Canadian Tourism Commission | Commission canadienne du tourisme

Delivering Value for Canada's Tourism Businesses Through Innovation and Efficiency

CANADIAN TOURISM COMMISSION | **2012 ANNUAL REPORT**

Canada

CONTENTS

This Annual Report showcases key activities and initiatives undertaken throughout 2012. The Annual Report serves as the principal mechanism for the Canadian Tourism Commission to report to the Parliament of Canada and demonstrate the results achieved with public resources.

Nunavut

Cover image:
Niagara Helicopters Tour,
Niagara Falls, Ontario

ABOUT THE CTC

The Canadian Tourism Commission (CTC) is Canada's national tourism marketing organization. Governed by the *Canadian Tourism Commission Act,* we lead the Canadian tourism industry in marketing Canada as a premier, four-season tourism destination, and provide a consistent voice for Canada in the international tourism marketplace.

As a federal Crown corporation, we report to Parliament through the Minister of Industry, who has delegated his duties and power related to the CTC to the Minister of State (Small Business and Tourism). Our purpose is to sustain a vibrant and profitable tourism industry by supporting a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories. The CTC was founded on the principle of public/private sector partnerships; through contributions that leverage our federal funding, we achieve the maximum return on investment for our tourism marketing initiatives.

We collaborate with our partners in the tourism industry to promote Canada's extraordinary experiences in 11 countries around the world. Our current approach targets international travellers in the Americas (Mexico and Brazil), Europe (the United Kingdom (UK), Germany and France), Asia (China, India, Japan and South Korea) and Australia. We also conduct business events sales activities in the United States (US). Our regional hub structure allows us to be nimble and opportunistic so that we can adjust our marketing programs to reflect changing market conditions and capitalize on new marketing opportunities as they arise. Moreover, we perform market research, offer stunning visuals through our Brand Canada Library and provide resources to help industry leverage Canada's successful tourism brand, *Canada. Keep Exploring*.

The immediate beneficiary of our activity is Canada's tourism industry, with over 157,000[1] tourism-related businesses supporting over 608,000[2] jobs in the Canadian economy. The ultimate beneficiary is the Canadian taxpayer, who enjoys tourism's contribution to the quality of life in Canada through public and private investments in parks, transportation infrastructure, attractions, events and event facilities.

[1] Statistics Canada, Income and Expenditure Division, Special Tabulation, 2011.
[2] National Tourism Indicators, Quarterly estimates, Third quarter 2012, Statistics Canada.

MESSAGE FROM THE CHAIR OF THE BOARD

Tourism is above all a people business. The past year has enabled me to connect with and learn from more folks in the Canadian tourism industry than ever before, from coast to coast to coast.

It started with an invitation from the Honourable Maxime Bernier, Minister of State (Small Business and Tourism), for the CTC to review the funding practices of national tourism organizations around the world and to return with a comprehensive report.

So began an epic series of industry consultations around Canada for Michele and myself. We listened to and compared notes with the Canadian tourism industry, from provincial tourism associations, industry leaders and small business owners to prominent federal, provincial and municipal government figures from Yukon and British Columbia to Quebec and Atlantic Canada.

Our industry showed great leadership and provided fresh grassroots insights during these discussions. I'd like to thank the Hotel Association of Canada and the Tourism Industry Association of Canada for their invaluable support and leadership in this process and in raising the profile for the opportunities presented by our industry for job creation and economic growth.

We're always looking ahead at the CTC, sifting the bigger trends for fresh opportunities. Our team has identified the youth travel market as a great opening for long-term tourism growth in Canada, especially in the build-up to our country's 150th anniversary in 2017. I look forward to seeing this work develop and flourish further in 2013 and beyond.

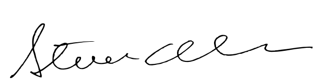
More CTC thought leadership came last year in the creation of the Export Tourism Council. Despite total tourism revenue reaching $82 billion in 2012, most of that growth came from the domestic market. This Council brings together industry leaders who have significant investments in export markets and will be invaluable in helping to inform our strategic direction in the international marketplace.

In a global context, the G20 world leaders recognized for the first time the importance of travel and tourism as a driver of economic recovery, growth and jobs. Marketing budgets are being strengthened around the globe, while governments adjust air, visa and border access policies to maximize competitiveness. And Canada can compete. We have a great brand and a stellar reputation.

This year, I would like to make special mention of our industry partners. Over the years, on average our partners have doubled the amount invested in the CTC by the government. While that result is harder to achieve in leaner times, as was the case in 2012, it's still an impressive demonstration of the confidence placed in us by the industry and our mutual commitment to growing international tourism revenue. In 2012, partner contributions totalled nearly $62 million, harnessing our collective marketing voice to $138 million.

The CTC has an incredible team of passionate professionals. On behalf of everyone on our board, I extend my compliments and thanks to each one of them for all their efforts in 2012. It is an honour for me, fellow board members and the industry volunteers on our five advisory committees to be associated with such an outstanding team.

Where next? Our markets are showing encouraging signs of vitality, and that does not include the steady rise in numbers in Canadians travelling more in their own country. The US market has bottomed out and a turnaround in Canadian fortunes has begun. Our emerging and re-emerging markets are building a head of steam. And Australia goes from strength to strength. Opportunity is knocking, folks.



Steve Allan
Chair

MESSAGE FROM THE PRESIDENT & CEO

"Innovation is the specific instrument of entrepreneurship. The act that endows resources with a new capacity to create wealth."

— Peter Drucker, 1993

What Drucker said 20 years ago still holds true for the tourism industry and for us especially at the Canadian Tourism Commission. Our goal in 2012 was to compete fiercely with our international rivals, be top drawer in terms of marketing innovation and to deliver results—and revenue—for Canada. We delivered those, in spades.

Pride of place at 2012's innovation table must go to our *35 Million Directors* project. It delivered a stunning visual story that delighted and inspired people around the world to come visit Canada. The project also stirred a great sense of national pride in Canadians to help promote our country and to support our national tourism industry in communities across Canada.

We had asked Canadians during the summer to send us their images and videos that they believed captured Canada's heart and soul. More than 8,000 submissions later, we knew we had struck gold. The video, "Canada. Shared by Canadians," has been seen by more 2.5 million people around the world on YouTube.

Our ground-breaking Signature Experiences Collection® program went from strength to strength in 2012. Fully launched in almost all our international markets, the Collection, now 163 members strong, showcases Canada's distinctive tourism experiences to the travel trade and consumers alike, giving us an extra edge in a crowded tourism marketplace.

The competition certainly got tougher in 2012, with the launch of Brand USA. Canadians are being wooed by big money poured into great campaigns by our close southern neighbour. This is a genuine game-changer for our industry at home. There have been changes on the domestic front, too. New tourism Crown corporations sprang up in 2012 for British Columbia, Saskatchewan and Nova Scotia. Broadly speaking, there is an increased sophistication and alignment with best practices among our partners. The CTC got an A grade for efficiency in 2012: we introduced new cloud-based systems across our internal business, providing our staff with effective, easy-to-use-tools that saved money and freed up time and resources for our marketing work.

We re-launched our partnership with the Tourism Industry Association of Canada on industry communications, research products and education around issues. Two of the trickiest subjects we now deal with in tandem are visas and air access from our key markets. We also started a series of town halls in December to meet grassroots tourism stakeholders and pool ideas on how to take the Canadian tourism industry forward.

I'm delighted to report on our excellent results from the past year that are directly attributable to our measured marketing activities in 2012:

- $687 million in tourism export revenue for Canada's economy;
- $212 million towards government revenue;
- 5,073 jobs created or protected by Canadian tourism businesses.

For every dollar invested in our consumer marketing campaigns, we generated $56 for Canada's visitor economy.

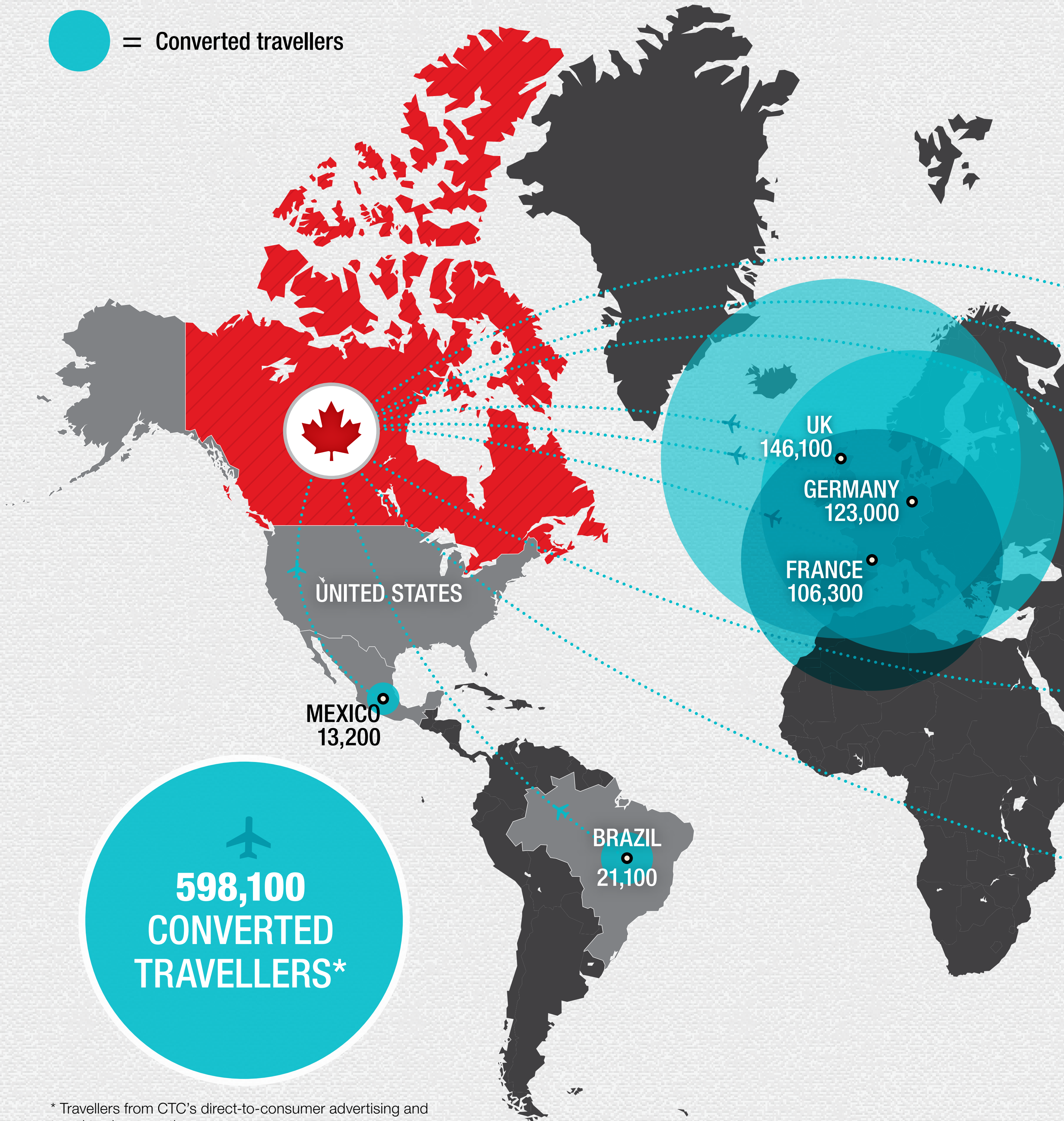
It's been another great year working with all our teams at the CTC. I often tell our partners that the CTC's two main assets are our brand, *Canada. Keep Exploring*, and our people, who amaze me, push me to excel and are a source of ceaseless pride. Going forward into 2013 with such talented people makes me confident we will continue to meet our goals of delivering fresh ideas for attracting visitors to Canada and increasing the revenue streams into our country.

Keep exploring!

Michele McKenzie
President & CEO

How many travellers did the CTC inspire to visit Canada in 2012?

60% of overnight travel to Canada comes from our 10 leisure markets and accounts for 61% of Canada's international tourist receipts.



* Travellers from CTC's direct-to-consumer advertising and travel trade promotions.

What does this mean for Canada's tourism economy?

Consumer campaigns
$607 million

Travel trade promotions
+ $36 million

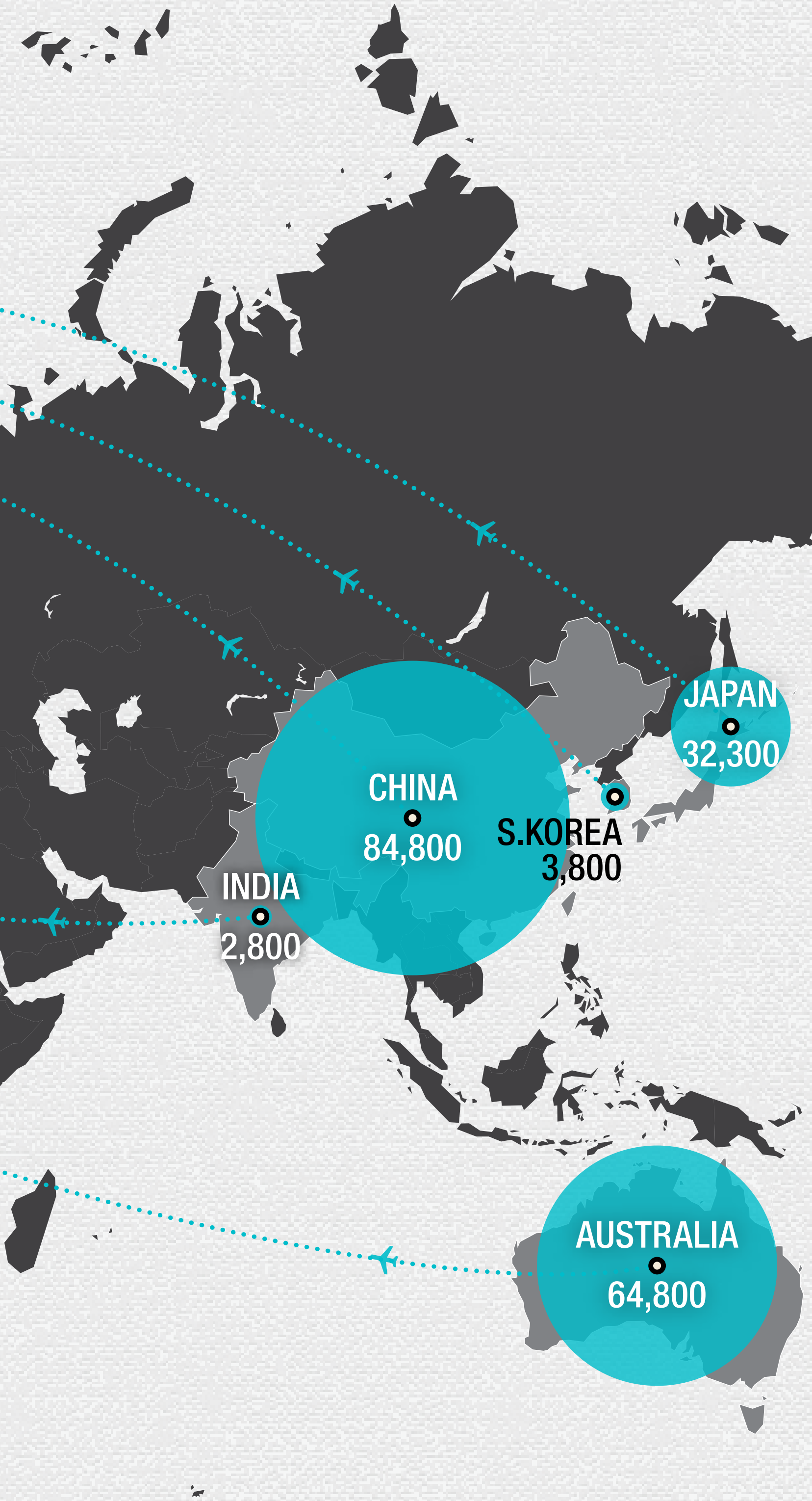
Business events
+ $44 million

CTC's contribution to tourism economy
= $687 million

CTC's contribution to government revenue
$212 million

Contribution to federal government revenue
$90 million

Supporting
5,073 jobs



Note: Estimated short-term results based on third party evaluations of campaign effectiveness.

HELPING TOURISM BUSINESSES *through leadership*

The global tourism market is highly competitive and saturated with enticing destinations. More than ever, travellers have greater choice in where in the world they want to visit, including to emerging and exotic destinations not readily available to them before. That's why it is all the more important for the CTC to demonstrate our ability to lead Canada's international tourism marketing efforts, and lead *successfully*.

We continue to invest in markets that provide the largest sources of tourism revenue for Canada, while also tapping into growth from new and emerging markets. We target those travellers who have a high propensity to spend, and invest in those markets where Canada's strong tourism brand leads. In a fast-paced industry like tourism, we rely on our research to keep abreast of changing global conditions and market trends. Our market allocation decisions are guided by our sophisticated research models which rigorously identify markets offering the maximum potential for return. This return on our investment is then quantified as attributable tourism export revenue, which in turn supports jobs and generates tax revenue for all levels of government.

CN Tower, Toronto, Ontario

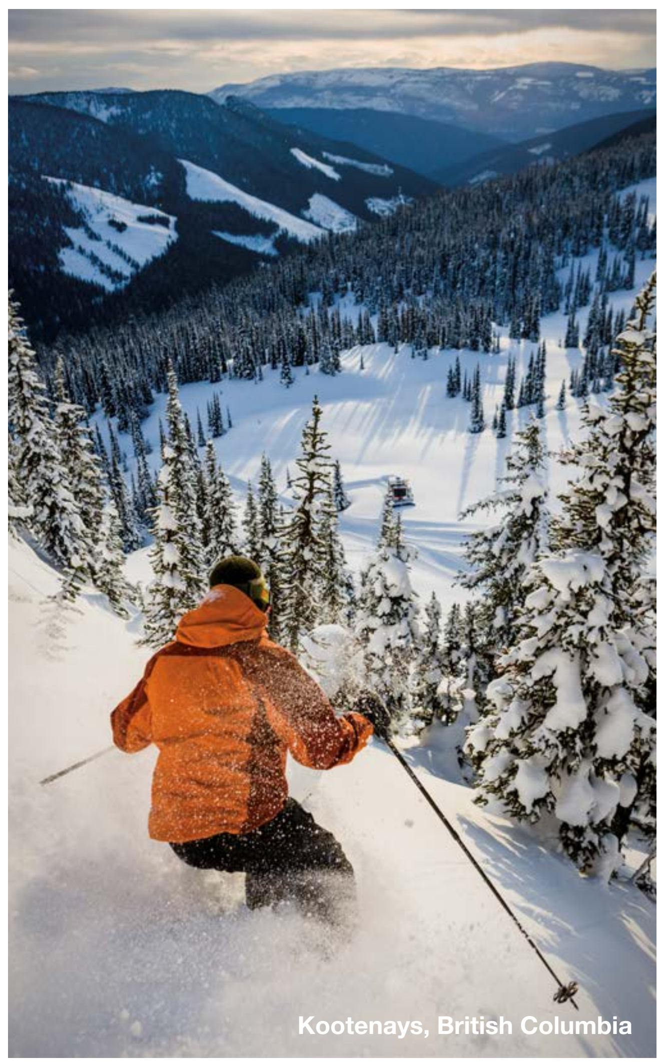
We similarly use our foundation of business insights and market research to continually improve our marketing and to impact the strategies of tourism businesses. For example, recognizing the demand for Canadian outdoor activities, including hunting and fishing, in 2012 we launched website pages with links to outfitter sites directed at enthusiasts looking for authentic outdoor experiences that have a long tradition in Canada. While the knowledge that we gather helps to inform our decision making, members of the Canadian tourism industry also use our extensive production of research publications (e.g. Tourism Snapshot, Global Tourism Watch summary reports, Market Insights) to help grow their businesses.

Keeping the tourism industry informed and equipped with tools is a key focus for us. Our CTC News is the place to read about our work, keeping the industry up-to-date with our latest campaigns and activities in all our markets. Our Brand Canada Library offers a one-stop shop to travel trade and media for over 5,000 professional images and video clips of Canada's urban and natural landscapes. The Library reflects the essence and diversity of Canada which can be used to add an authentic Canadian flavour to marketing materials. And for over 30 years, we have been leading the annual Rendez-vous Canada, Canada's premier go-to marketplace which connects international buyers with Canadian sellers of tourism products.

Being on top of the communications revolution is another mark that's earned us a reputation a leader. Years ago, before social media took off, we saw its potential for a new kind of marketing. We eagerly embraced new social platforms such as Facebook, Twitter, YouTube and Flickr into our marketing channels, putting these tools into the hands of visitors so they could tell their stories to fellow travellers and become advocates for Canada. We broke new ground as an early adopter of social media, and its integration into our marketing approach has enabled us to build Canada's tourism brand globally and engage influencers and consumers in two-way dialogue.

Over the last year, we continued a strategic move that began in 2010, ceasing direct-to-consumer advertising and marketing through travel agents and tour operators in the US. In 2012, we also terminated our media relations, public relations and social media work in the US, remaining active in that market only through our business events sales activities and our annual Canada Media Marketplace event. While US Leisure has traditionally been—and remains—important to Canada's tourism industry, it is also ferociously competitive. Given our strategy to invest where the Canada brand can lead, to ensure the highest possible return, we determined that our limited resources prevented us from having an adequately strong impact in the US Leisure market. Furthermore, redirecting those dollars to focus on higher yielding international markets could generate measurable gains. Overall, this shift enabled us to demonstrate our leadership position with a solid and unified Canada brand in markets of highest return. Our partners recognize the benefits of working together under the leadership of Canada's tourism brand as it helps amplify Canada's collective voice in a crowded global marketplace.

Whether it's market research, embracing new technologies or knowing which markets offer the greatest return, we pride ourselves on our ability to lead the Canadian tourism industry. Leadership is not just about working harder, but about working smarter.



Kootenays, British Columbia

HELPING TOURISM BUSINESSES *through marketing excellence*

Innovation is a core value that acts as a cornerstone of our work at the CTC, and we strive to develop creative ways to motivate travellers to discover Canada. Our *35 Million Directors* campaign in 2012 was an innovative approach to connect emotionally with potential travellers by putting cameras into the hands of Canadians. The final product was a two-minute tourism marketing video made by Canadians for the world. As Canada's national tourism marketer, we are always looking to develop new and clever ways to promote Canada globally.

Quebec City, Quebec

One of the key assets at our disposal is the strength of the Canada brand, ranking in the top spot in 2010 and 2011, and #2 in 2012, by leading international consultancy FutureBrand. This past year also saw Canada advance its tourism position within the index by seven places to sixth. Canada's own tourism brand—*Canada. Keep Exploring*—is a key element of the overall country brand managed and promoted under the CTC's direction. This compelling national brand has a unique drawing power—a force that no individual, local or regional marketing effort can match[3].

Another prominent consultancy, The Reputation Institute, also regarded Canada in a positive light and ranked it the country with the best reputation in the world in both 2011 and 2012, and as the top most recommended country to visit in 2012. Canada's strong brand image, coupled with the unique experiences we offer, are critical elements on which we capitalize. Along with our industry partners, we expose prospective travellers to captivating marketing that connects with them emotionally and helps Canada to be top of mind.

Our dynamic Signature Experiences Collection® (SEC) also helps to ensure that Canada stands out from the competition. It moves beyond Canada's traditional "pillars" of wildlife and geography, and responds to consumers' increasing demand for experiential travel options that take them off the beaten path. While tangibly showcasing the kinds of extraordinary experiences travellers can have from coast to coast to coast, we also offer a wide range of tools to help tourism businesses compete for discerning travellers by promoting themselves internationally as "experiences" rather than "products".

Toolkits for industry include the CTC Brand Standards Guide, the Experiences Toolkit, and the EQ Toolkit.

Recognizing that the consumer is at the heart of our marketing approach, we use our proprietary customer segmentation tool, the Explorer Quotient® (EQ®), to uniquely link social values to travel preferences. This enables us to precisely target the people most likely to visit Canada through tailored campaigns.

Successful marketing depends on knowing who our target customers are. We build on Canada's stellar global reputation and develop creative strategies and innovative tools that maximize the power of our marketing budget. By focusing purposefully on segments of greatest opportunity, we, along with our partners, are creating a strong future for Canada's tourism industry.

Aikens Lake Wilderness Lodge, Manitoba

3 Results from the CTC's 2011 Global Tourism Watch survey reveal that while 21% of international travellers are aware of Canada, less than 1% are aware of its provinces or territories.

HELPING TOURISM BUSINESSES *through economic growth*

As one of the world's fastest growing sectors[4], tourism is strategically important for Canada to generate export revenues that provide new dollars to the economy. The healthy domestic market is well served by our provincial and territorial partners. We've chosen to focus fully on the international traveller, thereby reducing duplication of efforts in promoting Canada to Canadians.

A tourist from one of our leisure markets spends an average of $1,441 on a trip to Canada[5], while a Canadian spends less than $300 travelling domestically[6]. While the Canadian economy benefits from increasing domestic tourism demand, dependence on this market is a serious concern as there is limited potential for growth due to a relatively small population base.

Canal Covered Bridge near St. George, New Brunswick

[4] UNWTO Tourism Highlights, 2012 Edition.
[5] International Travel Survey, Statistics Canada.
[6] Travel Survey of Residents of Canada, Statistics Canada.

With more and more Canadians travelling abroad, the travel deficit is forecast to reach a record high of $17.8 billion in 2012[7], a deterioration of 9% year over year as payments by Canadians abroad were more than double receipts from visitors to Canada. As the sixth biggest spender on international travel[8], Canada is now seen as a net contributor to the world's tourism economy. Our strategy, therefore, focuses on revenue. Generating revenue from the international traveller helps to alleviate the long-term reliance on the domestic market for tourism growth. Through effective tourism marketing and promotions supported by aligned market research, the CTC helps create jobs and generate wealth for Canadians by stimulating demand for Canada's visitor economy.

A top priority for us is to deliver returns on the taxpayer dollars invested in our organization. Using a rigorous and commercially accepted methodology to assess the effectiveness of our campaigns allows us to conservatively attribute our work to tangible economic impacts. Our short-term results for 2012 indicate that our measured marketing activities generated $687 million for Canada—that's *new* money being injected directly into the Canadian economy, not domestic spending circulating within the country.

Supporting government programs through the generation of tax revenue is another priority for us, and so far in 2012 our marketing efforts have contributed $212 million in government tax revenue. $90 million of this was directed to the federal treasury, and our contributions are only expected to increase once long-term results[9] are in.

We've stayed true to our goal of delivering revenue and jobs for our country via innovative marketing, the main source of our competitive advantage to generate demand for travel. The CTC is trusted to get results, and the alignment of our partners and their contributions to our marketing activities are sound testaments to this. In fact, in 2012, partners contributed close to $62 million—equivalent to 80 cents for every dollar we received in federal funding—harnessing our collective marketing voice to $138 million. Our well-executed marketing programs drive not only revenue growth for Canada but job growth as well, and our partnerships enable us to provide an even greater return to the Canadian taxpayer. So far in 2012, our targeted tourism promotion activities have supported over 5,000 jobs for Canadian tourism businesses. No other national tourism organization that we know of puts more effort into understanding the specific impact of marketing within the context of overall tourism performance.

Nahanni, Northwest Territories

Saskatchewan

7 International Travel Account, Fourth Quarter 2012, Statistics Canada (preliminary).

8 UNWTO World Tourism Barometer, Volume 11, January 2013.

9 Short-term results include travel booked up to three months after campaign completion; long-term results include travel booked up to a year after campaign completion.

Canada Day Celebration, Parliament Hill, Ottawa, Ontario

YEAR IN REVIEW

GLOBAL TOURISM INDUSTRY OVERVIEW

Tourism is a trillion dollar global business generating fierce competition within the industry. Tourists spend $3 billion a day, or $2 million a minute, making tourism a lucrative industry in which countries can invest to help stimulate their economies and drive trade and investment. It accounts for one in every 12 jobs[10], and in terms of exports, it ranks fourth globally after fuels, chemicals and food[11].

Throughout the course of 2012, the tourism industry proved its resilience yet again. Tourism has become one of the world's fastest-growing industries, and is showing no signs of slowing down. Despite the global financial and economic crisis, people still desire to travel the world. In fact, international tourist arrivals surpassed the one billion mark in 2012, an increase of 4% over 2011[12]. Between now and 2030, international tourist arrivals are set to increase by an average of 43 million a year to reach 1.8 billion[13].

Despite ongoing economic difficulties in many parts of the world, international tourism expenditure in 2012 was marked by impressive growth from the world's two largest emerging markets. China, the world's third largest tourism spender, saw a surge of 42% in expenditure abroad in the first three quarters of 2012. At the same time, the strength of Russia's economy and the increasing affluence of its citizens saw the country's outbound expenditures grow by 31%, making it the seventh largest tourism spender[14].

Although the highest growth rates in expenditure abroad among the top ten markets came from emerging economies, important traditional source markets showed particularly strong results. Australia saw its international travel expenditure increase by 5% in 2012. In Europe, despite economic pressures, expenditure on international travel by top spender Germany grew at 3%, while the UK increased by 5% after two flat years. France, on the other hand, registered a decline of 7% in outbound travel expenditure[15].

In Asia, Japan returned to growth with a 3% increase in international spending in 2012, after registering a decline of 11% the previous year following the March earthquake disaster. Likewise, both South Korea (2%) and India (8%) saw increases in travel spending abroad[16].

As for the Americas, the weak economy and high unemployment rates did not deter Americans from travelling as the US saw a 7% growth in its international spending in 2012. For its part, Brazil's international tourism expenditure also increased by 5% over last year[17].

Overall, despite a slow global economic recovery and continued volatility in Europe, 36 of the top 46 international tourism spenders saw an increase in their outbound travel spending in the first three quarters of 2012 compared to the same period of the previous year[18]. This is a strong indication of the tourism sector's remarkable stability and potential for long-term growth.

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[10] UNWTO press release, "International tourism hits one billion", December 12, 2012.
[11] UNWTO Tourism Highlights, 2012 Edition.
[12] UNWTO World Tourism Barometer, Volume 11, January 2013.
[13] UNWTO Tourism Highlights, 2012 Edition.
[14] UNWTO World Tourism Barometer, Volume 11, January 2013.
[15] Ibid.
[16] Ibid.
[17] Ibid.
[18] Ibid.

TOURISM INDUSTRY IN CANADA

Canada's tourism sector is widely varied, ranging from small- and medium-sized enterprises operating in a single location to large, far-reaching corporations. It also includes marketing organizations at the provincial, regional and destination levels, as well as tourism industry and trade associations.

Tourism is a key driver of Canada's economy, creating jobs and earnings to all levels of government. It accounts for more than 608,500 jobs across the country, and in 2012, generated over $82 billion in tourism revenue. With over $15 billion of this coming in from international travellers, tourism is Canada's number one service export[19]. In fact, out of 22 categories in 2011, leisure travel accounted for nearly 17% of Canada's international trade in services[20].

However, over the years, the industry has seen the contribution from international travellers to tourism revenue falling significantly. Since 2000, tourism revenue from outside Canada has dropped from 35% to just below 19%. While this decline is largely attributed to diminished travel from the US market, this comes at a time when global receipts are growing exponentially, having more than doubled from under $500 billion in 2000 to over $1 trillion in the last decade[21].

At the same time, Canadians are spending more when travelling abroad, contributing to Canada's travel deficit. Ranked as the world's sixth largest spender in 2011, Canada increased its expenditure on outbound travel by 7% in 2012[22], widening the gap between how much Canadians are spending on international travel and how much Canada is bringing in.

TABLE 1: Economic activity of tourism in Canada

	2010	2011	2012*	Change from 2011
Total tourism revenue:	$73.4 billion	$78.7 billion	$82.4 billion	+5%
Domestic	$58.5 billion	$63.6 billion	$67.0 billion	+5%
International	$14.9 billion	$15.1 billion	$15.4 billion	+2%
Tourism's contribution to Canada's GDP	$29.3 billion	$31.1 billion	$32.4 billion	+4%
Government revenue generated by tourism[23]	$20.1 billion	$21.4 billion	$22.7 billion	+6%
Federal portion	$9.0 billion	$9.6 billion	$10.2 billion	+6%
Jobs supported through tourism spending	594,500	602,800	608,500	+1%
Total travel deficit	$14.2 billion	$16.4 billion	$17.8 billion	+9%

Source: National Tourism Indicators, Quarterly estimates, Third quarter 2012, Statistics Canada.

*CTC Research estimates.

In 2011, tourism was Canada's largest service export.

[19] Table 376-0108 – International transactions in services, by category, quarterly (dollars), CANSIM (database), Statistics Canada.
[20] Ibid.
[21] National Tourism Indicators, Quarterly estimates, Third quarter 2012, Statistics Canada.
[22] UNWTO World Tourism Barometer, Volume 11, January 2013.
[23] Government Revenue Attributable to Tourism, 2011, Statistics Canada.

In 2012, total receipts from overnight visitors from the CTC's 10 leisure markets amounted to an estimated $3.7 billion, an increase of less than 2% since 2011. Losses from France, South Korea and the UK were offset by gains in arrivals and overall spending from Australia, Brazil, China, India, Japan and Mexico. A strong Canadian dollar coupled with sluggish economies in the Eurozone gave way to a marked slowdown in arrivals to Canada from France and the UK, as well as stagnant growth from Germany. Despite continuing recessionary conditions throughout much of Europe and looming economic uncertainty globally, Canada still relies on the CTC's core markets of Australia, France, Germany and the UK for almost 60% of overseas tourism revenue. In the case of South Korea, the loss in arrivals to Canada may be partially due to the market's slowing export economy. As the world economy improves, it is expected that traveller spending will also increase.

TABLE 2: Overnight arrivals to Canada (000s) and expenditure by CTC market

		2010	2011	2012*	Change from 2011
Australia	Arrivals	202	216	235	+9%
	Expenditure	$353 million	$392 million	$419 million	+7%
Brazil	Arrivals	71	75	81	+8%
	Expenditure	$134 million	$139 million	$152 million	+9%
China	Arrivals	193	237	288	+22%
	Expenditure	$315 million	$407 million	$481 million	+18%
France	Arrivals	408	422	421	–0.2%
	Expenditure	$527 million	$544 million	$543 million	–0.1%
Germany	Arrivals	316	290	290	-
	Expenditure	$476 million	$450 million	$451 million	+0.2%
India	Arrivals	150	163	171	+5%
	Expenditure	$145 million	$163 million	$163 million	+0.2%
Japan	Arrivals	215	186	203	+9%
	Expenditure	$330 million	$307 million	$322 million	+5%
Mexico	Arrivals	116	125	133	+7%
	Expenditure	$157 million	$177 million	$186 million	+5%
South Korea	Arrivals	157	140	130	–7%
	Expenditure	$257 million	$236 million	$209 million	–11%
UK	Arrivals	661	623	599	–4%
	Expenditure	$811 million	$796 million	$751 million	–6%
Total CTC markets	Arrivals	2,490	2,476	2,551	+3%
	Expenditure	$3.5 billion	$3.6 billion	$3.7 billion	+2%
US total	Arrivals	11,749	11,597	11,847	+2%
	Expenditure	$6.3 billion	$6.1 billion	$6.4 billion	+4%
World	Arrivals	15,866	15,703	16,050	+2%
	Expenditure	$11.9 billion	$12.0 billion	$12.4 billion	+4%

Source: International Travel Survey, Statistics Canada.

* CTC Research estimates.

International travel to Canada is high value for the economy and drives increased competitive investment and product development. As illustrated below, the yield from an overseas tourist is more than five times that of a domestic traveller, consistent with our strategy to focus on those travellers who stay longer in Canada and spend more during their visits. Export tourism is strategically important to Canada's future competitiveness, and our continued focus will be on international markets that represent maximum potential for return on investment.

TABLE 3: Per trip expenditure by travellers by CTC market

	2010	2011	2012*
Australia	$1,745	$1,816	$1,781
Brazil	$1,881	$1,863	$1,874
China	$1,630	$1,721	$1,670
France	$1,292	$1,288	$1,289
Germany	$1,509	$1,550	$1,555
India	$966	$997	$952
Japan	$1,532	$1,652	$1,588
Mexico	$1,356	$1,424	$1,399
South Korea	$1,630	$1,686	$1,609
UK	$1,228	$1,278	$1,253
Total CTC markets	$1,408	$1,459	$1,441
Canada	$270	$260†	$265
US	$532	$529	$518

Sources: International Travel Survey and Travel Survey of Residents of Canada (TSRC), Statistics Canada.

* CTC Research estimates.

† Due to a change in the TSRC implemented for the 2011 reference year, the 2011 figure is not comparable to TSRC figures from prior years.

COMPETITOR PERFORMANCE

Over the past six decades, tourism has experienced continued expansion and has become one of the largest and fastest growing economic sectors in the world. Despite occasional shocks, the industry has seen virtually uninterrupted growth. Travel is rebounding in many parts of the world, and competitors see this as an opportune time to enact travel policy changes and invest heavily in tourism marketing and development. Additionally, for the first time, G20 leaders are recognizing the importance of travel and tourism as a driver of jobs, growth and economic recovery.

With international tourism a key priority for the US government, the establishment of a national tourism marketing agency and improvements in visa processing for select countries are yielding positive effects for the US tourism industry. The country experienced a tremendous 18% boom in Brazilian travel in the first eight months of the year, having greatly improved its visa processing time for visitors from that country from three months to just three weeks. Trips to the US grew from all CTC markets, with the exception of France and the UK which exhibited modest declines due to the depreciating euro and looming fiscal uncertainty.

> "We recognize the role of travel and tourism as a vehicle for job creation, economic growth and development…"
>
> — G20 Leaders' Declaration, June 2012

Canada similarly experienced decreased visitation from our traditional European markets of France and the UK, but continued to make improvements in the emerging/re-emerging markets of Brazil, India, Japan and Mexico. Over the last year, overnight arrivals to Canada from the CTC's leisure markets increased 3%, exceeded by the US' growth rate of 6.8% and slightly below Australia's 3.7% for the same markets.

While the UK experienced an overall slight decline in arrivals in the first three quarters of 2012, it did make a significant gain in the emerging market of China (+20%). This is also true for Canada (+22%), as well as competitors Australia (+16%) and the US (+39%). With a wealthier middle class and the granting of Approved Destination Status to specific countries, including Canada and the US, China's outbound travel has grown accordingly. In fact, Chinese travel to long-haul destinations beyond northeast Asia has nearly tripled over the last decade, and Canada along with key competitors benefited from this surge through double digit growth in 2012. Going forward, long-haul travel will remain highly competitive with Australia, the US and European countries investing heavily to attract Chinese travellers.

The disastrous effects following the earthquake and tsunami in 2011 led to a sharp decline in outbound travel by Japanese tourists. With the Japanese economy rebounding in 2012, travellers resumed their propensity for international travel from the previous year, enabling Canada (+9%), Australia (+6%), the US (+15%) and the UK (+7%) to experience renewed growth in this market.

TABLE 4: Estimated overnight trips to Canada, Australia, the US and the UK in 2012 by CTC market (000s) and change from 2011

Trips from	Canada		Australia		US (first 8 months)*		UK (first 9 months)*	
	Trips	Change	Trips	Change	Trips	Change	Trips	Change
Australia	235	+9%	-	-	705	+6%	765	-14%
Brazil	81	+8%	31	+6%	1,108	+18%	217	+0.5%
China	288	+22%	626	+16%	1,031	+39%	139	+20%
France	421	-0.2%	98	+4%	1,039	-1%	2,852	+4%
Germany	290	-	155	+1%	1,240	+5%	2,198	-4%
India	171	+5%	159	+7%	525	+7%	288	-1%
Japan	203	+9%	354	+6%	2,435	+15%	205	+7%
Mexico	133	+7%	5.4†	-3%†	9,117	+6%	65	+5%
South Korea	130	-7%	197	-1%	841	+7%	117	-4%
UK	599	-4%	594	-2%	2,467	-2%	-	-
Total CTC markets	2,551	3%	2,190	4%	20,508	7%	6,846	-1%

Sources: CTC Research estimates based on International Travel Survey, Statistics Canada; Visitors by country of residence, Tourism Australia, December 2012; US Office of Travel and Tourism Industries, Monthly Tourism Statistics, August 2012; UK Office of National Statistics, International Passenger Survey, third quarter, 2012.

* Based on data available at time of publishing.

† Forecasts by Oxford Economics, Tourism Decision Metrics, February 15, 2013.

Despite economic uncertainty, tourism is one of the few sectors that continues to grow, driving economic progress and fueling job creation. The world's expanding middle class has led to a surge in the demand for travel to emerging and exotic destinations, eroding the shares of Western and European destinations. In 1950, the top 15 travel destinations accounted for 97% of the world's share of outbound travellers. Today, they account for just over half.

TABLE 5: Canada's competitive position, share of international tourist arrivals

Ranking	1950		1970		1990		2011	
	Country	Share	Country	Share	Country	Share	Country	Share
1	US	97%	Italy	75%	France	67%	France	56%
2	Canada		Canada		US		US	
3	Italy		France		Spain		China	
4	France		Spain		Italy		Spain	
5	Switzerland		US		Hungary		Italy	
6	Ireland		Austria		Austria		Turkey	
7	Austria		Germany		UK		UK	
8	Spain		Switzerland		Mexico		Germany	
9	Germany		Yugoslavia		Germany		Malaysia	
10	UK		UK		Canada		Mexico	
11	Norway		Hungary		Switzerland		Austria	
12	Argentina		Czechoslovakia		Greece		Russia	
13	Mexico		Belgium		Portugal		Hong Kong	
14	Netherlands		Bulgaria		Malaysia		Ukraine	
15	Denmark		Romania		Croatia		Thailand	
	Other	3%	Other	25%	Other	33%	Other	44%

Source: UNWTO.

Canada's own competitive position has declined from being a Top 10 destination in the world in 1990 in terms of arrivals, to number 18 in 2011[24]. Similarly, Canada's share of the lucrative world travel market has been waning steadily, falling from 3.3% in 1990 to 1.6% in 2011[25]. Over the last two decades, there has been a global trend of mature destinations losing business to up-and-comers such as Turkey, China and Malaysia. The emergence of low-cost carriers and the ease of cross-border travel have facilitated enhanced access and mobility to different regions of the world.

The exposure to different cultures and exotic destinations is a lure for international enthusiasts with a strong propensity to travel. The burgeoning economies and greater discretionary spending of the middle classes in South America, Asia and Africa have also fueled the demand for international travel. With the number of international travellers on the rise, this shift of travel consumption from the West to the East is expected to continue. In addition, as governments of many developing and emerging nations have recognized the economic benefits of international tourism, their investments in tourism marketing have become a strategic focus, further weakening Canada's competitive position.

[24] UNWTO World Tourism Barometer, Volume 11, January 2013.
[25] UNWTO Tourism Highlights, 2000 and 2012 Editions.

35 MILLION
DIRECTORS

Newfoundland and Labrador

Nunavut

Every dollar the CTC invested in its measured 2012 Stampede-related consumer advertising campaigns generated approximately $14 for the Canadian tourism economy.

CTC HIGHLIGHTS OF 2012

The following are examples of activities the CTC undertook over the course of the previous year that demonstrate advancement of our 2012-2016 corporate objectives and priorities (see page 36).

35 Million Directors

The CTC asked Canadians to take on the job of promoting their own country this past summer when it put them in the director's chair to capture their favourite travel experiences and destinations in Canada. Canadians were asked to share photo and video footage of their most memorable experiences and locales from coast to coast to coast—footage that would intrigue and inspire international travellers to explore Canada on their next holiday.

The nationwide, user-generated content campaign, known as *35 Million Directors*, set the CTC out on an inspiring journey to create a story told from the point of view of those who know the country best—Canadians—on what makes them proud about their homeland, and why it's the most exciting place on earth for visitors to explore.

After filtering through over 8,200 entries and 65 hours of footage, the CTC featured the most inspiring submissions in a two-minute broadcast video designed to whet the appetite of international travellers looking for unique and authentic travel experiences. Originally launched on CTV's *Canada AM* and TVA's *Salut Bonjour*, the video is currently being used in marketing campaigns to provide a fresh glimpse of Canada's regional and cultural diversity, and globally has amassed over 2.5 million YouTube views. The clever initiative gave Canadians a chance to be a part of promoting their own country with pride and a sense of fun, and supported a tourism industry that is integral to so many communities across Canada.

Stampede

2012 marked the 100th anniversary of the Calgary Stampede. Recognizing the significance of this historic milestone, the federal government, through Canada's Economic Action Plan, supported the landmark celebration with a $5 million investment for the CTC to increase awareness of the Stampede in key international tourism markets. With historically low international visitor attendance and awareness of the signature event typically concentrated locally, the CTC leveraged the Stampede's centennial celebrations to attract greater numbers of international travellers to Canada by showcasing the event through creative advertising, marketing via tour operators and travel agents, media attention, social media buzz and public relations.

Showcasing the Stampede through targeted campaigns in key overseas markets increased international awareness of the event, and inspired foreign travellers to visit Canada. The CTC's measured Stampede-related marketing activities reached over 141 million people, leading to over 8,900 travellers booking trips to Canada in the six months leading up to the centennial celebrations[26]. In terms of economic impact, spending by these travellers equated to more than $9.2 million

[26] Based on short-term results for the CTC's Stampede-focused direct-to-consumer advertising campaigns in the UK, Germany, South Korea and Brazil, and promotional activities with tour operators and travel agents.

in tourism revenue for the Canadian economy. It also generated an estimated $2.8 million in government revenue, including $1.2 million in revenue for the federal government, and supported 71 jobs for Canadian tourism businesses.

With the boost from the Government of Canada's investment, the CTC leveraged the Calgary Stampede's 100th anniversary celebrations to bring about meaningful legacies – cementing the Stampede's stature as an international must-see event, and boosting Alberta's and Canada's profile as a destination for global travellers. Both will bring lasting economic rewards to the country as a whole.


Calgary, Alberta


Calgary, Alberta

Billed as the "Greatest Outdoor Show on Earth", the Calgary Stampede lived up to its name when it set a new record attendance level in 2012. Over 1.4 million people celebrated the 100th anniversary signature event – a 20% increase over 2011.

Signature Experiences Collection®

From building sand castles in the monumental Athabasca Sand Dunes to following a gastronomic slalom course in Whistler, Canada offers world travellers experiences that are anything but ordinary. It is exotic tourism experiences from every region of the country such as these that are featured in our Signature Experiences Collection® (SEC), a collection that differentiates Canada from the competition. By connecting emotionally with potential travellers, the SEC helps Canada stand out in a crowded marketplace.

A pillar in Canada's Federal Tourism Strategy, the SEC helps eligible tourism businesses promote their product internationally, as members of the SEC become the priority pool of tourism experiences from which we choose content for our marketing campaigns. The collection also provides export-ready content that tour operators and travel agents can include in their promotional materials and Canada itineraries.

In 2012, the SEC welcomed another outstanding 48 experiences into its collection, bringing the total pool to 163 since its launch in 2011 and further cementing its reputation as the go-to source for truly authentic, Canadian tourism experiences.

Signature Experiences Collection d'expériences distinctives®


Athabasca Sand Dunes, Saskatchewan


Whistler, British Columbia

A night under the ice in Québec City

There's more than just a "Hazy Shade of Winter" to central and eastern Canada—visitors flock from around the world to enjoy the experiences the coldest season brings.

The unique design and beautiful sculptures of the *Hôtel de Glace* in Québec City, QC are just some of the reasons this ice-hotel is part of our Signature Experiences Collection®. Boasting huge snow vaults and crystalline ice sculptures, the hotel welcomes visitors to experience a true Nordic adventure by spending the night under ice in one of its 44 intimate rooms. Situated in an urban park surrounded by trees, this must-see attraction is conveniently located just 15 minutes away from ski resorts and downtown.

Since opening its doors in 2001, the authentic *Hôtel de Glace* has welcomed over half a million people from around the world to experience its phenomenal work of art.

Tonging and Shucking off the coast of Atlantic Canada

Exposing travellers to the real Canada is at the heart of a Prince Edward Island oyster farm's Tong and Shuck experience. Featured in our SEC, *Future Seafoods* invites visitors aboard an oyster dory at their farm in Salutation Cove to tong for the seafood treats themselves and learn the skills of oyster shucking.

Interacting with Atlantic Canada's unique culture goes beyond enjoying the conventional lobster dinner or taking a scenic drive along the coast. Allowing visitors to mingle with interesting islanders was the inspiration that encouraged the local family-run business to open up their fishing boats to travellers wanting to get up close and personal with the oyster fishing experience.

Tradeshows and media marketplaces

The CTC hosts a number of events every year to provide Canadian tourism industry partners with opportunities to connect with travel agents, tour operators and media from international markets. These shows include a popular format that matches tourism product buyers and sellers in one-to-one, business-to-business appointments. In the media marketplaces, one-to-one appointments also allow Canadian partners to meet with magazine, newspaper and online editors, as well as with TV and radio producers from international markets to share their latest news, ideas, projects and travel stories. Workshops, information booths and other networking events are also features of the marketplaces.

In 2012, the CTC led the following tradeshows and marketplaces:

Asia	Showcase Canada-Asia
Australia	Canada Corroborree
Brazil	Showcase Canada-Brazil
Canada	Rendez-vous Canada and GoMedia Canada Marketplace
Mexico	Conozca Canada and GoMedia Mexico
US	Canada Media Marketplace

Business Events Canada *(formerly Meetings, Conventions & Incentive Travel)*

Business Events Canada (BEC) is the CTC's new brand platform for the international Meetings, Conventions and Incentive Travel program. This strategic change reflects the continuing importance of the meetings industry to Canada's economy. Incentive travel and travel pertaining to meetings and conventions attract close to two million visitors each year to Canada from our key markets of the US, France, Germany and the UK. This represents almost 23% of all money spent by inbound overnight travellers, and equates to $1.8 billion. Canada is the number one location for outbound meetings business from the US, which accounts for about $1.4 billion of this total spending[27].

BUSINESS EVENTS CANADA

KEEP EXPLORING

The shift to BEC also highlights the crucial role that meetings play in bolstering Canada's international business aims. Business events often provide delegates and visitors with their first look at Canada and present a clear opportunity to build new relationships, generate new investment and offer future growth opportunities for the country.

Where a full business day is more than a day full of business.

Going forward, BEC will sharpen its sales focus and align with the federal government's Global Commerce Strategy. Priority sectors outlined in the Strategy will provide the business line upon which we will focus our tactical efforts. With an increased focus on business and economic development, we will show how meetings held in Canada can lure international delegates from different industries to invest in Canada's economy and enhance Canada's brand reputation around the world.

[27] CTC tabulations from Statistics Canada, International Travel Survey, 2011 Travel Characteristics.

Social media

Social media is an important element of the CTC's overall marketing communications strategy. Our main objective of leveraging social media channels such as Facebook, Twitter, YouTube, Instagram and Tumblr is to stimulate more people to share their stories and experiences about Canada in order to drive consideration of Canada as a potential destination amongst a wider audience. Our focus is to be present where travellers are speaking with travellers and supporting the conversation.

We enjoyed a lot of success with Instagram in terms of increasing customer engagement in 2012. Instagram is ideal for showing what's happening in Canada in the moment, and submissions in response to our call for user-generated content helped us build advocacy for Canada. Rather than tapping into the CTC's image library, engaging customers to share their own content helps drive a sense of urgency for fellow consumers to visit now. Since we started in 2011, travellers have shared more than 35,000 photos of Canada using the hashtag #ExploreCanada.

2012 also saw us host our first ever Global Blogger familiarization tour designed to enhance integrated media coverage of Canadian travel experiences. Nineteen influential international media and bloggers from our various markets travelled on themed itineraries across the country, with the objective of increasing positive photo and story sharing via this group's personal networks.

Social media has allowed us to cost-effectively build Canada's tourism brand globally, and it will continue to be useful as a means of engaging influencers and consumers in two-way dialogue.

Michael Bublé: "Home for the Holidays"

In 2012 we partnered with Warner Brothers Music to influence and leverage content in international artist Michael Bublé's Christmas special which was produced in Vancouver.

The objective was to integrate destination content into the NBC program and into the singing sensation's own social media platforms. With the influence of the CTC, the NBC prime time program featured various locations in Michael's home town of Vancouver. We further produced a "behind the scenes" video at these locations that resulted in over 40,000 views in the first few weeks of being posted to Michael's YouTube channel. When the program aired in prime time on NBC, Michael tweeted live a variety of additional Vancouver and Canadian content to his 1.2 million followers.

A promotion for the Christmas special was also broadcast in the UK across one of its largest radio networks. The Canadian crooner acted as guest DJ for the two-hour show, which was syndicated across different UK radio stations to a potential audience of over 80,000 listeners. Thirty-second commercial spots featuring Canadian holiday-themed packages peppered the show, providing consumers with a call to action to book travel to Canada.

Ongoing operational efficiencies

The CTC Board of Directors expects us to conduct operations on the principle of efficiency as a matter of ongoing business. Efficiency is not a one-time event at the CTC; our management works to meet strict efficiency and program budget maximization goals as part of the overall performance management of the organization. As a result, we continuously look to identify opportunities to increase our operational efficiency, allowing us to maximize the allocation of our budget to programming activities. Noteworthy examples include introducing a defined contribution pension program in 2006, and the strategic shift that began in 2010 which led to the reduction of permanent staff, the closure of five international offices, and the move to a hub structure enabling us to scale up or down with greater flexibility. Our lean and scalable business model allows us to adapt quickly to changing market conditions and leverage new opportunities as they arise.

The strategic shift also saw us cede leadership in the US Leisure market to our partners, and we began directing our focus to where the Canada brand leads internationally. In 2012, we finalized this exit by ceasing our media relations, public relations and social media activities in the US, remaining active solely in the business events sphere and with our annual Canada Media Marketplace event.

In 2012, additional operational efficiency gains were attained through the introduction of a new suite of cloud-based systems for internal business functions. The new suite replaces legacy systems that were outdated, complex and expensive to maintain. This move provides our staff with the right tools that are easy to use, and frees up additional resources which can be directed to marketing and sales activities.

Most recently, the CTC Board Secretariat launched a new project entitled Paperless Board. The former process for the preparation of briefing material for in-person board meetings was a manual and time consuming one, and not considered a best practice among the CTC's peer organizations. By implementing new technology, briefing materials for board meetings are now compiled electronically, instilling greater efficiency and enabling ease of access to materials through one common portal.

MARKETING CANADA TO THE WORLD

To achieve our goal of growing revenue for Canada's tourism economy, we follow a strategy of focusing on markets where Canada's tourism brand leads and yields the highest return on investment, while also tapping into growth from new and emerging markets. Despite our exit from the US Leisure market, we remain active in the markets that account for more than 60% of all international arrivals to Canada. By deepening our relationship with high-yield customers—those who stay longer and spend more—we influence their travel decisions and increase Canada's tourism revenue even when arrivals are down. We track the incremental tourism revenue generated from our measured direct-to-consumer advertising campaigns, promotions with our travel trade partners, and confirmed bookings from business events based on a traveller's average trip expenditure for a given market. The table below summarizes the impacts that these activities in 2012 had on Canada's economy:

TABLE 6: Attributable results from CTC's measured marketing activities

	Direct-to-consumer Advertising*	Travel Trade Promotions	Booked Business Events	Total
Converted/booked travellers†	408,700	189,400	N/A	598,100
Tourism export revenue	$607 million	$36 million	$44 million	$687 million
Government tax revenue	$187 million	$11 million	$14 million	$212 million
Federal tax revenue	$80 million	$5 million	$6 million	$90 million
Jobs supported	4,483	263	327	5,073

* Short-term results based on travel booked up to three months after campaign completion.
† Refers to travellers influenced to visit Canada upon seeing a CTC campaign.

Results from direct-to-consumer advertising

Direct-to-consumer advertising is the most effective way to influence demand for Canada as a vacation destination. We partner with key private and public-sector tourism organizations on advertising and marketing campaigns, and in 2012 engaged in integrated advertising campaigns using television, cinema, print, and online mediums.

To determine the relationship between advertising expenditures, campaign awareness, and sales that can be conservatively attributed to the marketing program, we evaluate the success of our direct-to-consumer marketing efforts through third-party administered advertising evaluation and conversion studies[28]. A review of our study methodology in 2011 revealed potential areas of improvement in the timing of when our studies are conducted. In essence, increasing the time delay between the campaigns and the subsequent advertising studies would allow for people in long-haul markets sufficient time to plan and make their trips. This would result in a more fulsome evaluation of the campaigns' impacts, and in 2012 we revised our methodology to allow for this change.

An additional adjustment in our methodology relates to the frequency in which the evaluations are conducted. Although the CTC currently engages in direct-to-consumer advertising campaigns in nine of our 10 leisure markets each year, it is cost-prohibitive to continue conducting an ad evaluation in each market annually. As a result, our direct-to-consumer campaigns are now studied on a rotating basis, with select markets evaluated each year[29].

[28] Studies are administered by Longwoods International.
[29] In 2013, ad campaigns in China, France, Japan, Mexico and the UK will be evaluated, and the ad campaign in Australia will be assessed in 2014.

In 2012, ad campaigns in Brazil, Germany, South Korea and the UK were assessed, and the CTC extrapolated results for the remaining leisure markets where direct-to-consumer campaigns took place[30].

The following table outlines the short-term results for our 2012 direct-to-consumer campaigns. Results from the longer-term conversion phase of the study (conducted up to a year after campaigns end) will increase the overall results by including travellers who were motivated to visit Canada but took longer to book a trip. These final results will be available by summer 2013.

TABLE 7: Short-term results from direct-to-consumer campaigns

	2012 Short-term Results
Converted travellers	408,700
Return on investment from marketing campaigns	56 : 1
Attributable tourism export revenue	$607 million
Attributable government tax revenue	$187 million
Attributable federal tax revenue	$80 million
Attributable jobs supported	4,483

Results from travel trade promotions

The CTC works directly with international travel companies to develop and sell Canada as a vacation destination. Travel agents with a solid understanding of Canada's tourism products are more likely to influence consumers to visit Canada. The CTC engages in key travel trade activities—such as the Canada Specialist Program—to educate travel agents and tour operators on Canadian products and to encourage tour operators to include Canada in their sales offerings. We also motivate existing tour operators to add more Canadian product and experiences to their catalogues, effectively increasing Canadian shelf space in the supply chain.

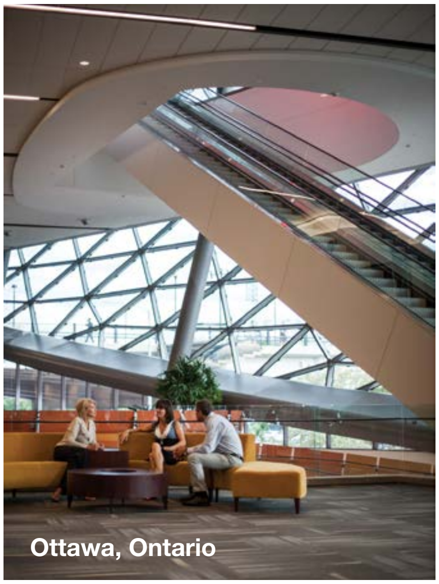
While only in our second year of measuring attributable results from travel trade promotions, we are able to estimate the level of tourism revenue generated as a direct result of our investments in promotional activities with the travel trade. These promotional activities through the travel trade result in actual sales of Canadian travel and travel packages to travellers in each of our leisure markets.

TABLE 8: Results from travel trade promotions

	2012 Results
Booked travellers	189,400
Return on investment from travel trade promotions	12 : 1
Attributable tourism export revenue	$36 million
Attributable government tax revenue	$11 million
Attributable federal tax revenue	$5 million
Attributable jobs supported	263

Results from booked business events

30 In 2013, this type of ROI extrapolation will only be necessary for Australia, as it will not be assessed until 2014. Going forward, since ad evaluation studies in our markets will be conducted on a rotating basis biennially, economic impact results will be aggregated and reported for only those markets where studies are conducted.



Ottawa, Ontario

Our Business Events Canada program is designed to generate business opportunities for various private- and public-sector Canadian partners, resulting in the booking of meetings, conventions and incentive travel. Canada's state-of-the-art facilities, high service levels, diverse destinations and distinctive niche product experiences are promoted in key geographic and segment-specific markets to generate new business opportunities away from competing destinations. In the US, our BEC initiatives position Canada as an attractive alternative to international meeting and incentive destinations, offering the cachet of a foreign experience with the familiarity and ease of home.

We estimate the economic value generated through business events that were booked in a given year. For each booked event, we determine the level of attendee spending using industry-accepted benchmarks. The sum of attendee spending for all booked events for a given year is the economic value. For 2012, this economic value is $44 million. Additional results stemming from our BEC activities can be found in the table below.

Toronto, Ontario

TABLE 9: Results from booked business events

	2012 Results
Return on investment from booked business events	11 : 1
Attributable tourism export revenue	$44 million
Attributable government tax revenue	$14 million
Attributable federal tax revenue	$6 million
Attributable jobs supported	327

Since 2011, the CTC has been reporting on the economic value of our BEC program for a given year based on business opportunities presented in the same year. As the conversion of a business opportunity into a definite sale can be a multi-year process, we have been underestimating, and therefore, under-reporting, our attributable results and impacts on the broader tourism economy. Beginning in 2013, we will report on all business secured in a given year, regardless of the year when the opportunities materialized.

Vancouver, British Columbia

The CTC's measured marketing activities in 2012 contributed $687 million in tourism revenue to the Canadian economy, and $212 million in government revenue. Our work also supported over 5,000 jobs in the tourism sector.

AWARDS AND RECOGNITION IN 2012

The CTC prides itself on inventive marketing, and constantly looks for ways to gain a competitive edge in the global tourism marketplace. The following is a list of various awards presented to the CTC in 2012.

CORPORATE AWARDS

FutureBrand's Country Brand Index

In 2012, FutureBrand's Country Brand Index ranked Canada the No. 2 country brand out of 113 countries. (Canada ranked No. 1 in 2010 and 2011.) Canada improved in all seven tourism attributes, raising Canada's overall rank on the tourism dimension by seven places to No. 6. The report also cited Canada's world-class ski resorts.

Reputation Institute's Country RepTrak™

Reputation Institute's 2012 Country RepTrak™ ranked Canada as the country with the best reputation in the world for the second year in a row, and as the world's most recommended country to visit.

MARKETING AND PUBLIC RELATIONS AWARDS

Ad and Design Club of Canada Awards

Interactive Agency of the Year award	
Gold award for Interactive Media, Digital	*"Keep Exploring" integrated campaign*
Silver award for Interactive Media, Business to Consumer	*"Drop the Pin"*
Silver award for Interactive Media, Best Use of Game Mechanics	*"Keep Exploring" integrated campaign*
Silver for Advertising	*"Keep Exploring" integrated campaign*

Applied Arts' Advertising & Interactive Awards

Advertising Complete Ad Campaign	*"Keep Exploring" integrated campaign*
Interactive Online Campaign	*"Keep Exploring"*

American Society of Association Executives Annual Meeting & Expo

Best in Show award	*CTC pavilion*

Canadian e-Tourism Awards

2nd place for Best User-generated Content	*"Tumblr Royally Curious" campaign*
3rd place for Best Online Campaign	*"Hello Canada" campaign*

Canadian Marketing Association Awards

Gold award for Digital, Consumer Services	*"Keep Exploring"*
Silver award for Advertising, Consumer Services	*"Keep Exploring"*

Tofino, British Columbia

Expedia Media Solutions

Innovation award	*"Upgrade to Canada" campaign in France and Germany*

Global Times Awards

No. 1 Overseas Travel Destination award	*Marketing in China*

Hospitality Sales & Marketing Association International Adrian Awards

Gold award for Advertising	*"Keep Exploring"*
Gold award for Digital	*"Explore Canada Like a Local"*
Silver award for Digital	*"Keep Exploring" integrated campaign*
Platinum award for Public Relations Feature Placement – Television	*Bringing NBC's "TODAY" show to Montréal*
Silver award for Public Relations Campaign Special Event	*"Flirtation with Canada" campaign*

Lotus Awards

Merit for Best Website	*"Drop the Pin"*
Merit for Best Digital App/Mobile	*"Keep Exploring"*

Marketing Awards

Finalist, Integrated Campaign	*"Keep Exploring" integrated campaign*
Finalist, Digital Website/Microsites	*"Keep Exploring" website*

North American Effies

Finalist for Travel/Tourism/ Destination	*"Keep Exploring" integrated campaign (2011)*

Sina's Golden Track Awards

Best Destination	*Marketing in China*

Top Travel Magazine Awards

Market Leader award	*Marketing in China*

Travel Agents Choice Awards

Long haul destination of the year for soft adventure	*Marketing in the UK*

Travel Bulletin Star Awards

Star Tourist Office for Incentives	*Canadian Tourism Commission*

Travel Journalism Awards for Excellence

Most Outstanding Tourism Organization in Australia award	*Marketing in Australia*

UK Travel Marketing Awards

Gold award for Integrated Campaign	*"Keep Exploring" integrated campaign (2011)*

Webby Awards

Finalist for Tourism	*"Explore Canada Like a Local"*

PERFORMANCE MEASUREMENT

Performance measurement on an ongoing basis enables us to assess our progress on fulfilling our strategy and mission, and provides us with the information needed to guide our decision-making processes.

Since 2008, the CTC has been using the Balanced Scorecard (BSC) as our performance measurement framework. This strategy management tool links objectives, performance measures and targets to our strategy at all levels, and integrates financial with non-financial measures to provide a holistic view of our overall performance. Assessing performance through five different perspectives (Shareholder & Stakeholder, Customer, Budget and Finance, Internal Operations, and Workforce) enables us to maximize our potential to grow tourism export revenues for Canada.

We measure organizational performance in relation to the external environment, but we also monitor and adapt to the tourism economy. While the BSC contains a mixture of CTC performance measures and tourism industry indicators, industry indicators are included for the purposes of monitoring the overall health of the industry and reflect the combined efforts of all members of the industry. Therefore, we do not set CTC targets for these measures.

For 2012, the measures deemed most critical to achieving our goal of growing tourism export revenues for Canada were:

- Attributable tourism export revenue;
- Partner contributions; and
- Employee engagement.

As a result of our direct-to-consumer, travel trade and business event activities, we are able to estimate the value of tourism export revenue generated for Canada that is directly attributable to the CTC. In 2012, based on our direct-to-consumer activities and sales resulting from our travel trade promotions and business events, the CTC generated an estimated $687 million for Canada's tourism economy.

Although this result is far below our 2012 target of generating $2.31 billion for the tourism economy, the result should be interpreted with the following caveats in mind:

1) The revised ad evaluation and conversion methodology has brought about greater controls to isolate the effect of advertising on the purchase decision. Due to the increased time delay (from three months to six months) between campaigns and the subsequent advertising studies, direct-to-consumer results are short-term only. The overall attributable tourism export revenue result is expected to increase once longer-term conversion results are available in summer 2013.
2) The $2.31 billion target for 2012 was set in anticipation of federal appropriations being maintained at current levels. However, the reduction to the CTC's core budget through Budget 2012 resulted in decreased market allocations to programming budgets.
3) The $2.31 billion target for 2012 was set at the end of 2010 in consideration of 2010 results. Exceptional performance results were attained that year due to improved global economic conditions and the heightened international awareness of Canada from the 2010 Winter Olympic Games.

Although 2012 ad campaigns in Brazil, Germany, South Korea and the UK were assessed and results were extrapolated for the remaining leisure markets where direct-to-consumer campaigns took place, this type of return on investment (ROI) extrapolation will only be necessary for Australia in 2013, as it will not be assessed until 2014. Going forward, as ad evaluation studies in our markets will be conducted on a rotating basis biennially, economic impact results will be aggregated and reported for only those markets where studies were conducted.

In 2012, partner contributions totalled nearly $62 million ($9.9 million in "cash" and $51.8 million in "non-cash"), resulting in a contribution ratio of 0.8 : 1 against our appropriations of approximately $76 million and exceeding our target of 0.6 : 1. This result demonstrates the continued relevancy of our programs to partners.

Our employee engagement index held steady at 74%, reflecting our employees' belief in the CTC's mission and vision and their commitment to the organization. This result is comparable to industry standards.

2012 ENTERPRISE BALANCED SCORECARD RESULTS

		2011 Result	2012 Target	2012 Result
TOURISM INDUSTRY INDICATORS				
SHAREHOLDER & STAKEHOLDER				
1.1 Objective: Increase demand for Canada's visitor economy				
a	Tourism export revenue	$15.1 billion	N/A	$15.4 billion (est.)
b	Tourism GDP	2%	N/A	2% (est.)
c	Tourism employment	602,800	N/A	608,500 (est.)
d	International tourist receipts from CTC's markets	$9.7 billion	N/A	$3.7 billion* (est.)
e	Average spend per person per night among CTC's markets	$105.62	N/A	$80.48* (est.)

		2011 Result	2012 Target	2012 Result
CTC PERFORMANCE MEASURES				
SHAREHOLDER & STAKEHOLDER				
1.2 Objective: Focus on markets where Canada's tourism brand leads and yields the highest return on investment				
a	Marketing campaign ROI	37 : 1	75 : 1	56 : 1†
b	Program ROI	11 : 1	35 : 1	N/A‡
c	Number of people converted from direct-to-consumer advertising	322,818	686,700	408,700†
d	Economic contribution of MC&IT program	$61.5 million	$189 million	$44 million
e	**Attributable tourism export revenue§**	$590 million	$2.31 billion	$687 million†
f	Attributable jobs created and/or maintained	4,781	20,478	5,073†
g	Attributable federal tax revenue	$78.2 million	$305.8 million	$90 million†
1.3 Priority: Lead industry in international brand alignment and consistency				
a	Partner brand alignment	82%	60%	N/A¶
b	Partner satisfaction	89%	80%	N/A¶
1.4 Priority: Advance a culture of innovation and entrepreneurial development among tourism businesses				
a	Member advocacy of SEC program	N/A	Benchmark	83%
CUSTOMER				
2.1 Priority: Ensure customer relevancy and differentiate Canada				
a	Aided destination awareness	33.4%	35%	35%
b	Aided destination consideration	71.4%	74%	78%
c	Country brand rank	1	Top 5	2
BUDGET AND FINANCE				
3.1 Priority: Foster organizational excellence				
a	**Partner contribution§**	0.8 : 1	0.6 : 1	0.8 : 1
b	Proportion of budget allocated to programming	74.6%	Min 70%	72%
INTERNAL OPERATIONS				
4.1 Priority: Foster organizational excellence				
a	Systems effectiveness	N/A	47%	N/A**
WORKFORCE				
5.1 Priority: Foster organizational excellence				
a	Core values index	69.3%	70%	66%
b	**Employee engagement index§**	74%	65%	74%

* Reflects exit from US Leisure market.
† Based on short-term conversion results; final results with longer-term conversions will be available by summer 2013.
‡ Upon further consideration, measure was deemed no longer relevant.
§ Critical metric.
¶ Data collected every two years through the Biennial Partner Survey; next survey in 2013.
** Result not available as implementation of the applicable IT applications was delayed until late 2012.

ENTERPRISE BALANCED SCORECARD MEASURE DEFINITIONS

1.1 a Tourism export revenue
Total spend by foreign visitors on Canadian-produced tourism goods and services. Purchases may take place outside of Canada if a Canadian company supplies the goods or services (e.g. purchase of an airline ticket from a Canadian international carrier for travel to Canada). Source: National Tourism Indicators, Statistics Canada.

1.1 b Tourism GDP
Unduplicated value of production, within the boundaries of a region, of goods and services purchased by tourists, represented as a share of total GDP. Source: National Tourism Indicators, Statistics Canada.

1.1 c Tourism employment
Number of jobs generated, directly or indirectly, by tourism spending. It is based on an estimate of jobs rather than "hours of work." Thus, someone who works 10 hours a week counts for as much, by this measure, as someone who works 50 hours a week. Source: National Tourism Indicators, Statistics Canada.

1.1 d International tourist receipts from CTC's markets
Total spend by visitors from CTC's key markets on Canadian-produced tourism goods and services during stays of at least one night. Purchases may take place outside of Canada if a Canadian company supplies the goods or services (e.g. purchase of an airline ticket from a Canadian international carrier for travel to Canada). Source: International Travel Survey, Statistics Canada.

1.1 e Average spend per person per night among CTC's markets
Measure of yield achieved from inbound visitors from CTC's key markets, based on total trip spend and the number of nights spent in Canada.

1.2 a Marketing campaign ROI
Value of tourist receipts generated by CTC's core marketing campaigns per dollar spent to execute the campaign. This form of conversion counts those individuals who were considering travelling to Canada but had not yet booked a trip prior to being exposed to the campaign, and were positively influenced to visit or book a trip to Canada upon seeing the advertising.

1.2 b Program ROI
Value of tourist receipts generated by CTC's core marketing program (includes advertising campaigns, consumer shows, public and media relations, and trade development) per dollar spent to execute the program. This form of conversion counts those individuals who were considering travelling to Canada but had not yet booked a trip prior to being exposed to the campaign, and were positively influenced to visit or book a trip to Canada upon seeing the advertising.

1.2 c Number of people converted
Number of people who converted as a result of CTC's core marketing campaigns over those who recalled the CTC core campaigns. Calculated as the proportion of travellers who recalled seeing the advertising against the size of the long-haul population, aged 18 and over.

1.2 d Economic contribution of MC&IT program
The attributable tourism export revenue for Canada generated as a result of CTC's MC&IT leads conversion into definite business, calculated as: (total # of converted leads into definite business) x (average visitor spending for meeting/travel type). Average spend data from Destination Marketing Association International (DMAI).

1.2 e Attributable tourism export revenue
Export tourism revenue (see definition for 1.1a) that is attributable to CTC's leisure travel, travel trade and MC&IT activities.

1.2 f Attributable jobs created and/or maintained
The estimated attributable employment from tourism revenue generated by CTC's marketing, travel trade and MC&IT programs. Source: Statistics Canada data.

1.2 g Attributable federal tax revenue
Estimated attributable federal tax revenue generated by CTC's marketing, travel trade and MC&IT programs. Calculations are based on CTC's Advertising Tracking and Conversion Studies data and Statistics Canada's Government Revenue Attributable to Tourism indicators. For every $100 of international tourism revenue, the federal government collects $13.11.

1.3 a Partner brand alignment
Percentage of partners that have aligned with at least one element of the CTC brand: visual identity (e.g. logo, colour palette, typography, pattern bar graphics); tone and writing style; experiential photography style; and/or assets (video, text, social media). Source: CTC's Biennial Partner Survey.

1.3 b Partner satisfaction
Percentage of partners that are satisfied with their relationship with the CTC. Source: CTC's Biennial Partner Survey.

1.4 a Member advocacy of SEC program
The extent that Canadian tourism suppliers featured in the Signature Experiences Collection® believe in the value of the program, and advocate the program to other Canadian tourism businesses and suppliers within the industry.

2.1 a Aided destination awareness
Percentage of long-haul travellers in CTC markets who rate their knowledge of vacation opportunities in Canada as "excellent" or "very good" after having been prompted with a set of predetermined destinations.

2.1 b Aided destination consideration
Percentage of long-haul travellers in CTC markets who are somewhat or very interested in visiting Canada in the next two years when prompted about Canada among a set of competitive destinations.

2.1 c Country brand rank
Annual rank of country brands, according to the FutureBrand's Country Brand Index. The approach incorporates a global quantitative survey, expert opinions and external statistics, which are compared and combined to better understand drivers, preference, importance and relativism of country brands.

3.1 a Partner contribution
Ratio of total partner contributions (cash, in-kind, third party) versus CTC parliamentary appropriations.

3.1 b Proportion of budget allocated to programming
Percentage of the CTC's total budget, exclusive of partner contributions, allocated to programming. Programming excludes overhead costs, operating expenditures and compensation.

4.1 a Systems effectiveness
Employee satisfaction with the support provided by applicable IT applications, as measured through the CTC's annual Internal Survey.

5.1 a Core values index
Average value of three Employee Survey questions regarding how the company effectively demonstrates CTC's core values of innovation, collaboration and respect.

5.1 b Employee engagement index
An index measuring an employee's belief in the CTC's mission and vision, and their commitment to the CTC as demonstrated through their hard work, passion and organizational pride.

CORPORATE GOVERNANCE

CONSTITUTION

The CTC is a federal Crown corporation wholly owned by the Government of Canada (the “shareholder”). We are accountable to Canada’s Parliament through the Minister of Industry. By convention, the Minister of Industry has delegated his duties and power related to the CTC to the Minister of State (Small Business and Tourism). The *Canadian Tourism Commission Act*, the *Financial Administration Act* (FAA) and subsequent regulations provide the legislative basis for the establishment of the CTC and our activities. We are not governed by the *Public Service Employment Act* and are considered a separate employer. However, we are subject to the requirements of several acts, including:

- *Official Languages Act*
- *Privacy Act*
- *Access to Information Act*
- *Canada Human Rights Act*
- *Values and Ethics Code for the Public Sector*
- *Canada Labour Code*
- *Employment Insurance Act*
- *Multiculturalism Act*
- *Employment Equity Act*
- *Federal Accountability Act*
- *Public Servants Disclosure Protection Act*
- *Conflict of Interest Act*
- *Alternative Fuels Act*

The Government of Canada primarily regulates Crown corporations through its enabling legislation and the FAA. We are currently listed under Part I, Schedule III of the FAA, and as such, are required to submit an Annual Report, a Corporate Plan and an Operating Budget to the responsible Minister, and undergo regular audits by the Auditor General of Canada. A Special Examination is mandated under the FAA and a report on the findings must be submitted to the Board of Directors. The next examination is due in 2016.

Aikens Lake Wilderness Lodge, Manitoba

BOARD OF DIRECTORS

A 12-member Board of Directors (currently two vacancies) oversees the management of the organization and holds management accountable for its performance. The Board, which also includes the President & CEO of the CTC, is composed of senior business professionals who possess the experience, competencies and skills required to guide the CTC and help it deliver its strategic goals, seize opportunities and mitigate risks.

The Chair of the Board and the President & CEO are appointed by the Governor-in-Council. The remaining directors are appointed by the Minister of Industry with the approval of the Governor-in-Council. The *CTC Act* names the Deputy Minister of Industry as ex officio director.

The President & CEO is accountable to the Board of Directors for the management and performance of the organization. The Board is accountable to Parliament through the Minister of Industry. The primary vehicles for reporting to the Crown are the Annual Report and the five-year Corporate Plan, a summary of which is tabled annually in Parliament and available on the CTC corporate website at http://en-corporate.canada.travel/about-ctc/corporate-reports.

BOARD ACCOMPLISHMENTS

Consistent with recognized best practices, the Board conducted a board evaluation in 2012. The 2012 survey results are strongly positive.

The CTC made advancements in various areas of board governance in 2012. The skills-focused board profile was updated to ensure the right level and skills were reflected on the CTC Board. A further gap analysis identified areas lacking in the present board make-up and tools such as a CTC Director Recruitment Process and a database of potential directors were established to support director recruitment. The CTC Board also modernized its process in 2012 by moving away from a paper board book system to an entirely paperless process.

The CTC remains committed to reaching out and working with the tourism industry and has mechanisms in place to ensure our engagement with industry, including:

- The CTC's advisory committees and their important role of providing strategic advice to the Board of Directors and the President & CEO;
- The provincial/territorial tourism Deputy Ministers' forum that meets up to twice annually to ensure that all jurisdictions are current on the CTC's activities and have the opportunity to provide input;
- Regular meetings with the CTC's destination marketing counterparts of provincial and territorial marketing organizations, as well as with the Destination Marketing Association of Canada, an organization that represents Canadian civic destination marketing;
- The Export Tourism Council that meets up to twice annually and includes key industry leaders in the tourism export business; and
- Annual meetings with similar national tourism organizations with the objective of establishing best practices and international benchmarks.

In 2012, the CTC Board of Directors met four times in person in different regions of the country and six times via conference call. Attendance at these meetings averaged 86%.

Steve Allan

Chair of the CTC Board of Directors and
Vice-President,
Ernst & Young, Inc.

Calgary, AB

Montie Brewer

Vice-Chair of the Board

Winchester, MA

Michele McKenzie
(ex officio director)

President and CEO,
Canadian Tourism
Commission

Vancouver, BC

John Knubley
(ex officio director)

Deputy Minister,
Industry Canada

Ottawa, ON

Scott Allison

Vice-President,
Canadian Operations,
Marriott Hotels of Canada

Toronto, ON

David Jovanovic

Niagara Falls, ON

Dray Matovic

President,
Halex Ventures Inc.

Niagara Falls, ON

Alexander Reford

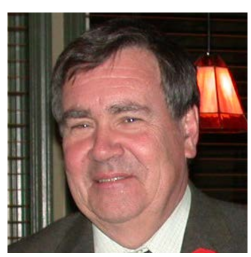
Director,
Les Jardins de Métis Inc.

Grand-Métis, QC

Rod Taylor

Chief Executive Officer,
Waste to Energy Canada

Whitehorse, YK



George Young

Huntsville, Ontario

COMMITTEES OF THE BOARD OF DIRECTORS

In 2012, the CTC Board of Directors included the following committees:

Governance & Nominating Committee

- Recommends the appointment of directors to the Minister of Industry and monitors Board and committee effectiveness.
  Chair: Alexander Reford
  Members: Steve Allan, George Young

Audit & Pension Committee

- Oversees financial and management control systems, the administration and investment activities of the CTC's pension plans and internal audits.
  Chair: Steve Allan (Interim)
  Members: Scott Allison, Montie Brewer, Dray Matovic

Human Resources Committee

- Reviews the Human Resources Strategic Plan, total compensation for executive employees, and succession planning.
  Chair: Scott Allison
  Members: Steve Allan, Rod Taylor

ADVISORY COMMITTEE CHAIRS

According to the CTC's corporate bylaws, the Board of Directors may, from time to time, create advisory committees composed of such persons as it may deem necessary to advise it on any matters pertaining to the affairs of the CTC. In 2012, there were six CTC Advisory Committees chaired by and comprising tourism industry leaders and experts. The committees take their direction from the Board (strategic directions) and report to both the Board and the CEO. In consultation with the industry, the committees and the staff develop annual and multi-year strategic plans consistent with the Board's strategic direction for each program area.

Brand Experiences Committee

Andrew Lind
Vice-President and General Manager
Jonview Canada

Core Markets Committee

Christena Keon Sirsly (until September 2012)
David Whitaker (since September 2012)
President & CEO
Tourism Toronto

Emerging Markets Committee

Mike Ruby
President
Muskoka Language International Inc.

Meetings, Conventions, and Incentive Travel Marketing Committee

Patricia Lyall
President & CEO
Destination Halifax

Research Committee

Stephen Pearce
Vice-President
Leisure Travel & Destination Management
Tourism Vancouver

SENIOR MANAGEMENT COMMITTEE

Michele McKenzie

President and Chief Executive Officer

Ms. McKenzie joined the CTC in 2004 after serving as Deputy Minister of Tourism, Culture and Heritage for the Province of Nova Scotia. She has held positions on a number of boards including the Nova Scotia Liquor Corporation, the Art Gallery of Nova Scotia and the Nova Scotia Museum. She is a member of the Institute of Corporate Directors, serves on the Board of the Vancouver Community College Foundation, holds a Bachelor's degree in Commercial Recreation / Marketing and conducted MBA studies at Dalhousie University.

Chantal Péan

Senior Vice-President, Corporate Affairs and Corporate Secretary

Ms. Péan joined the CTC in 1991 and was appointed Vice-President of Corporate Affairs and Corporate Secretary in 2000, and Senior Vice-President of Corporate Affairs and Corporate Secretary in 2003. She holds a Bachelor of Science degree from the University of Manitoba, and a Bachelor of Law, Notary Diploma (Droit notarial) and MBA from the University of Ottawa.

Greg Klassen

Senior Vice-President, Marketing Strategy and Communications

Mr. Klassen joined the CTC in 2001 after having worked in marketing with both Telus and AT&T, and having taught marketing at Algonquin College in Ottawa. He was appointed Vice-President of Marketing in 2005, and Senior Vice-President of Marketing Strategy and Communications in 2008. He holds an MBA from Thunderbird, The American Graduate School of International Management and a Bachelor's degree in Economics from the University of Victoria.

Lena Bullock

Vice-President, Finance and Chief Financial Officer

Ms. Bullock joined the CTC in 2005 as Executive Director, Financial Operations, and was appointed Vice-President of Finance and Chief Financial Officer in 2009. She has a Bachelor of Commerce from the University of British Columbia and is a Chartered Accountant with extensive experience in the private sector, including work with KPMG, Molson Breweries, Coca Cola Bottling Company and Blast Radius Inc.

Charles McKee

Vice-President, International

Mr. McKee joined the CTC in 2009 as Vice-President, International, after having served with Air Canada for seven years, most recently as Vice-President, Marketing, based in Montreal. He has also worked with Virgin Atlantic Airways in London, the US and Asia, and served as Executive Vice-President of LastMinute.com, Europe's largest online travel company. He holds an honours degree in East Asian Studies from Harvard University.

Paul Nursey

Vice-President, Strategy and Corporate Communications

Mr. Nursey joined the CTC in 2006 with over 10 years of tourism management experience, having worked with Rocky Mountaineer Rail Tours, Mount Seymour Resorts and Tourism Vancouver. He was appointed Vice-President of Strategy and Corporate Communications in 2010. He holds degrees in Economics and Regional Planning from Simon Fraser University and a certificate in Executive Development in Tourism from the University of Hawaii at Manoa. He is currently conducting MBA studies at the University of Massachusetts Amherst.

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis should be read in conjunction with the financial statements and notes included in this annual report.

IMPORTANT ACCOUNTING ESTIMATES

The CTC's significant accounting policies are described in Note 2 of the financial statements. The preparation of financial statements in conformity with Canadian public sector accounting standards ("PSAS") requires management to make estimates and assumptions. The most significant estimates involve the determination of employee future benefits, the useful lives for amortization of tangible capital assets and fair values of asset retirement obligation.

CORPORATE PLANNING

The 2012-2016 Corporate Plan Summary established our goal, objectives and priorities for 2012. By focusing our efforts on the strategy below, we worked to achieve our mandate for the benefit of Canada's tourism industry.

Goal:

- Grow tourism export revenues for Canada.

Objectives:

- Increase demand for Canada's visitor economy.
- Focus on markets where Canada's tourism brand leads and which yield the highest return on investment.

Priorities:

- Ensure customer relevancy and differentiate Canada.
- Advance a culture of innovation and entrepreneurial development among tourism businesses.
- Lead industry in international brand alignment and consistency.
- Foster organizational excellence.

Panmure Island Provincial Park, Prince Edward Island

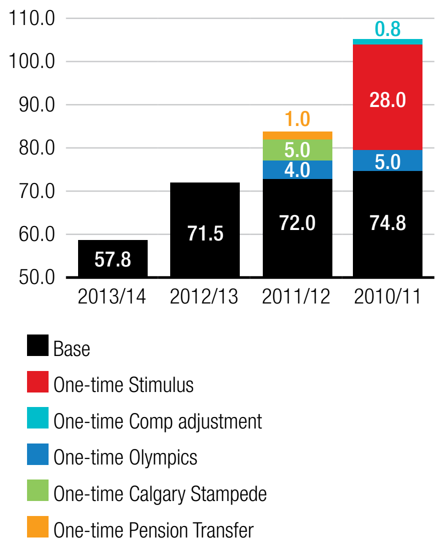
ANALYSIS OF FINANCIAL RESULTS

a) Government funding

As a federal Crown corporation, we receive an annual appropriation from our shareholder, the Government of Canada. The CTC relies on this appropriation to fund the majority of our operating and capital costs.

Appropriations provided to the CTC do not parallel financial reporting according to Canadian public sector accounting standards ("PSAS") since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the Statement of operations and the Statement of cash flows are not necessarily the same as those provided through appropriations from Parliament. 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. Deferred or receivable appropriation balances reflect timing differences between realized expenditures and cash appropriation receipts. The Commission does not have the authority to exceed approved appropriations. Under PSAS, parliamentary appropriations used to fund core operations and the acquisition of tangible capital assets are recognized as income on a straight-line basis from January 1 to December 31. Parliamentary appropriations used to fund one-time funded activities, such as the Calgary Stampede, are considered restricted under PSAS and are therefore recognized as income in the same period as the related expenditures.

Also, as the CTC has a different fiscal year end from the Government of Canada, appropriations used by the CTC in a fiscal year are drawn from two fiscal periods of the government. For the year ended December 31, 2012, the CTC drew down $75.8M of appropriations approved from government fiscal periods 2011–12 ($20.6M) and 2012–13 ($55.2M) (Note 9 of the financial statements). Of these appropriations, $71.6M is related to base funding for core operations, $1.0M is one-time funding for the 2010 Olympics program, $2.2M is one-time funding for the Calgary Stampede program and $1.0M is a one-time transfer from Treasury Board Secretariat related to the transfer of pension obligations for certain foreign staff.

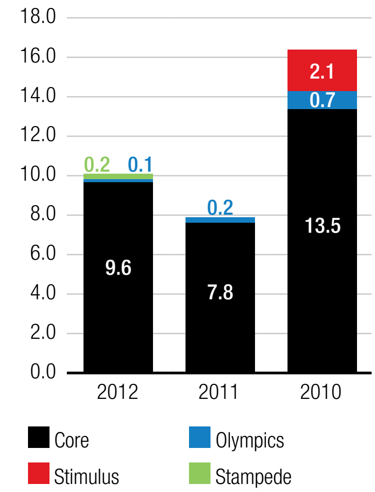


While the CTC has benefited from one-time special funding for specific activities, CTC's base appropriations were once as high as $98.7M and have been in steady decline over the years from efficiency reductions, strategic review reallocations and most recently the government's efforts to return to balanced budgets. Base funding (excluding the impact of any one-time funding), by government fiscal year, was $74.8M in 2010/11, $72.0M in 2011/12, $71.5M in 2012/13 and is $57.8M for 2013/14.

b) Partnership revenues

As the CTC is an organization that is committed to partnering with the industry, many programs are funded by both the CTC and industry partners. In some cases, the programs are led and managed by the partners. In these situations, funds would be paid to the partner for the CTC's share of program costs. In other instances, the CTC manages the programs and the partners pay their share of the costs to the CTC; these "cash" contributions are recorded as revenue and reported as partnership contributions in our statement of operations. In 2012, the CTC recognized $9.9M of these types of partnership contributions, up from $8.0M in 2011 mainly due to higher participation in the UK, France and Japan Spring campaigns by provincial partners and new campaigns in 2012 "Canada for the fun of it" and the Agri Food program.

Partnership Revenues



c) Other revenues

Other revenues consist mainly of commodity tax recoveries and interest revenue. Prime rates have dropped significantly since 2009, and as a result, interest revenues have declined to less than half of the amount earned in 2008. In 2012, interest rates remained flat with the prior year and generated $214K in revenues, down $30K from the prior year. The reduction in revenues is due to carrying lower average bank balances.

The CTC engages various commodity tax recovery service providers who successfully recovered $224K in commodity taxes mainly for Germany and Japan. These recoveries have been recognized as Other Revenues.

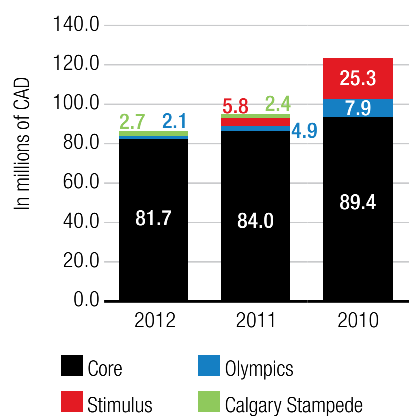
d) Expenditures (excluding Amortization)

Total expenditures (excluding amortization) have declined significantly year over year, by $10.6M from 2011, most notably due to the impact of one-time funded programs: Stimulus program, Olympics and Calgary Stampede. Overall expenditures (excluding amortization) are $86.5M in 2012 ($97.1M in 2011), made up of $81.7M Core, $2.1M Olympics and $2.7M Calgary Stampede spending.

Marketing and sales spending is lower by $7.2M, mainly attributable to the reduction of one-time funded programs: there was no Stimulus spend in 2012 as the program concluded in March 2011 ($5.8M in 2011), $2.9M lower spend for the Olympics as this program concluded in March 2012. This was partially offset by a modest increase in core activities of $1.2M and Calgary Stampede (one-time funded activity which concluded in March 2012) of $300K.

Overall costs are down significantly for Corporate Services and modestly for Strategy and Planning versus prior year, $3.5M and $34K respectively. This is a result of continued efforts to find efficiencies and cost savings in order to minimize the erosion of investment levels in Marketing and Sales. This also reflects the government's efforts to return to balanced budgets. Significant cost reductions have been realized in the current year in compensation and operational expenditures, such as rent, office expenses and travel.

Total Expenditures



Employee future benefits

The CTC offers a number of pension and benefit plans to its employees. These plans are both complex in nature and expensive. Additional details of these pension plans are provided in Note 8 of the financial statements.

Transfer of pension obligations from Treasury Board

Prior to 2012, certain employees in our foreign locations accrued benefits under the Pension Scheme for Employees of the Government of Canada Locally-Engaged Outside Canada (the "Prior Plan"), managed by the Treasury Board, for service prior to January 2, 2001. In 2011, the Treasury Board notified the CTC that effective January 1, 2012 they would no longer have funding to reimburse the CTC for benefits accrued under the Prior Plan and that they intended to transfer the obligation to pay those benefits to the World Wide Plan ("WWP"), and that they would transfer an amount of assets to the CTC to fund this obligation. The transfer of assets ($1.0M) was completed on April 5, 2012. As a result of the asset transfer, the CTC's accrued benefit obligations and related expenses increased by $887K in 2012. The CTC is now responsible for managing the liquidity, currency and interest rate risks associated with these funds (which are held in bonds and money market funds) and ensuring that adequate funds are available as the obligations come due.

Solvency relief

Since 2005, the CTC has contributed $5.9M in special payments to the Canadian defined benefit pension plan to fund the going concern unfunded liabilities and solvency deficiencies. The most recent actuarial valuation as at December 31, 2011 reports a funding excess of $558K on a going concern basis and a shortfall of $9.2M on a wind up basis. The CTC does not receive any additional funding for these solvency special payments. The CTC has taken several steps to mitigate the financial burden:

- The CTC established a defined contribution pension plan for Canadian excluded employees hired on or after August 1, 2005 and for Canadian unionized employees hired on or after August 1, 2005, effective March 8, 2007.
- Since 2010, the CTC has taken advantage of relief measures offered through the *Solvency Funding Relief Regulations, 2009 (the "2009 Relief Regulations")*, which allow the amount of the minimum special payments determined over a 10-year period (versus a 5-year period), thereby reducing the annual amount payable.
- In 2011, the CTC began taking advantage of the amendments to the *Pension Benefits Standards Regulations, 1985 (the "Regulations")*, released by the federal government in March 2011, which allow a Crown corporation to further reduce its annual solvency special payments up to an aggregate reduction of 15% of assets (under Section 9.16 of the *Pension Benefits Standards Act, 1985*, and in accordance with Section 9.2 and Subsections 9(13.3), 9(13.4) and 9(13.5) of the *Regulations*.
- In June 2012, the CTC submitted a request to the Department of Finance to withdraw from the *2009 Relief Regulations* but continue under the 2011 amendments to the *Regulations*. As a result of the withdrawal, as required under subparagraph 19(1)(a)(ii) of the *2009 Relief Regulations*, the CTC contributed special payments of $438K in 2012.
- The CTC intends to seek the maximum solvency relief under the 2011 amendments to the *Regulations*. The aggregate reduction in solvency special payments up to and including 2012 is $1,353,000. The aggregate reduction does not exceed 15% of assets ($3,020,900) as at December 31, 2011.

- During 2012, the CTC, along with its actuary, had numerous discussions with representatives from the Office of Superintendent of Financial Institutions ("OSFI") and the Department of Finance to ascertain the impact of the withdrawal from the *2009 Relief Regulations* on the funded position of the plan. As these discussions concluded only recently, the actuarial valuation for funding purposes was finalized and filed with OSFI in February 2013.
- Without the benefit of the solvency relief, the CTC would have been required to make special payments of $1.1M in 2012.

Post-retirement benefit accounting error

While preparing the valuation of the post-retirement benefits for 2012, it was identified that the post-retirement benefit for certain US-based staff had not been previously reported and that post-retirement benefits for certain Canadian-based staff should not have been previously reported. Both of these accounting errors have been corrected retrospectively by restating prior period results. Refer to Note 3 of the financial statements for further details.

Foreign exchange

The CTC's functional currency is the Canadian dollar, but it regularly transacts in multiple foreign currencies as it operates internationally. As a result, the CTC is exposed to fluctuations in foreign exchange rates. Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Gains and losses resulting from foreign currency transactions are reported on the Statement of operations as "Corporate services" and are considered an Operating expense. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at year end with any resulting translation gain or loss being included in Statement of operations as "Corporate Services" and are considered an Operating expense.

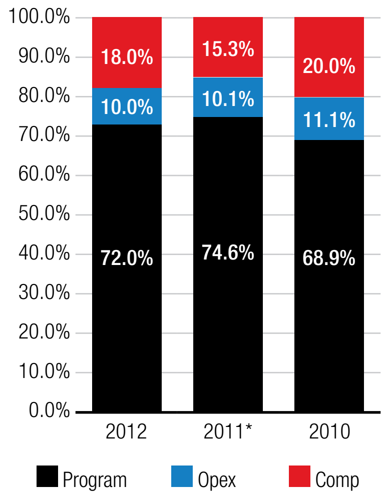
Over the past year, the foreign exchange rates of most currencies experienced only moderate variability. The CTC realized a foreign exchange gain on transactions of $100K, mainly from the Euro and US dollar, and a loss on translation of $145K.

Systems Project

In 2012, CTC completed the implementation of a new customer relationship management tool, financial and procurement systems, mass email marketing tool, digital asset management system, balanced scorecard reporting tool and the upgrade of the existing payroll and benefits administration system. Each of the new systems is cloud-based and allows the organization to be scalable. This significant implementation effort was completed on time and below budget and also secures significant on-going cost savings of over $500K annually.

The final phase of the systems project will be completed in 2013, which includes a financial reporting tool and a Human Resource Information system.

Program spend %



* 2011 restated (refer to Financial Statement Note 3)

Program % metric

This key metric is defined as the percentage of spend dedicated to program spend (non-compensation and non-operating costs), and is indicative of the CTC's goal of dedicating the highest possible portion of its budget to Program. This metric has replaced the Overhead percentage on the enterprise balanced scorecard beginning in 2012. In 2012, the CTC targeted to maintain a minimum of 70.0% of its total spend to program costs, an increasing challenge given the decline in total budget. The actual metric achieved in 2012 was 72.0%, down 2.6% from prior year.

e) Tangible capital asset additions

Tangible capital asset additions totalled $81K in 2012 ($431K in 2011). These costs are down significantly over prior years as the CTC continues its efforts to reduce costs where possible.

f) Outlook

The CTC will return to its core programming activities in 2013, without the benefit of any one-time funded activities. The CTC will continue its efforts to meet the savings identified under the government's efforts to return to balanced budgets and will finalize its final phase of the systems implementation project.

RISKS AND UNCERTAINTIES

Enterprise Risk Assessment

As part of its strategic management process, the CTC conducts an enterprise risk assessment and uses the results of that assessment in the development of its five-year strategic plan and risk mitigation strategy. Risk mitigation action plans are developed and implemented accordingly. Beginning in 2011, CTC management performs the assessment internally on an annual basis, and updates it as needed throughout the year. The latest assessment was completed in April 2012 along with a risk mitigation action plan which is presented below. For the purposes of the Annual Report, only those risks that fall under the direct control of CTC management to mitigate have been included here.

Since the risk assessment presented in the CTC's 2012-2016 Corporate Plan Summary, a number of risks have been removed or effectively mitigated. For a complete list of these risks, please see the CTC's 2012-2016 Corporate Plan Summary.

Risk	2012 Rating	2010 Rating	Change	Ongoing Mitigation Activities
Marketing effectiveness Effectiveness of marketing strategy			↓	Maintain strong brand and agency; use of advanced path to purchase model; use of key BSC metrics (campaign ROI, partner survey); HR strategy with a focus to recruit, develop and retain the right talent; focus on opportunities for integrating innovation (core value) into our core business and measure against it; perform evaluations on results of conversion studies; use insights to inform decisions and focus efforts and resources.
Strategic talent management development & retention (previously called Management development) Enhancement of leadership and management skills and retention			↓	Develop behavioral interviewing tools and techniques; continue mid-level management training, leadership development, and succession development programs; implementation of retention strategy.
Technology effectiveness Success of systems acquisition/ replacement project			↓	Implementation plan will be based on effective project management methodology, led by a Project Management Professional; continue multi-disciplinary Systems Governance Committee; include systems effectiveness as a corporate BSC metric.
Cloud-based software (added July 2012) Risk that supplier contract does not contain a fair distribution of risk (one-sided in supplier's favour) which could increase risks to business continuity.	New	N/A	N/A	Reduced flexible term; ensure insurance provisions are adequate; data will be independently backed up on a regular basis; data is kept in the Germany data centre of SAP which has a very high level of requirements for confidentiality and security; privacy schedule drafted by expert; external legal counsel to ensure compliance with Canadian regulatory requirements.

Low risk	Medium risk	Medium-high risk	High risk

Internal Audit

The CTC engages an external firm to carry out its Internal Audit function. The Internal Auditors act independently and report directly to the Audit Committee. The development of CTC's annual internal audit program is risk-based and incorporates the results of the enterprise risk assessment and input from the Board of Directors and key management personnel. In 2012, the internal auditor began several projects: Review of Management Expense Policies, Human Resources Follow-up Internal Audit (from 2009), and Systems Implementation Review. These projects will be finalized in early 2013. Management will develop and implement action plans in response to the internal auditor's recommendations.

Special examination

Budget Implementation Act 2009 amended Part X of the *Financial Administration Act*, whereby extending the frequency of Special Examinations from every five to 10 years. The next Special Examination for the CTC is due in 2016.

FINANCIAL STATEMENTS

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 public sector accounting standards 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 his report thereon.

Michele McKenzie
President and Chief Executive Officer

Lena Bullock
Vice President, Finance and Chief Financial Officer

March 21, 2013

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Industry

Report on the Financial Statements

I have audited the accompanying financial statements of the Canadian Tourism Commission, which comprise the statement of financial position as at 31 December 2012, and the statement of operations and accumulated surplus, statement of change in net financial assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Tourism Commission as at 31 December 2012, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Canadian Tourism 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 Canadian Tourism Commission.

Terrance DeJong

Terrance DeJong, CA
Assistant Auditor General
for the Auditor General of Canada

21 March 2013
Vancouver, Canada

STATEMENT OF FINANCIAL POSITION

As at December 31 (000s)

	2012	2011 Restated (Note 3)
Financial assets		
Cash and cash equivalents (Note 4)	$ 11,675	$ 17,055
Accounts receivable		
Government of Canada	918	811
Partnership contributions	1,565	708
Other	315	410
Portfolio investments (Note 5)	636	-
Accrued benefit asset (Note 8)	4,991	4,711
	20,100	23,695
Liabilities		
Accounts payable and accrued liabilities		
Trade	$ 6,902	$ 10,232
Employee compensation	1,683	2,636
Government of Canada	33	1
Accrued benefit liability (Note 8)	6,644	5,467
Deferred parliamentary appropriations (Note 9)	1,609	2,948
Deferred revenue	598	670
Asset retirement obligation	521	822
	17,990	22,776
Net financial assets	2,110	919
Non-financial assets		
Prepaid expenses and other assets	2,122	1,882
Tangible capital assets (Note 7)	1,115	1,711
	3,237	3,593
Accumulated surplus	$ 5,347	$ 4,512

Commitments and Contingencies (Notes 16 and 17)
The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board of Directors

Steve Allan
Director

Montie Brewer
Director

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31 (000s)

	Budget 2012	2012	2011 Restated (Note 3)
Revenues			
Partnership contributions	$ 7,169	$ 9,865	$ 8,005
Other	562	885	580
	7,731	10,750	8,585
Expenses			
Marketing and sales (Note 11)	74,621	77,582	84,775
Corporate services	10,776	8,265	11,715
Strategy and planning	585	617	651
Amortization of tangible capital assets	656	640	1,046
	86,638	87,104	98,187
Net cost of operations before funding from the Government of Canada	(78,907)	(76,354)	(89,602)
Parliamentary appropriations (Note 9)	76,241	77,189	85,884
Surplus / (deficit) for the period	(2,666)	835	(3,718)
Accumulated surplus, beginning of period		4,512	8,230
Accumulated surplus, end of period		$ 5,347	$ 4,512

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31 (000s)

	Budget 2012	2012	2011 Restated (Note 3)
Annual surplus / (deficit)	$ (2,666)	$ 835	$ (3,718)
Acquisition of tangible capital assets	(200)	(81)	(431)
Amortization of tangible capital assets	656	640	1,046
Net disposition of tangible capital assets	-	37	27
	456	596	642
Effect of change in other non-financial assets			
(Increase) in prepaid expenses	-	(240)	(396)
	-	(240)	(396)
Increase / (decrease) in net assets	(2,210)	1,191	(3,472)
Net financial assets, beginning of period		919	4,391
Net financial assets, end of period		$ 2,110	$ 919

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31 (000s)

	2012	2011
Operating transactions		
Cash received from:		
Parliamentary appropriations used to fund operating and capital transactions	$ 75,850	$ 100,045
Partners	9,046	9,729
Other income	885	580
	85,781	110,354
Cash paid for:		
Cash payments to suppliers	(76,826)	(89,601)
Cash payments to and on behalf of employees	(13,763)	(15,918)
Cash (used in) / applied to operating transactions	(4,808)	4,835
Capital transactions		
Cash paid to acquire tangible capital assets	(81)	(431)
Cash receipt on disposal of tangible capital assets	-	61
Cash used in capital transactions	(81)	(370)
Investing transactions		
Increase in portfolio investments	(636)	-
Cash used in investing transactions	(636)	-
Foreign exchange loss on cash held in foreign currency	145	233
Net (decrease) / increase in cash during the period	(5,380)	4,698
Cash and cash equivalents, beginning of period	17,055	12,357
Cash and cash equivalents, end of period	$ 11,675	$ 17,055

The accompanying notes form an integral part of these financial statements.

NOTES TO THE AUDITED FINANCIAL STATEMENTS

December 31, 2012

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 the territories.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standards. Significant accounting policies are as follows:

a) Parliamentary appropriations

The Commission is mainly financed by the Government of Canada through parliamentary appropriations. Parliamentary appropriations used to fund core operations and the acquisition of tangible capital assets are recognized as income on a straight-line basis from January 1 to December 31. Parliamentary appropriations used to fund the 2010 Winter Olympic and Paralympic Games, Stimulus and 100th Anniversary of the Calgary Stampede programs were recognized as income in the same period as the related expenditures.

As a result of the Commission's year-end date (December 31) being different than the Government of Canada's year end date (March 31), the Commission is funded by portions of appropriations from two Government fiscal years. Refer to Note 9.

The Commission will have a deferred parliamentary appropriations balance at year-end when the funding received for the period exceeds the appropriations recognized for the related fiscal period. On the other hand, the Commission will have a parliamentary appropriations receivable balance when appropriations recognized exceed the funding received.

The Commission does not have the authority to exceed approved appropriations.

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, contributions received from a partnering organization are recognized in income when the related marketing activity takes place. Partnership contributions received for which the related marketing activity has not yet taken place are recognized as deferred revenue.

c) Other revenues

Other revenues consist of interest and other miscellaneous revenues. These items are recognized as revenue in the period in which the transaction or event occurred that gives rise to the revenue.

d) Foreign currency translation

Monetary assets and monetary liabilities denominated in foreign currencies are translated into Canadian dollars at the applicable year-end exchange rate. Non-monetary assets and non-monetary liabilities denominated in foreign currencies are translated into Canadian dollars at historical exchange rates. Revenue and expense items are translated during the year at the exchange rate in effect on the date of the transaction. Amortization expenses of tangible capital assets are translated at historical rates to which the assets relate. Translation gains and losses are reported in expenses for the year under "Corporate services". The Commission does not hedge against the risk of foreign currency fluctuations.

e) Portfolio investments

Portfolio investments are measured at cost. Interest income related to these investments is calculated based on the effective interest rate method.

f) Prepaid expenses

Prepaid expenses consists of program and operating expenses recognized as an expense based on the term of usage for items such as subscriptions or based on the event date of tradeshows.

g) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization and the amount of any write-downs or disposals. Tangible capital assets are amortized on a 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

Intangible assets are not recognized in these financial statements.

h) Deferred revenue

Deferred revenue consists of deferred revenues from partnering organizations and deferred leasehold inducements. The deferred revenues relating to partnering organizations are recognized as revenues based on the event's date or over the license period. The deferred revenues relating to leasehold inducements are recognized as revenue over the term of the lease.

i) Asset retirement obligation

Asset retirement obligation consists of decommissioning costs for various office leases. The Commission recognized asset retirement obligations as a result of legal obligations to restore leased office spaces back to their original states at the end of the lease term. Asset retirement obligations are measured initially at fair value, based on management's best estimates, with the resulting amount capitalized into the carrying amount of the related asset. The capitalized asset retirement cost is included in leasehold improvements and amortized on the same basis as the related asset. The amortization expense is included in determining the net cost of operations. Refer to Note 7.

j) Employee future benefits

The Commission offers a number of funded and unfunded defined benefit pension plans, other unfunded defined benefit plans (which include post-employment benefits, post-retirement benefits and non-vested sick leave), as well as defined contribution pension plans. 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 and non-vested sick leave. The defined benefit pension plans provide benefits based on years of service and average pensionable 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 Consumer Price Index increases.

The costs and obligations of the defined benefit plans are actuarially determined using the projected benefit method prorated on service that incorporates management's best estimates of the rate of employee turnover, the average retirement age, the average cost of claims per person, future salary and benefit levels, expected return on plan assets, future medical costs, and other actuarial factors. For the purposes of calculating the expected return on plan assets, those plan assets are based on the market value.

Past service costs arising from plan amendments are recognized in the years of which the plan amendment occurred.

Actuarial gains and losses are amortized over expected average remaining service lifetime (EARSL) of active employees. For 2012, this EARSL has been determined to be 8.9 years (10.4 years - 2011) for the Registered Pension Plan for Employees of the Commission ("RPP"), 9 years (10 years - 2011) for the Supplementary Retirement Plan for certain employees of the Commission ("SRP"), 15.3 years (15.4 years - 2011) for the Pension Plan for Employees of the Canadian Tourism Commission in Japan, South Korea and China ("WWP"), 17 years (18 years - 2011) for non-pension post-retirement benefits, 13 years (13 years - 2011) for severance benefits and 13 years (13 years - 2011) for sick leave benefits.

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's gross earnings. Contributions may change over time depending on the experience of the plans since the Commission is 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.

k) Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards 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, the useful lives for amortization of tangible capital assets and the fair value asset retirement obligation.

l) Future accounting changes

PS 3410 Government Transfers
In March 2011, PS 3410 Government Transfers was revised and applies to fiscal periods beginning on or after April 1, 2012. The Commission will adopt the revisions to this section effective January 1, 2013. The Commission is assessing the financial impact upon adoption.

PS 1201 Financial Statement Presentation, *PS 2601 Foreign Currency Translation*, *PS 3041 Portfolio Investments* and *PS 3450 Financial Instruments*
These sections are all to be adopted in entirety effective fiscal years beginning on or after April 1, 2012. The Commission will adopt the applicable standards for the fiscal year beginning January 1, 2013.

Based on the existing operations, the financial statement impact in 2013 would be limited to the disclosure of remeasurement gains/losses for any realized and unrealized foreign exchange gains and losses on a new financial statement called the Statement of Remeasurement Gains and Losses.

3. RESTATEMENT OF PRIOR PERIOD COMPARATIVE FINANCIAL STATEMENTS

While undergoing the actuarial valuation of the Non-Pension Post-Retirement benefits, the following items were identified:

- Post-retirement health, dental and life insurance benefits provided to locally engaged staff working in the US had not been recorded in the previously issued financial statements for the year ended December 31, 2011. The correction of this error has been applied retrospectively by restating the prior period results.
- Some Canadian employees are ineligible for post-retirement health benefits and the benefits should not have been recorded in the previously issued financial statements for the year ended December 31, 2011. The correction of this error has been applied retrospectively by restating the prior period results.

As a result of these changes (000s):

- The Accrued benefit liability increased by $1,681 at December 31, 2011.
- Marketing and sales expense decreased by $28 at December 31, 2011.
- Corporate services expense decreased by $106 at December 31, 2011.
- The opening accumulated surplus recorded at January 1, 2011 decreased by $1,815.
- The closing accumulated surplus recorded at December 31, 2011 decreased by $1,681.

4. CASH AND CASH EQUIVALENTS

Cash equivalents consist of a money market term deposit purchased on April 17, 2012.

5. PORTFOLIO INVESTMENTS

The Commission holds portfolio investments consisting of Provincial Governmental bonds purchased on April 17, 2012 with maturity dates staggered between 2013 and 2031.

6. FOREIGN CURRENCY TRANSLATION

The Commission is exposed to currency risk as a significant portion of its revenue and expenses are earned or incurred, and subsequently received or paid in currencies other than Canadian dollars. Currency risk arises due to fluctuations in foreign exchange rates, which could affect the Commission's financial results. The Commission does not hedge against fluctuations in foreign exchange rates and accepts the operational and financial risks associated with any such fluctuations.

The undernoted accounts comprise the following currencies as at December 31, 2012 (000s):

Currency	Cash		Accounts receivable		Accounts payable and accrued liabilities	
	Currency units	Canadian equivalent	Currency units	Canadian equivalent	Currency units	Canadian equivalent
Australian Dollars	517	$ 534	15	$ 16	281	$ 290
Canadian Dollars	8,858	8,858	2,226	2,226	4,633	4,633
Chinese Yuan	927	146	605	95	3,546	559
Euros	870	1,146	25	33	304	401
Great Britain Pounds	454	730	167	268	681	1,096
Hong Kong Dollars	-	-	-	-	47	6
Japanese Yen	181	2	3,051	35	20,726	240
Mexican Pesos	47	4	92	7	911	70
South Korean Won	48,789	46	-	-	113,831	105
United States Dollars	210	209	119	118	1,222	1,218
Total Canadian equivalent		$ 11,675		$ 2,798		$ 8,618
Comprising:						
Trade and partnership		$ -		$ 1,565		$ 6,902
Other		-		315		-
Employee compensation		-		-		1,683
Related party		-		918		33
Total		$ 11,675		$ 2,798		$ 8,618

At December 31, 2012, if the above foreign currencies had strengthened (or weakened) by 10 percent against the Canadian dollar, with all other variables held constant, the net cost of operations would have increased by approximately $60,000 ($8,913 - 2011).

The amount of realized foreign exchange gains recorded under "Corporate services" on the statement of operations is $100,230 ($134,062 - 2011).

7. TANGIBLE CAPITAL ASSETS

(000s)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Decom- Leaseholds	2012 Total
Cost of tangible capital assets, opening	$ 972	$ 416	$ 3,634	$ 544	$ 833	$ 6,399
Acquisitions	65	-	14	2	-	81
Disposals	(727)	(259)	(22)	(17)	-	(1,025)
Cost of tangible capital assets, closing	310	157	3,626	529	833	5,455
Accumulated amortization, opening	738	328	2,526	459	637	4,688
Amortization expense	150	56	341	35	58	640
Disposals	(727)	(233)	(14)	(15)	-	(989)
Accumulated amortization, closing	161	151	2,853	479	695	4,339
Net book value	$ 149	$ 6	$ 773	$ 50	$ 138	$ 1,116

(000s)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Decom- Leaseholds	2011 Total
Cost of tangible capital assets, opening	$ 2,164	$ 3,197	$ 4,038	$ 1,645	$ 864	$11,908
Acquisitions	166	-	233	32	-	431
Disposals	(1,358)	(2,781)	(637)	(1,133)	(31)	(5,940)
Cost of tangible capital assets, closing	972	416	3,634	544	833	6,399
Accumulated amortization, opening	1,837	3,038	2,597	1,523	559	9,554
Amortization expense	231	71	566	69	109	1,046
Disposals	(1,330)	(2,781)	(637)	(1,133)	(31)	(5,912)
Accumulated amortization, closing	738	328	2,526	459	637	4,688
Net book value	$ 234	$ 88	$ 1,108	$ 85	$ 196	$ 1,711

Substantially all of the Commission's tangible capital assets are located in Canada. There are no assets legally restricted for the purpose of settling asset retirement obligations.

8. ACCRUED BENEFIT ASSET / 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
China, Japan and South Korea	Pension Plan for Employees of the CTC in China, Japan and South Korea	Unfunded, Defined Benefit Plan	CTC	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
	Non-Pension Post-Retirement Benefit Plan for Certain U.S. Employees	Unfunded, Defined Benefit Plan	CTC and plan members	Defined Benefit Plan
United Kingdom	Canadian High Commission Locally Engaged Staff Pension Scheme	Funded Multi-employer Defined Benefit Plan	CTC	Defined Contribution Plan
Canada, China, Japan, South Korea, US, UK	Severance Benefits for certain Canadian and Locally Engaged Employees	Unfunded, Defined Benefit Plan	CTC	Defined Benefit Plan

Defined contribution plans

The Commission established a defined contribution pension plan for non-unionized employees in Canada, hired on or after August 1, 2005. On January 30, 2007, the Canadian unionized employees of the Commission agreed to participate in the defined contribution plan effective March 8, 2007. This decision impacted unionized employees hired on or after August 1, 2005.

The total cost for the Commission's defined contribution pension plans was $429,187 in 2012 ($451,747 - 2011).

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 $325,872 in 2012 ($240,429 - 2011), 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.

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 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.

Transfer of pension benefit obligation from Treasury Board Secretariat

In March 2012, the Commission received $1.0 million from Treasury Board Secretariat ("TBS") relating to locally engaged staff pension benefits under the Pension Scheme for Employees of the Government of Canada Locally-Engaged Outside Canada, 1996 for service prior to January 2, 2001. Prior to this, TBS had been reimbursing the Commission for amounts related to the past service period. The funds are held by the Commission in bonds and money market funds and are recorded as Portfolio investments and Cash and cash equivalents.

In 2012, the year of the transfer, the Commission has recorded $886,500 in past service costs related to the pension obligation transferred from TBS. The liability related to the pension obligation is now reflected in the Commission's financial statements. The Commission continues to be responsible for the service accruing on and after January 2, 2001.

Severance benefits

Severance benefits are provided for certain current employees in Canada, China, Japan, South Korea, United States and United Kingdom. The cost of the benefits is fully paid by the Commission. These plans are unfunded.

Measurement date and date of actuarial valuation

The most recent actuarial valuation of the Canadian registered defined benefit pension plan for funding purposes was as at December 31, 2011. This report was required to be filed with OSFI no later than June 30, 2012; however, due to discussions with OSFI regarding the impact of the relief regulations (see below), this report was filed on February 19, 2013.

The going concern financial position based on the most recent actuarial valuation showed a funding surplus of $557,700 (surplus of $706,900 - 2011). The valuation also identified an average solvency ratio of 80.7% (85.5% - 2011).

Under normal circumstances, the Commission would be required to make special payments over the five years following the effective date of the valuation to eliminate any unfunded liability and any solvency shortfall.

However, on June 12, 2009, the Federal Minister of Finance announced the coming into force of the new *Solvency Funding Relief Regulations, 2009* (“the Regulations”). As a result the Commission can continue to amortize the solvency deficiency over 10 years in accordance with the Regulations.

On March 25, 2011, the federal government released the Regulations amending certain Regulations in force in 2009 and made under the *Pension Benefits Standards Act, 1985*. Under these new regulations, the Commission may reduce its solvency special payments determined under the most recent funding actuarial valuation of the plan filed with regulatory authorities, if it notifies the appropriate Ministers that it intends to so. In 2011, the Commission received acknowledgement from the appropriate Ministers regarding its decision to reduce its solvency special payments until it reaches the maximum permitted aggregate reduction in solvency special payments.

During 2012, the Commission was governed by both the Regulations of 2009 and the updated Regulations as amended in 2011. Both of these relief regulations have different solvency special payment requirements. The Commission has submitted a request to withdraw from the Regulations that came into force in 2009 in order to be solely governed by the amended Regulations of 2011 but was required to meet the special payment requirements for 2012 of the 2009 Regulations. The Commission made special payments of $437,708 in 2012 ($333,800 – 2011) related to the 2009 Regulations. The Commission elected to reduce the solvency special payments in 2012 related to the 2011 Regulations to $0.

Future special payments cannot be reasonably estimated until a new funding valuation is completed.

The Commission measures its accrued benefit obligations and the market value of plan assets of its pension plans and post-retirement non-pension benefits for accounting purposes at September 30th of each year.

CHANGE IN ACCRUED BENEFIT OBLIGATION (000s):

	Pension		Other Benefit Plans	
	2012	2011	2012	2011 Restated (Note 3)
Accrued benefit obligation, beginning of year	$ 19,843	$ 18,236	$ 5,627	$ 4,985
Current period benefit cost (employer portion)	381	388	244	285
Interest cost on average accrued benefit obligation	1,149	1,115	132	154
Plan amendments	-	-	(35)	(246)
Employees’ contributions	120	120	-	-
Benefits paid	(1,030)	(1,565)	(310)	(514)
Actuarial loss / (gain)	381	1,564	(275)	962
Past service (gain) / loss	905	-	-	-
Increase / (decrease) in accrued benefit obligation due to settlement	-	(15)	-	-
Accrued benefit obligation, end of year	$ 21,749	$ 19,843	$ 5,383	$ 5,627

CHANGE IN PLAN ASSETS (000s):

	Pension		Other Benefit Plans	
	2012	2011	2012	2011 Restated (Note 3)
Market value of plan assets, beginning of year	$ 20,345	$ 20,648	$ -	$ -
Actual return on plan assets net of actual investment expenses	2,106	(203)	-	-
Employer contributions	516	1,345	310	514
Employee contributions	120	120	-	-
Benefits paid	(1,030)	(1,565)	(310)	(514)
Market value of plan assets, end of year	$ 22,057	$ 20,345	$ -	$ -

RECONCILIATION OF FUNDED STATUS:

Detailed Pension Plan information (000s)	2012	2011
Defined benefit component of Pension Plan for Employees of the Canadian Tourism Commission		
Accrued benefit obligation	$ (18,187)	$ (17,520)
Plan assets	20,918	19,276
Surplus	$ 2,731	$ 1,756
Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission		
Accrued benefit obligation	$ (2,394)	$ (2,025)
Plan assets	1,139	1,070
Deficit	$ (1,255)	$ (955)
Pension Plan for Employees of the Canadian Tourism Commission in China, Japan and South Korea		
Accrued benefit obligation	(1,168)	(298)
Plan assets	-	-
Deficit	$ (1,168)	$ (298)

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

Funded Status (000s)	Pension		Other Benefit Plans	
	2012	2011	2012	2011 Restated (Note 3)
Accrued benefit obligation	$ (3,562)	$ (2,323)	$ (5,383)	$ (5,627)
Plan assets	1,139	1,070	-	-
Funded status – deficit, end of year	$ (2,423)	$ (1,253)	$ (5,383)	$ (5,627)

The plan assets at the end of 2012 and 2011 related to the Registered Pension Plan exceeds the accrued benefit obligation. The accrued benefit obligation for the Supplementary Retirement Plan and the Pension Plan for Employees of the CTC in China, Japan and South Korea exceeds the plan assets at the end of 2012 and 2011.

RECONCILIATION OF FUNDED STATUS TO ACCRUED BENEFIT ASSET / (LIABILITY) (000s):

	Pension		Other Benefit Plans	
	2012	2011	2012	2011 Restated (Note 3)
Funded status – surplus / (deficit), end of year	$ 308	$ 502	$ (5,383)	$ (5,627)
Employer contributions during period from measurement date to fiscal year end	409	167	-	-
Unamortized actuarial losses	2,459	3,308	565	902
Accrued benefit asset / (liability)	$ 3,176	$ 3,977	$ (4,818)	$ (4,724)

The cumulative excess of pension contributions on the Registered Pension Plan over pension benefit cost is reported as an accrued benefit asset. The Supplementary Retirement Plan, the Pension Plan for Employees of CTC in China, Japan, and South Korea, the post-retirement, post-employment benefits and sick leave are reported as an accrued benefit liability.

Accrued Benefit Asset / (Liability) (000s)	2012	2011 Restated (Note 3)
Registered Pension Plan for the Employees of the Canadian Tourism Commission	$ 4,991	$ 4,711
Total accrued benefit asset	4,991	4,711
Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission	(613)	(416)
Pension Plan for the Employees of the CTC in China, Japan and South Korea	(1,202)	(317)
Non-pension Post Retirement Benefit Plan	(3,627)	(3,462)
Post Employment Severance Plan	(1,061)	(1,143)
Post Employment Non-Vested Sick Leave Plan	(130)	(119)
Total accrued benefit liability	$ (6,632)	$ (5,458)
Total net accrued benefit liability	$ (1,642)	$ (747)

The total accrued benefit liability excludes a notional supplementary retirement plan for certain employees of the Commission. The notional supplement retirement plan was $12,321 in 2012 ($8,694 in 2011).

The weighted-average asset allocation by asset category of the Commission's defined benefit pension plans is as follows:

Asset Allocation	2012	2011
Equity securities	60%	59%
Debt securities	37%	38%
Receivable from Government of Canada	3%	3%
Total	100%	100%

NET BENEFIT COST RECOGNIZED IN THE PERIOD (000s):

	Pension		Other Benefit Plans	
	2012	2011	2012	2011 Restated (Note 3)
Current period benefit cost	$ 501	$ 508	$ 244	$ 285
Interest cost	-	-	132	154
(Gains) / losses arising from settlement	-	(15)	-	-
Amortization of net actuarial loss / (gain)	373	22	62	8
Immediate recognition of past service costs	887	-	(35)	(246)
Immediate recognition of net actuarial loss	-	-	-	168
Total	1,760	515	403	368
Less: employee contributions	(120)	(120)	-	-
Retirement benefits expense	1,640	395	403	368
Interest cost on average accrued benefit obligation	1,149	1,115	-	-
Expected return on average pension plan assets	(1,230)	(1,352)	-	-
Retirement benefits interest expense	$ (81)	$ (237)	$ -	$ -
Total pension expense	$ 1,559	$ 158	$ 403	$ 368

SIGNIFICANT ACTUARIAL ASSUMPTIONS USED ARE AS FOLLOWS (WEIGHTED AVERAGE):

Significant actuarial assumptions used are as follows (weighted average):	Pension		Other Benefit Plans	
	2012	2011	2012	2011
Accrued benefit obligation				
Discount rate				
Registered Pension Plan for the Employees of the Canadian Tourism Commission	6.10%	6.20%		
Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission	2.22%	2.68%		
Pension Plan for the Employees of the CTC in China, Japan and South Korea	1.53%	1.87%		
Non-pension post retirement			2.22%	2.68%
Post employment severance			1.53%	1.87%
Post Employment Non-Vested Sick Leave Plan			1.53%	1.87%
Rate of compensation increase				
Canadian	3.38%	3.50%	3.38%	4.00%
Locally engaged	3.00%	4.50%	3.00%	4.50%
Pension expense				
Discount rate				
Registered Pension Plan for the Employees of the Canadian Tourism Commission	6.20%	6.75%		
Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission	2.68%	3.27%		
Pension Plan for the Employees of the CTC in China, Japan and South Korea	1.87%	2.42%		
Non-pension post retirement			2.68%	3.27%
Post employment severance			1.87%	2.42%
Post Employment Non-Vested Sick Leave Plan			1.87%	2.42%
Expected long-term rate of return on plan assets				
Registered Pension Plan for the Employees of the Canadian Tourism Commission	6.20%	6.75%		
Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission	3.10%	3.38%		
Rate of compensation increase				
Canadian	3.38%	3.50%	3.38%	4.00%
Locally engaged	3.00%	4.50%	3.00%	4.50%

ASSUMED HEALTH CARE COST TREND RATE FOR OTHER BENEFIT PLANS:

Net benefit cost	Other Benefit Plans			
	2012		2011	
	CDN	US	CDN	US
Initial health care trend rate	6.87%	9.00%	6.91%	*
Ultimate health care trend rate	4.48%	4.50%	4.48%	*
Year ultimate rate reached	2030	2033	2029	*

Accrued benefit obligation	Other Benefit Plans			
	2012		2011	
	CDN	US	CDN	US
Initial health care trend rate	6.50%	9.00%	6.87%	*
Ultimate health care trend rate	4.50%	4.50%	4.48%	*
Year ultimate rate reached	2030	2033	2029	*

* US health care cost trend rates are not available for 2011 as no valuation of the other benefit plans provided to locally engaged employees residing in the US was completed for the 2011 year (Note 3).

The effect on the accrued benefit obligation at the end of the year of a one percentage point increase in the assumed health care cost trend rate would be an increase of $832,900 ($638,600 - 2011), and a one percentage point decrease would be a decrease of $658,600 ($470,800 - 2011). The effect on the service cost plus interest costs at the end of the year of a one percentage point increase in assumed health care cost trend rate would be an increase of $47,500 ($89,200 - 2011), and a one percentage point decrease would be a decrease of $36,000 ($63,800 - 2011).

Total cash amounts

Total cash amounts for employee future benefits, consisting of cash contributed in the normal course of business 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 $1,135,516 ($1,471,666 - 2011). In addition, the Commission was required to make special monthly payments totaling $437,708 ($333,800 - 2011) due to the solvency shortfall identified in the most recent actuarial valuation of the Canadian registered defined benefit pension plan for funding purposes as of December 31, 2011. The total cash amount is $1,573,224 ($1,805,466 - 2011).

Letter of Credit

The Commission has a registered retirement compensation arrangement for certain employees of the Canadian Tourism Commission. The actuarial valuation completed September 2011 for the year commencing January 1, 2012 was used to determine the face amount of the letter of credit during 2012. The value of the plan's letter of credit, in place during 2012, is measured based on the estimated assets and liabilities for the year ending December 31, 2012. The estimated market value of the plan's assets was $1,119,000 ($1,093,000 – 2011) and the estimated present value of the unfunded benefit obligation was $2,056,000 ($1,555,600 - 2011). As at December 31, 2012, the amount of $1,487,000 ($1,143,000 – 2011) of the unfunded benefit obligation has been secured by a letter of credit.

9. PARLIAMENTARY APPROPRIATIONS

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

(000s)	2012	2011
Amounts provided for operating and capital expenditures		
Amounts voted:		
Main estimates 2011/12 (2010/11)	$ 76,033	$ 100,643
Permanent frozen allotment	-	(900)
Treasury Board Vote 15	-	822
Supplementary estimates B	-	8,000
Supplementary estimates B	5,000	-
Supplementary estimates C	1,001	-
	82,034	108,565
Less portion recognized in prior year	(58,466)	(81,147)
Adjustment for restricted funds	-	(6)
Amounts recognized in current year	23,568	27,412
Amounts voted:		
Main estimates 2012/13 (2011/12)	72,033	76,033
Supplementary estimates B	-	5,000
Budget 2012 Spending Review	(537)	-
	71,496	81,033
Less portion to be recognized in following year	(17,875)	(22,561)
Amounts recognized in the current year	53,621	58,472
Parliamentary appropriations used for operations and capital in the year	77,189	85,884
Amounts voted:	71,496	81,033
Less portion of cash received during year	(55,231)	(61,414)
Cash to be received in following quarter / year	16,265	19,619
Parliamentary appropriations adjustment for restricted funds	-	(6)
Parliamentary appropriations to be recognized in following quarter / year from current year	(17,874)	(22,561)
Parliamentary appropriations receivable / (deferred)	(1,609)	(2,948)
Parliamentary appropriations receivable / (deferred)		
Opening Balance	(2,948)	11,213
Cash Received from Government Fiscal 2011/12 (2010/11)	(20,619)	(38,631)
Cash Received from Government Fiscal 2012/13 (2011/12)	(55,231)	(61,414)
Appropriations used for operations and capital in the year	77,189	85,884
Ending Balance	$ (1,609)	$ (2,948)

10. ACCUMULATED SURPLUS

The surplus represents the excess of appropriations received over actual spend.

11. MARKETING AND SALES EXPENSES

The Commission carries out its activities in a variety of countries around the world. These countries are supported by the Commission's Corporate Marketing and Sales units located at headquarters, including E-Marketing, Brand Experiences, Research and Global Communications. Geographical information is as follows:

(000s)	2012	2011 Restated (Note 3)
Core (UK, France, Germany and Australia)	$ 24,543	$ 30,224
Corporate Marketing	21,624	22,261
Emerging markets (India, Brazil, Mexico, Japan, South Korea and China)	21,871	21,300
US	9,544	10,990
	$ 77,582	$ 84,775

12. EXPENDITURE BY OBJECT

The following is a summary of expenditures by object:

(000s)	2012	2011 Restated (Note 3)
Program		
Advertising	$ 6,315	$ 13,408
Public and media relations	10,576	10,968
Consumer development	27,254	24,027
Trade development	17,782	17,871
Research	2,841	8,452
	64,768	74,726
Salaries and benefits	13,707	13,653
Operating Expense		
Other	3,792	4,356
Rent	1,614	1,846
Travel	1,369	1,346
Professional services	1,214	1,214
	7,989	8,762
Amortization	640	1,046
	$ 87,104	$ 98,187

13. 2010 WINTER OLYMPIC AND PARALYMPIC GAMES

On October 18, 2007, the Treasury Board of Canada approved $26 million of one-time funding to support the Commission in delivering programs related to the 2010 Winter Olympic and Paralympic Games. These funds were utilized over a five year period ending March 31, 2012. As at December 31, 2012, the Commission has fully drawn the $26 million ($1 million – 2012).

For the year ended December 31, 2012, the Commission incurred costs related to the 2010 Winter Olympic and Paralympic Games as follows:

(000s)	2012	2011
Revenue		
Partnership contributions	$ 75	$ 202
Expenses		
Marketing and Sales	2,069	4,924
Total	$ 1,994	$ 4,722

14. STIMULUS

In Budget 2009, the Treasury Board of Canada approved $40 million of one-time funding for the Commission ($20 million for each of the 2009/10 and 2010/11 government fiscal years) as part of a greater stimulus package which formed Canada's Economic Action Plan. In 2010, the Commission received an additional $8 million for the 2010/11 government fiscal year. The Commission's stimulus strategy included approval for a domestic revenue advertising program and activities in international priority markets. These programs concluded in March 2011.

For the year ended December 31, 2012, the Commission received no revenue ($25,000 – 2011) and incurred no costs for marketing and sales ($5,185,000 – 2011) and no costs for corporate services ($644,000 – 2011), related to the stimulus program.

15. 100TH ANNIVERSARY OF THE CALGARY STAMPEDE

In September 2011, the Treasury Board of Canada approved $5 million of one-time funding for the Commission to promote the 100th anniversary of the Calgary Stampede in key international tourism markets. These funds were fully utilized at March 31, 2012.

For the year ended December 31, 2012 the Commission incurred net marketing and sales costs of $2.6 million relating to the Stampede ($2.4 million – 2011).

16. COMMITMENTS

The Commission has entered into various agreements for marketing and consulting services and leases for office premises and equipment in Canada and abroad. The total commitments of the Commission as at December 31, 2012 are $33.7 million ($30.2 million – 2011).

(000s)

2013	2014	2015	2016	2017	Subtotal	2018-2019	Total
18,626	9,396	4,645	714	270	33,651	4	$33,655

17. CONTINGENCIES

In the normal course of business and as a result of the Commission's restructuring activities in 2010, various claims and lawsuits have been brought against the Commission. Where in the opinion of management, losses, which may result from the settlement of the matters, are determinable within a reasonable range and such losses were considered by management as likely to be incurred, they would be charged to expenses. In the event management concludes that potential losses are indeterminable, no provision has been recognized in the accounts of the Commission. Due to the confidential and sensitive nature of the claims and lawsuits, the Commission cannot disclose any information regarding the potential losses.

Tombstone Territorial Park, Yukon

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