctuations and realities. This timetable can be adjusted to reflect a special situation. The CTC would move to reallocate resources amongst markets should results and information warrant such action. This, again, would be a business-case decision. Fourth, the CTC would mount a proactive tactical media and stakeholder relations communications program to facilitate addressing the media with one voice and one set of facts and messages. This would ensure all stakeholders are working from a common and timely factual information base.

## **8. How the CTC makes a difference**

The CTC was established when the Government of Canada acknowledged the growing importance of tourism and its impact on the economy. The Government determined that for Canada to achieve its potential in the intensely competitive international market, there must be effective collaboration among all orders of government, and between government and the private sector.

The CTC makes a difference because it:

- encourages the industry to work and plan together as a whole;
- acts as a leader in times of crisis/turbulence;
- generates \$83.2 (2003) million in partnership investment which when combined with the CTC core budget of \$83.8 (2003) million, generates \$167 million in business activity in the marketplace (2003);
- maintains a presence in 11 markets, including nine countries internationally, with several offices located around the world that provide on-the-ground sales support and market knowledge;
- maintains an effective media relations program in major international markets;
- raises the profile of Canadian companies to the world, making it easier for them to sell their products;
- develops programs in conjunction with industry-led committees, ensuring industry-identified needs are met;
- assigns resources where they are most productive; and
- maintains a presence on numerous Canadian and international tourism-related committees, boards and taskforces.

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## 9. Partnership: The Way the CTC Does Business

Partnership levels represent an additional indicator for the CTC. There is agreement that a high level of partnership indicates endorsement/reinforcement of CTC's activity maximizing potential market impact.

Partnership contributions are based on three types of arrangements.

First is the case where the CTC receives money from its partners. In this case, the CTC acts as the banker and then in turn uses the partner money and its contribution to pay for the joint program.

The second type of partnerships is what we refer to as third party. In this case, the CTC pays a third party (partner) who in turn takes its money and theirs (and other partners) and funds the joint program. This normally represents about two thirds of the total.

The last type is in-kind contributions. In this situation, the partner offers in-kind services upon which we place a value or price. For example, an airline may offer airfares for a media trip to Canada. Although there is no exchange of money, these free tickets have value and are counted towards the CTC's total, when determining the airlines ratio contributions.

Overall, industry participation, which is reflected in the number of partners, has grown since 2000. However, this has not been a unidirectional upward trend. Several programs – Europe, Latin America, and Research – have experienced considerable fluctuation.

**Table 7: Industry Partners per CTC Program (2000-2003)**

PROGRAM	2000	2001	2002	2003
U.S.	480	558	620	528
Europe/Latin America	478	542	512	380
Asia/Pacific	240	258	269	276
MC&IT	163	192	291	218
Product Innovation and Enhancement	174	187	136	124
Canada	151	96	166	204
Research	44	19	48	67
Totals	1730	1852	2042	1797

*Source: CTC Compilation*

These partners have generated revenues that have, for the most part, enabled the CTC to maintain the desired 1:1 investment ratio. To enable flexibility between mature, developing and emerging markets, the CTC calculates an overall average.

Industry support by program reflected in the dollar amounts of partner funding has for the most part exceeded the required 1:1 ratio. It should be noted that the mandate of the CTC is to target the core budget allocation overall not maintain a specific ratio for every individual program.

**Table 8: Industry Support by Program in Millions of Dollars (Partner Funding)\***

PROGRAM	2002	RATIO	2003	RATIO
United States	\$47.4	2:1	\$31.9	1.5:1
Europe/Latin America	\$20.2	1.4:1	\$16.3	1.2: 1
Asia/Pacific	\$12.0	1:1	\$10.8	0.9:1
Canada	\$14.2	2.3:1	\$7.2	1.2:1
MC&IT	\$6.7	1:1	\$5.3	0.8:1
Product Innovation and Enhancement	\$6.2	1:1	\$6.1	1.9:1
Research	\$6.9	2:1	\$5.6	1.4:1
<b>TOTAL</b>	<b>\$113.6</b>		<b>\$ 83.2</b>	<b>1.2:1</b>

*\*Ratio in Partner funds to budget*

*Source: CTC Compilation*

## **10. Performance measurement: Developing a balanced scorecard for the CTC**

To achieve the objectives set out in this plan, the CTC in addition to measuring industry performance will also focus on developing comprehensive corporate metrics. These metrics will present the results of CTC activities by business unit in a scorecard format. The goal of this exercise will be to align the performance measures with the overall objectives and strategies of the CTC's mandate.

A CTC-specific balanced scorecard is under development. While the CTC has been reporting and monitoring both industry and business performance on an ongoing basis, a balanced scorecard for all of the CTC's business units has not yet been formalized. The balanced scorecard will help in effectively communicating the strategy of a multifaceted and decentralized organization such as the CTC. The strength of a balanced scorecard is that it makes specific links between the different dimensions of business performance by providing a single integrated framework for use at all levels of management. The balanced scorecard will be used as a tool to link the CTC's performance to its strategy. The diagram that follows illustrates a balanced scorecard for the CTC. The Program Agency Architecture model found in Appendix 1 also demonstrates the function of the different business units at the CTC. The three cascading triangles show, the process by which the CTC will determine comprehensive metrics. The bottom triangle presents the measures of the enablers – finance and information technology, human resources, communications, e-marketing, market research and industry relations. The second triangle shows the measures of the core functions – marketing, sales, research and product innovation. The top triangle reflects the comprehensive measures against the overall goals of the Commission.

The performance measures developed will be a balance between outcome measures, results from past measures and measures that drive future performance. The scorecard will be designed to monitor, assess and report over time the achievements of planned initiatives measured against a range of predetermined performance targets.

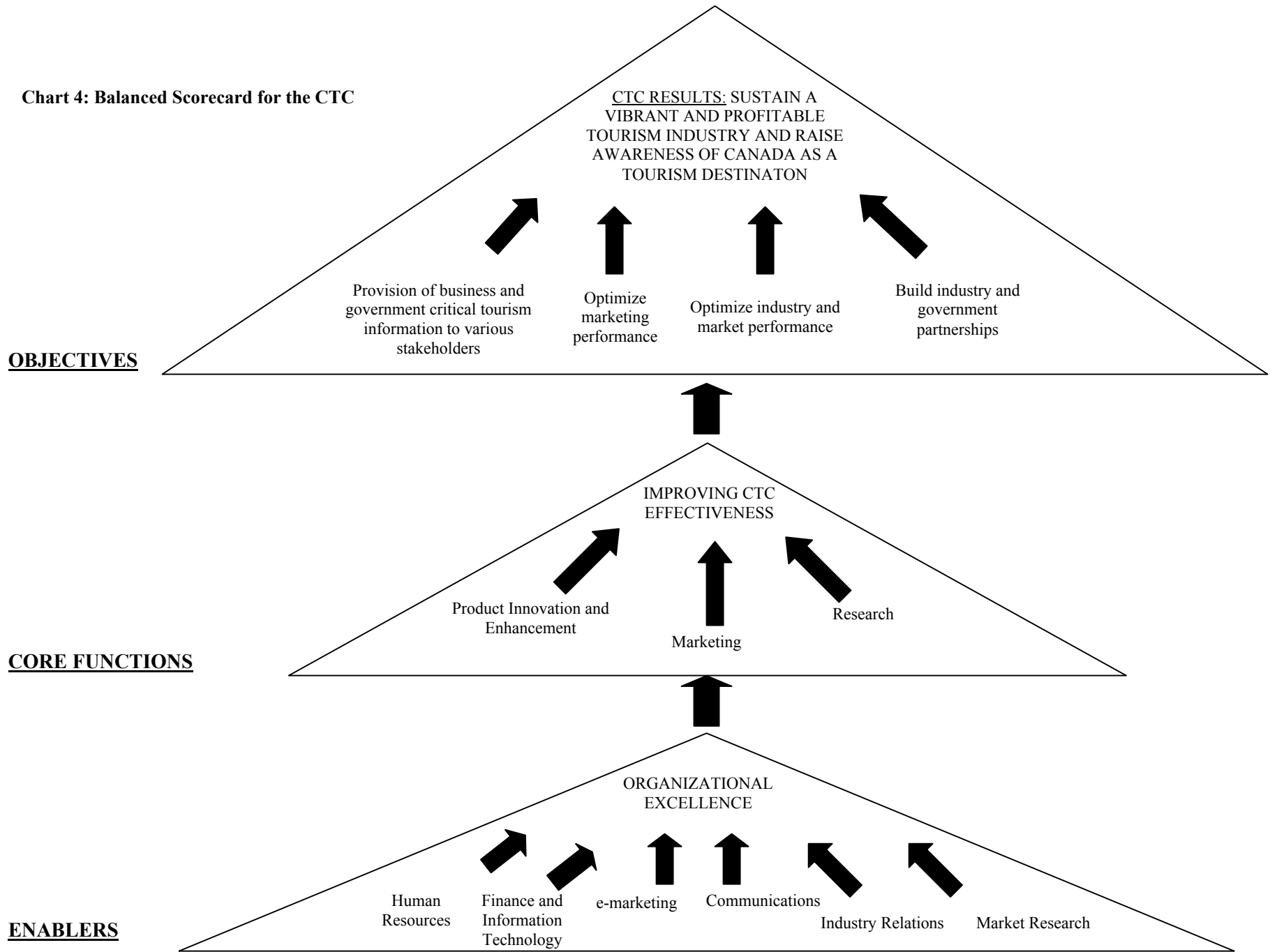
The development of the scorecard will be ongoing and in conjunction with the development of the strategy planned for 2005.

At this point in the process, the CTC is still determining appropriate measures for each business unit. It should also be noted that measures might be both qualitative and quantitative. It should also be noted that some measures may not have a benchmark, as 2005 may become the benchmark year.

In 2005, all of the business units at the CTC will be tracking and reporting performance. The following table shows performance measures for the CTC overall:

CTC overall			Performance targets		
PROGRAM ACTIVITY	OBJECTIVE	MEASURE	BENCHMARK	2005	2006
Branding exercise	Deliver a refreshed brand in all of CTC's core markets	Launch of new brand in March 2005	-	Delivered by March 2005	N/A
Stakeholder support for CTC programs	Ensure satisfaction amongst all of CTC's partners	Stakeholder survey	-	Min 3 (is considered satisfied)	Min 3 (is considered satisfied)
Leverage marketing funds	Building partnerships with industry and meet or exceed the partnership goal of 1:1 (partners \$ ≥ CTC \$)	Partner funding ratio	1.2:1 (2003)	Min 1:1	Min 1: 1
Annual employee survey	Create a productive and healthy work environment	Employee satisfaction	2.73 out of 5 is satisfied (2003)	Min 3	Min 3
Marketing programs	Create effective messaging through the use of the travel Canada websites	Unique visitors to Travel Canada website	291,399 (July 2004)	↑ 10%	↑ 10%

**Chart 4: Balanced Scorecard for the CTC**





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## **11. Finance**

The Finance unit oversees the Commission's financial management, procurement and facilities management. With regard to facilities, the head office of the CTC is located in Ottawa. As was noted in last year's plan, the CTC decided to terminate its relationship with the Department of Foreign Affairs and International Trade (DFAIT) and its offices throughout the world by moving to privately held offices. This transition was completed during 2004, with all offices operating as stand-alone entities in 2005. Although investments were required for leasehold improvements, legal costs and furniture, it is expected that ongoing operating costs will result in annual savings of \$600,000.

Finance at the CTC acts as an autonomous unit carrying out all of CTC's financial administration. The Finance unit's software system was reconfigured last year to support increased functionality. Foreign office staff can now effectively access and process financial data. In addition, more responsive financial management software is being introduced, focusing on program management rather than only on financial reporting.

Management maintains internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with relevant authorities. A Taskforce on Financial Management Practices has been established at the CTC. Progress has been made in making the training management system more user friendly. To date, the Taskforce has made 26 recommendations to the Steering Committee to streamline processes, facilitate best practices, and strengthen working relationships. Recommendations were organized into seven categories and include such issues as improving budgeting, forecasting, variance analysis and reporting, and automating workflow procurement process.

### **Financial Statements**

The following financial analysis includes actual and projected financial information for the fiscal years 2003 to 2009.

**Canadian Tourism Commission**  
**Balance sheet**  
**For the years ended December 31, 2003 to December 31, 2009**  
**(in thousands)**

**Table 1**

	<b>ACTUAL DEC. 31, 2003</b>	<b>ESTIMATED DEC. 31, 2004</b>	<b>PLANNED DEC. 31, 2005</b>	<b>PLANNED DEC. 31, 2006</b>	<b>PLANNED DEC. 31, 2007</b>	<b>PLANNED DEC. 31, 2008</b>	<b>PLANNED DEC. 31, 2009</b>
<b>Assets</b>							
Current assets							
Cash	\$ 9,838	\$ 4,500	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Accounts receivable:							
Government of Canada	3,776	3,810	3,779	3,779	3,779	3,779	3,779
Parliamentary Appropriations	6,281	8,703	3,065	3,065	3,065	3,065	3,065
Other	3,213	3,805	3,800	3,800	3,800	3,800	3,800
Other Assets	499	1,152	1,100	1,100	1,100	1,100	1,100
	<b>23,607</b>	<b>21,970</b>	<b>16,744</b>	<b>16,744</b>	<b>16,744</b>	<b>16,744</b>	<b>16,744</b>
Capital assets	3,955	4,201	4,011	4,586	3,901	2,556	1,842
	<b>\$ 27,562</b>	<b>\$ 26,171</b>	<b>\$ 20,755</b>	<b>\$ 21,330</b>	<b>\$ 20,645</b>	<b>\$ 19,300</b>	<b>\$ 18,586</b>
<b>Liabilities</b>							
Current liabilities							
Accounts payable and accrued liabilities:							
Government of Canada	\$ 1,848	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Other	19,548	9,584	9,584	9,584	9,584	9,584	9,584
Deferred revenue	392	4,090	-	-	-	-	-
	<b>21,788</b>	<b>15,674</b>	<b>11,584</b>	<b>11,584</b>	<b>11,584</b>	<b>11,584</b>	<b>11,584</b>
Employee future benefits	3,312	3,076	3,076	3,076	3,076	3,076	3,076
Deferred capital funding	3,955	4,201	4,011	4,586	3,901	2,556	1,842
	<b>7,267</b>	<b>7,277</b>	<b>7,087</b>	<b>7,662</b>	<b>6,977</b>	<b>5,632</b>	<b>4,918</b>
(Deficit) Surplus of Canada	(1,493)	3,220	2,084	2,084	2,084	2,084	2,084
	<b>\$ 27,562</b>	<b>\$ 26,171</b>	<b>\$ 20,755</b>	<b>\$ 21,330</b>	<b>\$ 20,645</b>	<b>\$ 19,300</b>	<b>\$ 18,586</b>

**Canadian Tourism Commission**  
**Statement of operations and deficit of Canada**  
**For the years ended December 31, 2003 to December 31, 2009**  
**(in thousands)**

**Table 2**

	<b>ACTUAL DEC. 31,2003</b>	<b>ESTIMATED DEC. 31,2004</b>	<b>PLANNED DEC. 31,2005</b>	<b>PLANNED DEC. 31,2006</b>	<b>PLANNED DEC. 31,2007</b>	<b>PLANNED DEC. 31,2008</b>	<b>PLANNED DEC. 31,2009</b>
<b>Revenue</b>							
Partnership contributions	\$ 12,627	\$ 8,067	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
Other	699	640	400	400	400	400	400
	<b>13,326</b>	<b>8,707</b>	<b>8,400</b>	<b>8,400</b>	<b>8,400</b>	<b>8,400</b>	<b>8,400</b>
<b>Expenses</b>							
Marketing and Sales	90,148	78,832	72,465	70,465	70,465	70,465	70,465
Information Services	7,405	6,244	5,511	6,511	6,511	6,511	6,511
Corporate Services	12,596	12,002	10,681	10,545	10,545	10,545	10,545
Amortization of capital assets	1,434	1,050	1,265	1,725	1,985	2,145	1,514
	<b>111,583</b>	<b>98,128</b>	<b>89,922</b>	<b>89,246</b>	<b>89,506</b>	<b>89,666</b>	<b>89,035</b>
Net results of operations before parliamentary appropriations	<b>(98,257)</b>	<b>(89,421)</b>	<b>(81,522)</b>	<b>(80,846)</b>	<b>(81,106)</b>	<b>(81,266)</b>	<b>(80,635)</b>
Parliamentary appropriations	97,590	92,757	78,821	78,821	78,821	78,821	78,821
Amortization of deferred capital funding	1,434	1,050	1,265	1,725	1,985	2,145	1,514
	<b>99,024</b>	<b>93,807</b>	<b>80,086</b>	<b>80,546</b>	<b>80,806</b>	<b>80,966</b>	<b>80,335</b>
Net results of operations for the year	<b>767</b>	<b>4,386</b>	<b>(1,436)</b>	<b>(300)</b>	<b>(300)</b>	<b>(300)</b>	<b>(300)</b>
(Deficit) Surplus of Canada, beginning of year	\$ (2,587)	\$ (1,493)	\$ 3,220	\$ 2,084	\$ 2,084	\$ 2,084	\$ 2,084
Services provided without charge by Government departments	327	327	300	300	300	300	300
<b>(Deficit) Surplus of Canada, end of year</b>	<b>\$ (1,493)</b>	<b>\$ 3,220</b>	<b>\$ 2,084</b>	<b>\$ 2,084</b>	<b>\$ 2,084</b>	<b>\$ 2,084</b>	<b>\$ 2,084</b>

**Canadian Tourism Commission**  
**Statement of cash flow**  
**For the years ended December 31, 2003 to December 31, 2008**  
**(in thousands)**

**Table 3**

	<b>ACTUAL DEC. 31, 2003</b>	<b>ESTIMATED DEC. 31, 2004</b>	<b>PLANNED DEC. 31, 2005</b>	<b>PLANNED DEC. 31, 2006</b>	<b>PLANNED DEC. 31, 2007</b>	<b>PLANNED DEC. 31, 2008</b>	<b>PLANNED DEC. 31, 2009</b>
<b>Operating activities:</b>							
Net results of operations	\$767	\$4,386	\$(1,436)	\$(300)	\$(300)	\$(300)	\$(300)
Items not affecting cash:							
Amortization of capital assets	1,434	1,050	1,265	1,725	1,985	2,145	1,514
Amortization of deferred capital funding	(1,434)	(1,050)	(1,265)	(1,725)	(1,985)	(2,145)	(1,514)
Changes in non-cash working capital	(1,281)	(9,815)	1,636	-	-	-	-
Services provided without charge	327	327	300	300	300	300	300
Change in employee future benefits	(1,094)	(236)	-	-	-	-	-
Net cash provided by operations	(1,281)	(5,338)	500	-	-	-	-
<b>Investing activities:</b>							
Acquisition of capital assets	(1,258)	(1,296)	(1,075)	(2,300)	(1,300)	(800)	(800)
<b>Financing activities:</b>							
Parliamentary appropriations used for the acquisition of capital assets	1258	1,296	1,075	2,300	1,300	800	800
Other funding used for the acquisition of assets	-	-	-	-	-	-	-
	1,258	1,296	1,075	2,300	1,300	800	800
Increase in cash position	(1,281)	(5,338)	500	-	-	-	-
Cash, beginning of year	11,119	9,838	4,500	5,000	5,000	5,000	5,000
Cash, end of year	\$9,838	\$4,500	\$4,000	\$5,000	\$5,000	\$5,000	\$5,000

## Appendix 1: Program Activity Architecture

DEPARTMENT OR AGENCY	CANADIAN TOURISM COMMISSION	
Strategic Outcome	Maximize the contribution to the economy of Canada from the tourism sector by increasing tourism activities in Canada and contributing to the world competitiveness of the Canadian Tourism Industry.	
Program Activities	1. Information 2. Marketing & Sales B 3. Product Development A	4. Corporate Services
Program Sub-activities	1. Information 1.a - Research 1.b - Industry Relations 1.c - Communications 2. Marketing & Sales 2.a - Geographic Markets B 2.b - Business Development 2.c - E-Marketing B 3. Product Development	4.1- Corporate Secretary to the CTC Board 4.2 - Human Resources 4.3 - Finance 4.4 - Procurement 4.5 - Information Technology 4.6 - Legal Affairs
Program Sub-sub-activities	1.a Macro - national satellite accounts 1.a Micro - marketing, product development research	
	2.a Canada 2.a United States 2.a Meeting Conventions Travel 2.a Europe/Latin America 2.a Asia/Pacific 2.b Non Traditional Canada 2.b Non Traditional International 2.c E-Marketing Canada 2.c E-Marketing International	

*A-Aboriginal B-Cities C- Water D- Public Safety*