Corporate Plan Summary

2002-2006

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Canadian Tourism Commission
Commission canadienne du tourisme

Canada

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March 28, 2002

National Library of Canada cataloguing in publication data

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Issued also in French under title : Sommaire du plan
d'entreprise 2002-2006.

ISBN 0-662-31813-7
Cat. No. C86-131/2006E

1. Tourism -- Government policy -- Canada.
2. Tourism -- Canada.
I. Title.

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Impact on Tourism of the Events of September 11, 2001

The terrorist attacks which took place in the U.S. on September 11th created shock waves around the world. Many sectors of the economy have been affected, including the tourism industry.

Within the tourism industry, the airlines were especially hard hit, as were a number of major hotels, and these losses have been widely reported by the media. Not so widely reported is that, due to the inter-dependencies which exist within the tourism industry, the effects on tourism extend much further to many small and medium-sized businesses. If people are unable or unwilling to travel by air, the demand for commercial accommodation decreases, as does the need for guide services, visits to tourist attractions, attendance at cultural events, etc.

Business losses were immediate and they varied widely across the country and by industry sector.

At this point there is still uncertainty within the tourism industry concerning 2002, however the industry appears well on its way to recovery. This recovery has been aided by additional one-time funding of $15 million provided to the CTC for the purpose of responding to the situation. Investment has been directed to increased marketing activity in the domestic market and northern tier states, where Americans have a high propensity to travel to Canada by automobile.

The projections contained in this plan are based on the most up-to-date information available; the CTC has consulted with the tourism marketing agencies in every province and territory, as well as many individual business operators. Internationally, the CTC's in-market sales representatives have met with local tour operators and others in the travel trade involved in selling Canada as a destination. Finally, new consumer research has been undertaken in Canada and internationally to access attitudes and travel plans for the coming year.

There is a need for the CTC to provide leadership in this time of uncertainty and for Canada to have a strong voice. At the same time, our historical strengths – especially our abundant natural beauty and safe, clean cities; well-developed infrastructure; proximity to the U.S. market; and our economic, political and social stability - are more relevant than ever.

Mandate

The Canadian Tourism Commission (CTC) was created in 1995 as a special operating agency within Industry Canada. On January 2, 2001 the 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.

Tourism – A Global Economic Force

Based upon estimates of the World Tourism Organization, tourism is one of the world's largest industries, with annual revenues in 2000 of US$476 billion, up 4.5% from 1999. On a worldwide basis, long-term tourism growth has significantly outstripped economic growth generally. Given the emerging slowdown in the global economy as well as the repercussions of the events of September 11, 2001, current global projections are for this growth to slow down to 1.5 percent in 2001 and return to historic average annual growth rates of approximately 4 per cent in 2003.

Factors contributing to the long-term growth in tourism are:

- Development of global travel infrastructure to facilitate travel to virtually anywhere in the world.
- Generally positive long-term global economic trends.
- Aggressive development and promotion of new destinations worldwide.
- An emerging middle class in many developing countries with the means to travel.
- An ageing population in most developed countries, which has produced a disproportionate number of people at the stage of their lives when they have a high propensity to travel and the time and money to do so.
- Globalization and the impact of the Internet which has increased awareness of, and interest in, other countries and cultures.

Tourism's Economic Impact in Canada

The tourism industry makes an important and growing contribution to the Canadian economy. It consists mainly of small and medium-sized businesses that are important to Canada's goals for entrepreneurial development and job creation. In fact, tourism is one of the major generators of employment in the country. It is also a major source of revenue for all levels of government, currently yielding about 17 cents to the Government of Canada and 31 cents to all levels of government combined, for every dollar of expenditure. Based upon tourism industry revenue of

$54.1 billion in 2000, this amounts to over $9 billion in tax revenue annually for the Government of Canada and over $16 billion for all levels of government.

Tourism is a labour intensive service industry, and as such, it is an important generator of jobs in Canada, exceeding employment levels in many of the primary industries. In 2000, total employment directly related to tourism was 546,400, an increase of 4.2% over 1999. These jobs exist at all levels in major sectors such as transportation, accommodation, food and beverage services, recreation, travel agencies and tour operators.

Tourism is also a strategic industry deeply embedded in the fabric of Canada's economy, society and culture. It serves as a bridge between Canada and the world. It also helps Canada strengthen its profile and its position in the international community.

Canada's Strengths and Challenges

While the tourism market is very large, it is also very competitive, which means both an opportunity and a challenge for Canada. The opportunity lies in the fact that Canada has many inherent strengths including:

- Abundant natural beauty.
- Relatively safe, clean cities.
- Multicultural traditions.
- Economic, political and social stability.
- Well-developed infrastructure.
- Sharing a border over 5,000 km long with the world's largest consumer market.
- Direct air access from most major countries.

The competitive challenge for Canada is that:

- There is a low level of awareness internationally of Canada as a tourism destination.
- It is increasingly difficult and expensive to build awareness amidst worldwide information overload and so many competing messages.
- Few Canadian tourism businesses have the resources to independently establish a meaningful presence in international markets.
- Even though Canada remains the number one travel destination of most Canadians, Canadians have a strong and growing tendency to travel outside Canada.

Creation of the CTC

The Canadian Tourism Commission was established as the vehicle by which the Government of Canada works in partnership with its tourism industry. The creation of the CTC represented two fundamental changes in government policy. The first was a dramatic increase in funding – from $15 million in 1994 for Tourism Canada, to $50 million in 1995 for the CTC, and base funding of $83.1 million currently. The second change was to give the industry significantly greater control over decision-making as to how the money is invested.

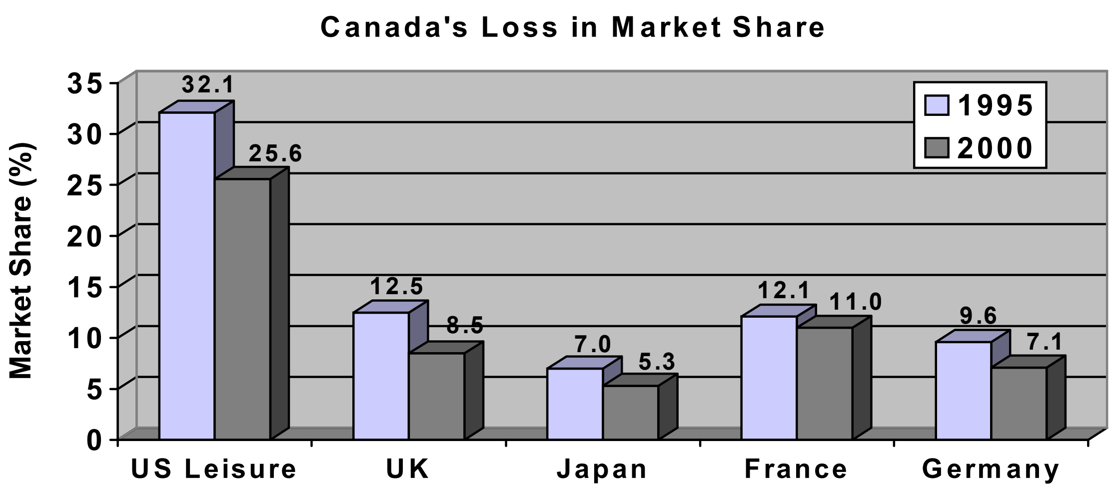
Key Issues

In spite of Canada's competitive strengths, the following three issues are cause for concern as we look to the future:

- Canada's share of outbound travel is declining in all five of our major source markets – U.S., U.K., Japan, France and Germany.
- Marketing investment by the CTC and the Canadian tourism industry is falling behind that of our competitors internationally.
- The deficit in Canada's balance of trade in tourism is expected to increase over the next five years.

Canada's Declining Market Share

Although total tourism industry revenue has been growing, this is not a true indication of Canada's competitive position. When we look at Canada's performance in our five largest markets, we see that our market share, that is, Canada's share of the outbound travel from each of these countries, is declining in every case. This means we are losing ground competitively and losing revenue that we should have captured.

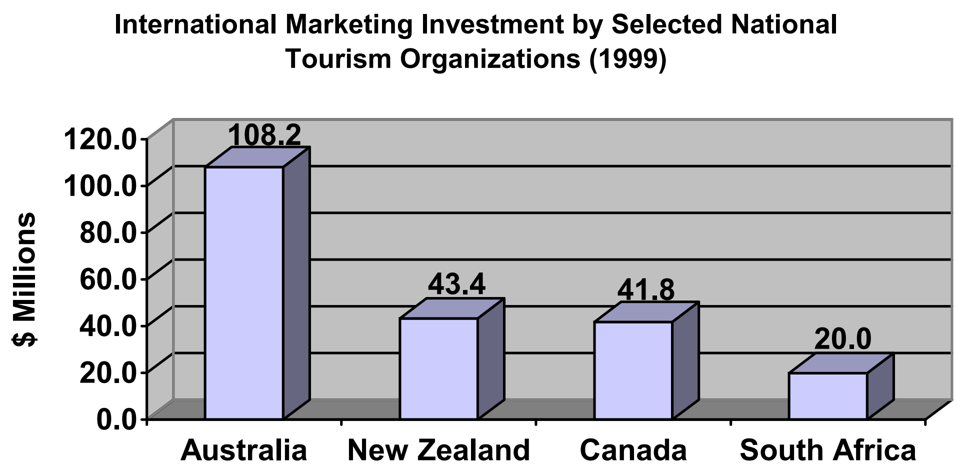


The financial impact of this market share decline in Canada's key markets ranges from over $715 million in leisure travel from the U.S. to $106 million from Germany. If Canada had simply maintained its share of five years ago for these markets, the difference in our forecasted tourism revenue for 2001 would be close to $2.3 billion – which would more than offset Canada's tourism deficit.

Competitive Investment

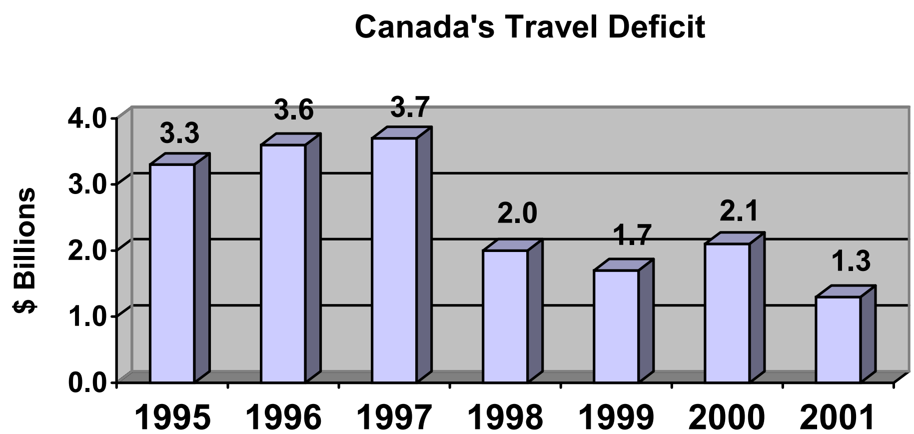
Overleaf, is a comparison of international marketing investment by several competitive destinations – Australia, New Zealand and South Africa. These countries were selected for comparison because, like Canada, they have a government-funded national tourism agency, and because our research identifies them to be major competitors of Canada in long-haul markets such as Western Europe and Japan.

Understandably, Canada spends less on tourism promotion than larger markets such as France, Italy and Great Britain, however these figures show that Canada is even being outspent by some smaller markets. These figures show that the CTC invests less than 40% of what the Australian Tourist Commission spends on tourism promotion and even less than New Zealand's.



Canada's Travel Deficit

Despite the substantial tourism expenditures in Canada, Canadians have historically spent significantly more outside the country on tourism than foreign visitors spend in Canada, which creates a deficit in Canada's travel account. This deficit reached $6.4 billion in 1992, and although it has been falling in recent years, it is expected to increase once again over the coming five years. The chart below illustrates Canada's travel trade deficit since 1995.



Ironically, September 11 appears to have had a positive impact on Canada's travel deficit because outbound travel by Canadians was reduced. While inbound travel by overseas travellers was also reduced, inbound travel by auto from the U.S. increased, resulting in a net benefit to Canada. This situation is expected to be temporary with a return to historical travel patterns by 2003. Pent up demand and improving economic conditions will result in increased outbound travel by Canadians, which in turn, is forecasted to produce a travel deficit of $3.5 billion in 2005.

Objectives, Strategies, & Performance Measurement

As suggested previously in this plan, the objectives, strategies and performance measurement of the CTC are closely linked to those of Canada's tourism industry. However, there are times when it is necessary to view the CTC as an entity separate from the industry.

The first three objectives in this section concern industry outcomes and the CTC strategies to assist the industry in achieving them. The performance measures identified are a reflection of industry performance and not solely attributable to the CTC, but the CTC can play a pivotal role in the overall industry success.

The CTC is an active player in the development of industry strategies; it is a major financial contributor to their implementation; and it is a catalyst bringing the industry together. For these reasons, it is appropriate to link the results achieved to the CTC.

i) Near and Medium Term Industry Growth

Objective

- To assist the Canadian tourism industry in achieving profitable growth in the domestic and international markets in 2002 and beyond. In light of the recent events, the aim is to return to the annual growth rates of the past 6 years, by 2003.

Strategies

- Develop effective programs with partners in the tourism industry and from outside the tourism industry (non-traditional partners).
- Develop effective product development programs to increase the supply of market-ready Canadian tourism products in order to remain competitive internationally.
- Build awareness of the Canada brand and increase interest in travel to/within Canada
- Develop an internationally competitive consumer website which will serve as a global platform for marketing Canada as a tourist destination.
- Develop an effective business-to-business website for the exchange of information by Canada's tourism industry.
- Provide the industry and government policy-makers with research and other information required for sound decision-making.

Measurement

- Growth in Canadian tourism industry revenue to $55.2 billion in 2002, increasing to $64.6 billion in 2006.
- Growth in the number of international visitors to Canada from 20 million in 2002 to over 21.6 million in 2006.

- Help reduce Canada's travel trade deficit by up to $1 billion from what it otherwise would be, by convincing Canadians who travel outside of Canada, primarily to the U.S., to vacation in Canada. Research conducted by Coopers & Lybrand in 1996, identified that this potential for "import substitution" applies to about 5% of the $20 billion spent by Canadians for international travel.
- Increase in tourism employment to 575,000 jobs in 2002 and to 600,000 in 2006.

ii) Long Term Industry Growth

Objective

- To invest in new initiatives which will strengthen Canada's competitive position and open doors to long term industry growth.

Strategies

- Enter new international market(s) where Canada has yet to establish a meaningful presence. Every effort will be made to secure partner support, however in view of the nature of the investment required for this initiative, less than a 1:1 ratio of partner contributions will be accepted at first, with the expectation that partner contributions will increase over time. Nevertheless, the CTC will maintain an overall ratio of 1:1 in partner contributions relative to the government funding it receives.
- Establish new marketing initiatives focusing on the global promotion of niche product experiences. These initiatives will represent a change from existing CTC marketing programs which focus on geographical markets, i.e. the U.S., Europe, Asia, etc. On a worldwide basis, there is significant evidence that the tourism industry is shifting away from its traditional geographical approach to a more experiential approach.
- Develop and introduce an evaluation framework to be used in selecting the market(s) and products for these new initiatives.
- Subject to the seasonality of the market(s) and products selected, commence in-market activity during 2002, which will form the baseline for future years.

Measurement

- Generate at least 100,000 incremental annual visits to Canada by 2006, which are attributable to the new geographical markets identified.
- Generate at least 100,000 incremental annual visits to Canada by 2006, which are attributable to the niche products identified.

iii) Seasonality

Objective

- To attract more visitors during the off-season, in keeping with the industry's vision statement. This will improve the year-round utilization of Canada's existing tourism infrastructure, and thereby increase industry profitability.

Strategy

- Increase efforts to promote winter travel experiences in all CTC marketing programs. Building on Canada's existing strong base in skiing/snowboarding, this initiative will promote a wide range of other outdoor winter activities; indoor experiences such as theatre and other cultural activities, sporting events, shopping, dining, etc. As well, there will be a special emphasis on the Christmas season – what better place to visit than Canada, to celebrate a traditional Christmas.

Measurement

- Realize a shift in the current pattern of international visitation to Canada as a result of achieving a rate of growth for the first and fourth quarters of the year, which is at least double the growth rate for the full year. Thus, if tourism expenditures were to increase by 4 percent for the year, the aim would be to achieve growth of at least 8 percent in the first and fourth quarters.

iv) Operation of the CTC

Objectives

- To ensure that the CTC is operating efficiently and effectively.
- To ensure that CTC programs are meeting industry needs.

Strategies

- Development & implementation of accounting, monitoring and tracking framework to ensure appropriate controls in place for efficient and effective CTC operations.
- Stay true to the principles of being industry-led, market-driven and research-based.
- Respond to the needs of SMEs, which account for 99% of the businesses that make up Canada's tourism industry. This means ensuring that there continue to be opportunities for SMEs to participate directly in CTC programs.
- Maintain strong industry representation on the CTC Board of Directors and all of its Working Committees. This representation must reflect the make-up and operating realities of the Canadian tourism industry, i.e., predominantly private sector with representation from all levels of government; the full spectrum of businesses from major industry players to SMEs; various industry sectors; and all regions of Canada.
- Identify issues affecting industry development and growth. As appropriate, work with the Industry Services Branch (Tourism Policy) of Industry Canada, other government departments, or the tourism industry's advocacy organization, the Tourism Industry Association of Canada (TIAC), in addressing these issues.
- Comply with all relevant federal legislation as identified in Section II of this plan.

- Comply with the guidelines of the Auditor General with respect to auditing, reporting and the Special Examination requirements of a Crown Corporation.

Measurement

- New reporting process will be developed and implemented to provide adequate reporting of activities undertaken.
- Ongoing analysis of CTC operations through both internal review and audit activities.
- The value of industry contributions to partnership programs with the CTC is a measure of support for the programs. The CTC will maintain an overall ratio of 1:1 between government funding and industry contributions.
- A comprehensive stakeholder survey will be undertaken in 2002 to ensure that the CTC is meeting stakeholder needs.

v) Summary of Performance Measures

SUMMARY OF PERFORMANCE MEASURES							
		2001	2002	2003	2004	2005	2006
Tourism expenditures	($ billions)	55.2	55.2	57.4	59.7	62.1	64.6
	% change	2.5%	-	4.0%	4.0%	4.0%	4.0%
International visitors	(millions)	20.0	20.0	20.3	20.6	20.9	22.2
	% change	1.9%	-	1.5%	1.5%	1.5%	1.5%
Tourism employment	(thousands)	546	546	557	568	579	591
	% change	-	-	2.0%	2.0%	2.0%	2.0%
Travel deficit	($ billions)	2.1	2.1	2.5	2.8	3.1	3.5
Rate of growth in off-season expenditures		5.0%	-	8.0%	8.0%	8.0%	8.0%
Incremental trips derived from new geographical markets	(thousands)	-	-	20	40	65	100
Incremental trips derived from new niche products	(thousands)	-	-	20	40	65	100
Partner contributions*	($ millions)	83.1	83.1	83.1	83.1	83.1	83.1
Stakeholder Survey		CTC is meeting stakeholder expectations					

* Under normal conditions, the CTC will maintain a 1:1 ratio of partner contributions to government funding. The reported contributions may not always align exactly with the flow of government funds. This is the case in 2001 when there was a change in the CTC's fiscal year. There was a significant carryover of government funds, which inflated reported government funding for the calendar year.

Financial Statement

Below is a financial statement for the CTC, reflecting operations for 2001 and projections for the 5-year period from 2002 to 2006.

Canadian Tourism Commission
Projected Statements of Operations and Equity of Canada
For the year ended December 31,
($ thousands)

	Forecast	Projections				
	2001	2002	2003	2004	2005	2006
Operating Expenses						
Marketing and sales operations	$ 74,295	$ 71,644	$ 56,644	$ 56,644	$ 56,644	$56,644
Information services	7,743	7,085	7,085	7,085	7,085	7,085
Corporate services	5,837	4,276	4,276	4,276	4,276	4,276
Personnel Costs	15,100	15,007	15,009	15,009	15,009	15,009
Amortization of capital assets	754	855	650	650	650	650
Total operating expenses	103,729	98,867	83,664	83,664	83,664	83,664
Less: other income	(200)	(200)	(200)	(200)	(200)	(200)
Net cost of operations before government funding	103,529	98,667	83,464	83,464	83,464	83,464
Parliamentary appropriation						
Operating and capital	103,625	98,662	83,664	83,664	83,664	83,664
Appropriation used to purchase capital assets	(650)	(650)	(650)	(650)	(650)	(650)
Amortization of deferred capital appropriation	217	433	650	650	650	650
	103,192	98,445	83,664	83,664	83,664	83,664
Net Results of operations	(337)	(222)	200	200	200	200
Equity of Canada – beginning of period	(107)	3,770	$ 3,548	$ 3,748	$ 3,948	$ 4,148
Working capital appropriation	4,000	-	-	-	-	-
Equity of Canada – end of period	$ 3,770	$ 3,548	$ 3,748	$ 3,948	$ 4,148	$ 4,348