

Who are we?

The Canadian Tourism Commission (CTC) is Canada's national tourism marketing organization. A federal Crown corporation wholly owned by the Government of Canada, we lead the Canadian tourism industry in marketing Canada as a premier four-season tourism destination where travellers have access to extraordinary experiences. We provide a consistent voice for Canada in the international tourism marketplace.

Our vision is to inspire the world to explore Canada. As tourism is one of the world's fastest growing sectors, it is strategically important for the country to generate export revenues that provide new dollars to the Canadian economy. Through effective tourism marketing and promotions supported by aligned market research, we help to create jobs and generate wealth for Canadians by stimulating demand for Canada's visitor economy.

With our partners in the tourism industry and the governments of Canada, the provinces and the territories, we collaborate to promote Canada's extraordinary experiences in 11 countries around the world, conduct market research, offer stunning visuals through the Brand Canada Library and provide resources to help industry leverage Canada's successful tourism brand, "Canada. Keep Exploring".

Quick facts 2011

Overnight trips to Canada

16.0 million

Total tourism revenue

\$78.8 billion

Government revenue generated by tourism

\$21.7 billion

Tourism's contribution to Canadian GDP

\$31.2 billion

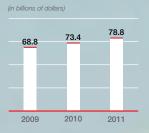
Jobs resulting from tourism spending

603,400

British Columbia

ourism BC/Andrea Johnson

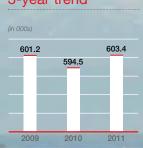




3-year trend







Visitors to Canada

The CTC is active in 11 international key geographic markets: the United States (US), the United Kingdom (UK), Germany, France, Mexico, Japan, China, South Korea, Australia, India and Brazil. In 2011, all 11 markets accounted for approximately 90% of international overnight travel to Canada and 82% of all international tourism receipts.

Where did they come from? (number of overnight visitors)



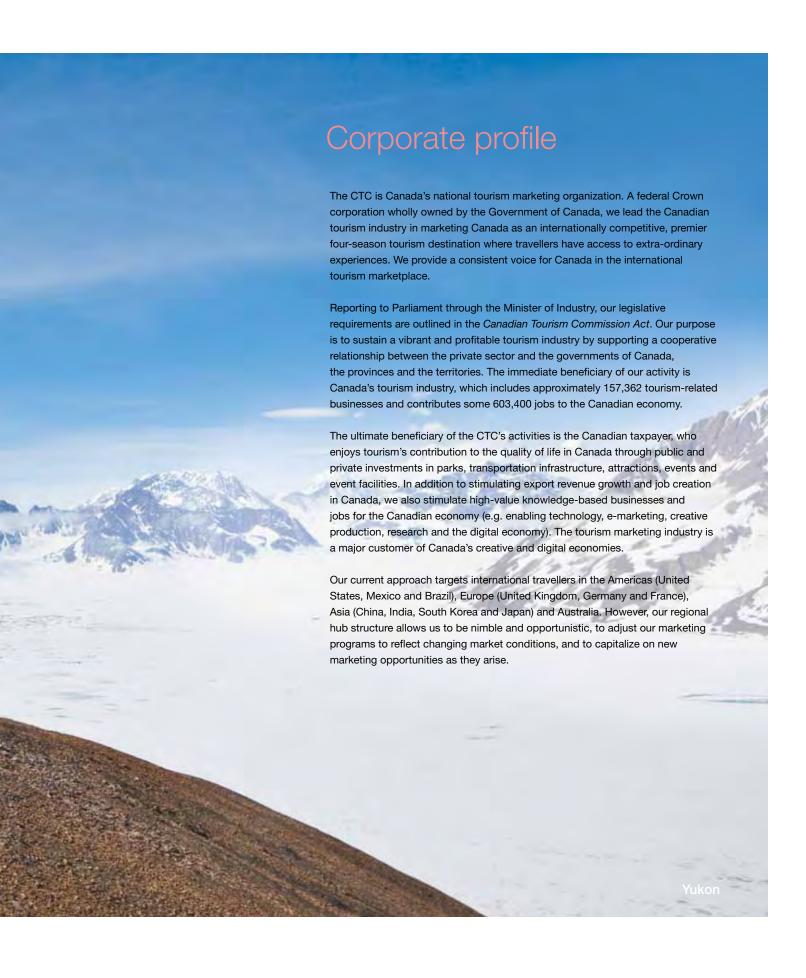


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The Annual Report serves as the principal mechanism for the Canadian Tourism Commission (CTC) to report to the Parliament of Canada and demonstrate the results achieved with public resources. With the theme of "how do you market a country?" this Annual Report showcases key activities and initiatives undertaken throughout 2011.

Cover photo:

Nahanni National Park Reserve, Northwest Territories



Message from the Chair

From my first days as Chair I have had a strong sense of the CTC's entrepreneurial character. That character was in full evidence last year as the Commission executed its program of transformation. It took a great deal of careful planning and determined follow-through, and I commend the management team and all staff on the success of their efforts.

The Board underwent a transformation of its own in 2011—the culmination of a two-year process that has made it more compact, more focused and better equipped to provide the strategic direction to the Commission that is its mandate.

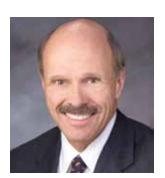
Apart from reducing the size of the Board from 26 directors to 12, we identified the types of skills most needed to serve the Commission: financial literacy, digital marketing, communications/ media and public relations, and research. We now have a skills-based board consistent with best practice in modern corporate governance to guide the CTC through the complexities of the global tourism industry of the 21st century.

I would like to thank all members of the Board—those who departed in 2011, those who left their directorships and took roles on our advisory committees, and those who have formed the first incarnation of our new body—for their hard work, wisdom and cooperation over the course of the year.

What's ahead now is for us to take full advantage of our newly gained capabilities and work with the CTC's management to seize the opportunities in our markets. I had the privilege recently of seeing the interest that China—a market approaching growth of 25% a year—has in Canada. Our brand is respected: we're seen to have the best attributes of Europe, the US and Australia all-in-one. The feedback from travellers who have visited our country is overwhelmingly positive.

Innovations like the Commission's Signature Experiences Collection® (SEC) will help—and are already helping—tap into this and other key markets. Not only does the SEC give Canada a terrific vehicle for telling its story but it also is helping improve the quality of our offering, as operators see how others are appealing to international visitors and strive to improve their own experiences as a result.

The strategic changes the Commission made in 2011 promote better alignment with the country's provincial and destination



marketing organizations. We want to further that alignment and even more effectively capitalize on the already-available resources in the system—concentrating on international markets specifically. International tourism today is only 19% of the country's overall tourism revenue, and yet is a trillion-dollar market. In order to maintain Canada's share of the global tourism market—one of the largest and fastest growing economic sectors in the world—we need to invest, and reap the rewards to the benefit of the Canadian economy.

Alignment—by which we mean a shrewd and strategic division of labour to avoid duplicated efforts and to make sure that every dollar spent achieves the greatest possible impact—is inherently important, but these days is in fact absolutely critical given the reality that funds are limited and resources are shrinking. The Commission has to work with all its partners to continue to do more with less.

Looking ahead into 2012, I am excited by the opportunities before the Board to tackle strategic questions, devise innovative responses to funding and other challenges, and contribute to the CTC's ongoing effectiveness as a catalyst for tourism and a generator of economic activity that contributes to the prosperity of our country as a whole.

Steve Allan

Message from the President and CEO

2011 was a year of transformation for the CTC. We enacted our plans to streamline the organization, focused on key markets where the Canada brand leads, with the promise of high returns, and poured every dollar possible into strategically sound, innovative marketing initiatives.

We are proud to report that the following results are directly attributable to our measured 2011 marketing activities:

- \$590.1 million in tourism export revenue for Canada's economy;
- \$180.1 million toward government revenue; and
- 4,781 jobs created or protected by Canadian tourism businesses.

Independent evaluation for 2011 showed that for every dollar we invested in our measured direct-to-consumer campaigns, we generated \$37 for Canada's visitor economy. It is clear that investments in Canada's national tourism marketer produce dividends for all Canadians.

We closed the year leaner and invigorated, with creative programs such as the Signature Experiences Collection® (SEC) garnering worldwide attention and strong, trusting, communicative relationships with the members of Canada's tourism industry.

The SEC is a groundbreaking vehicle for presenting the country's unique tourism offerings, allowing Canada to compete for consumer mindshare in an often highly commodified marketplace. While we knew we had to break out beyond Canada's known 'pillars' of culture and geography, we did not anticipate the reaction the SEC program would provoke among other national tourism marketing agencies. I have been told by colleagues in the United Kingdom and Australia that they found the SEC concept bold and innovative.

With respect to our organizational transformation, 2011 was a challenging year marked by difficult decisions—among them, to reduce our global team to 116 people from 164. Our successful completion of that transformation has put us on a solid footing to generate tourism activity and its economic benefits effectively and cost-efficiently. It has also given us the ability to bring new offerings to market in the shortest time possible. While last year marked a key moment in the evolution of the CTC, the foundations of the strategic shift—namely streamlined, nimble operation and maximum investment in marketing activities have been embedded within our organization as standard practice.

The CTC strives to be entrepreneurially minded, and its traits of decisiveness and inventiveness were called to the fore last year.



I cannot emphasize strongly enough my pride in the people of our organization for their dedication and resilience, and their unflagging focus throughout the transformation process on keeping service to the industry and to Canadians top of mind. There were no barriers to the change, no "what ifs"—everyone embraced their roles and responsibilities fully, and we as a whole are stronger for it.

I am often asked by people why it is important to market a country. Knowing that tourism generates billions of dollars in economic activity and creates hundreds of thousands of jobs in Canada, I personally feel it is not just important but in fact imperative. And in the global marketplace—which is valued at \$1 trillion, close to \$3 billion a day—a compelling, single national brand has unique 'drawing power'. It has a force that individual, local or regional efforts on multiple fronts simply can't match.

Canada is fortunate to have a strong country brand, one the CTC is committed to leveraging to attract tourism. Last year, for the second time in a row, FutureBrand declared ours to be the number one country brand in the world.

Going forward we will continue to refine and enhance our systems, develop new ways of promoting Canada to the world, and contribute actively to the government's Federal Tourism Strategy, which recognizes in a new way the significance of tourism to our prosperity as a country.

Keep exploring!

Michele McKenzie President & CEO





How do you market a country?

With entrepreneurial drive

In a highly competitive market, businesses basically have two options to win consumer attention: spend more to make sure their voice is loudest, or spend smarter, making sure every dollar counts.

2011 was a banner year for tourism globally, with 980 million international arrivals generating export revenues of more than \$1 trillion. To secure Canada's share while facing intense competition from countries with larger marketing budgets, we stuck to a clear, simple strategy: investing Canadians' dollars where they would yield the highest possible returns. We did this while taking advantage of a transformational reorganization to ensure the most money possible was devoted directly to tourism marketing. In nine of our 11 key markets, despite a reduced budget overall, we were able to be more competitive last year than in 2010 by way of our total marketing investment in each market.

Executing that strategy demanded creativity, agility and the application of our entrepreneurial instincts to every aspect of our business: identifying ways to do more with less; shortening the path from planning to action; and capturing the imaginations and spending decisions—of travellers looking for more than just a destination to visit.







Making sure Canada stands out

The global tourism market is saturated with enticing destinations. Appreciating the need for Canada to make a distinct mark in the minds of consumers, we unveiled an innovative new program for promoting tourist travel to this country in July 2011: the Signature Experiences Collection[®] (SEC).

Through the Collection, the CTC invites international travellers to come and enjoy quintessentially Canadian *experiences* rather than simply visit *places*—from food and wine tours to a narwhal and polar bear safari. It's a unique way of marketing the country that draws on our deep, research-based understanding of consumer behaviour and marketing science.

Leveraging cost-effective web and social media channels such as Facebook, Twitter and YouTube as well as travel media relations, the SEC attracted growing numbers of Canadian 'experience' operators from all corners of the country: the initial list of 48 grew to 115 by the end of the year as more and more tourism industry members recognized the advantages of the program.

The SEC responds to increasing consumer demand for travel options that take them off the beaten path—a desire also answered by another CTC initiative in 2011, Explore Canada Like a Local (ECLAL): www.explorecanadalikealocal.com. Both a website and mobile app, ECLAL lets

visitors plan trips in Canada by theme (arts and culture, city breaks, culinary, luxury and outdoors), by destination or by list. The site and app serve up maps, location data (via Foursquare), user reviews and more. They also allow visitors to share their own comments and experiences, creating an authentic traveller-to-traveller dialogue.

Between the time it went live in September 2011 and December 31, 2011, ECLAL had a total of 30,742 site visitors and 112,129 page views; however, the value of this new platform will largely grow in 2012 as partners engage and link to their own sites.



The people behind the experiences

It's not just unique places and once-in-a-lifetime opportunities that create the distinctive 'signature' of the offerings in Canada's SEC program—it's also the people. We seek out operators whose passion and personality add to the Canadian character and exceptionality of each experience. People like Graham Dickson, Chief Expedition Officer of Arctic Kingdom Polar Expeditions; Mary Pat Mombourquette, business director of Cape Breton Island's Celtic Colours International Festival; and Rosemary Gatherall, co-owner of Gatherall's Puffin and Whale Watch, which connects visitors to the marine wonders off the coast of Newfoundland. The Gatheralls are one of the original families in the town of Bay Bulls, and have a long seagoing history. By emphasizing the individuals behind each Signature Experience, the program creates an only-in-Canada offering no other country can match.





Know the opportunities—and go after them

An essential part of what makes us a successful national tourism organization is our deep knowledge of rapidly evolving marketing practices. For example, although they represent only a thin slice of our programming, the SEC and ECLAL programs demonstrate our understanding of digital consumers' path to purchase—and we build campaigns to intersect with that path at as many points as possible. While in the past travellers may have consulted with a travel agent and whittled down a list of potential destinations, today they follow a non-linear decision-making process, informed by newsfeed articles, friends' Facebook posts and YouTube videos.

The CTC was early to embrace these social media vehicles in its marketing approaches, putting tools in the hands of visitors so they can tell their stories and become ambassadors themselves. This strategy has helped make Canada one of the top three recommended destinations in the world for 2011 according to the Reputation Institute.

Original research is also a key enabler in our toolkit, allowing us to amplify the power of our marketing budget by focusing precisely on areas of greatest opportunity. In 2011, we produced 50 research publications for our own use and for members of Canada's tourism industry. We continued to use the Explorer Quotient®—co-developed with Environics in 2006—to link social values with travel preferences and target individuals most likely to visit the country.

Trusted to get results

Follow-ups to the Commission's promotion of the Vancouver 2010 Olympic and Paralympic Winter Games continued throughout the year, with final funding set to expire in March 2012. These 'afterglow' activities aimed to capitalize on increased awareness of Canada's tourism brand in our target markets by continuing to grow tourism export revenues and the number of high-spending visitors to the country. We worked with partners to target consumers and convert their interest in Canada into bookings through direct-to-consumer advertising campaigns, key account programs involving tour operators, and outreach to small- and medium-sized businesses. Despite the global economic uncertainty with fewer travellers purchasing trips in 2011, our post-Olympic campaigns in the UK, France, Germany, Australia and South Korea inspired an estimated 251,000 visitors to book a trip to Canada, amounting to \$345 million in tourism revenue.

We also concluded the last of our projects funded through Canada's Economic Action Plan in 2011. Testament to our ability to deploy funds efficiently, we received an allocation of \$8 million to spend by March 2011—in addition to the \$40 million originally assigned to the CTC. Those additional funds were used for our first-ever campaign in China since Canada's receipt of Approved Destination Status in 2010.



Capturing a share of the growing Chinese market

On February 22, 2011, we launched our first major advertising campaign in China since Canada received Approved Destination Status (ADS) the previous year. ADS allows Canada to market in China and compete on an equal footing with other countries. That first campaign, Say Hello to Canada!, targeted affluent, high-spending and well-educated 25- to 34-year-olds who, CTC research shows, are most inclined to travel long distances and get out and explore once they arrive. We also participated in welcoming China Southern Airlines to Vancouver last year. With its first flight from Guangdong touching down on June 15, the service is expected to bring as many as 44,000 Chinese travellers to Canada every year—amounting to \$72 million in economic activity and the creation of some 600 Canadian jobs. Other airlines also increased their service between Canada and China in 2011. Overall, with an increase of 33% in flights to Canada from China in 2011, seat capacity increased from 526,000 in 2010 to 700,000 last year. We will continue to cultivate tourism interest from China, acknowledging that it is projected to deliver 100 million international travellers worldwide by 2020.





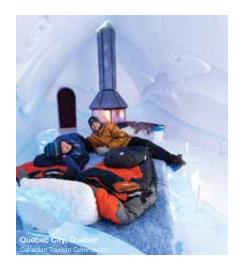
How do you market a country?

By being lean and nimble

Economic uncertainty, shifting pockets of opportunity and the practical realities associated with finite financial resources all demand that we carry out our mission as leanly, flexibly and efficiently as possible.

Throughout 2011, we implemented an ambitious and comprehensive plan to reduce the complexity and cost of our operations, ensuring our ability to direct—and redirect—resources where they are likely to produce the strongest returns, and to always channel the most funds possible into marketing activities.

Completing that transformation while attending to the Commission's daily business required tremendous dedication and effort at every level of our organization. By the end of the year we had laid a strong foundation to continue generating tourism-related economic benefits for all Canadians.







Streamlined and scalable

Prior to 2011, we had 13 offices in 10 countries around the world. While the advantage of that structure was immediate on-the-ground presence in key centres abroad, it increased overhead costs and made it challenging for us to shift focus to emerging areas of opportunity.

As part of our restructuring in 2011 we shrunk our footprint, closing five international offices and establishing instead a regional hub structure. We also adopted a general sales agent model that utilizes strategic partners to handle functions such as travel trade sales development and media relations. And we began exploring the potential for co-location partnerships with provincial marketing organizations in certain international markets to further reduce expenses.

Changes to our organization's workforce were also a component of the year's transformation, with staff reductions both in Canada and abroad. We concluded 2011 confident we had the right mix of skills and expertise to pursue our mandate with agility and faster timeto-implementation.

While difficult, last year's streamlining helped make us a nimbler, more costefficient organization, able to be active in international markets without needing to be physically based in them. Operating fewer international sites has also minimized our exposure to risks associated with managing direct employees in different labour markets, which can be subject to widely varied laws and regulations.

Following a governance review in 2009–2010, and complementing our operational changes, the Commission's Board of Directors was retooled in 2011 as well-reduced from 26 members to 12, with a renewed focus on strategic oversight. The new Board brings a vital mix of corporate skills to our governance.

Our international markets

We operate in 11 countries around the world, with marketing and sales teams providing expert knowledge and support to members of the local travel trade, conducting media relations and promotional activities, running consumer advertising and promotional campaigns, and ensuring a strong Canadian presence at consumer and trade shows. Our marketseach identified for their potential to generate tourism to Canada based on our research and analysis-are:

Core/Traditional markets

- » Australia
- » France
- » Germany
- » UK » US

Emerging/Transition markets

- » Brazil
- » China
- » India
- » Japan » Mexico
- » South Korea

We concluded 2011 confident we had the right mix of skills and expertise to pursue our mandate with agility and faster time-to-implementation.







Engaged and empowered

Implementing change while seeing to the everyday duties of business as usual is a challenge for the people of any organization. Our teams rose to that challenge last year, taking on multiple roles and demonstrating flexibility as they delivered against their objectives. Good communication about the restructuring helped clarify employees' understanding of their roles in the context of the CTC's mandate and strategy—which contributed to an increase in annual employee engagement survey scores (from 58.5% in 2008 to 74% in 2011).

Employee engagement was also affected positively by last year's changes through the streamlining of decision-making paths and increased decision-making responsibility at every level of our organization. Staff are now better able to accelerate actions, show greater openness to bringing new ideas forward, and have a more immediate view of the outcomes of their work.

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Refining our infrastructure

To support our organizational transformation, we began preparations last year to overhaul our enterprise resource planning system, specifically the modules associated with: finance, payroll and procurement, human resources, customer relationship management, digital asset management, our balanced scorecard and email marketing. The aim is to deploy a toolset that further reduces organizational cost and complexity, taking advantage of a cloud-based environment that will allow us to maintain less of our own technology infrastructure. Business requirements and procurement for the new systems were largely completed in 2011, and the economical, industryleading off-the-shelf solution selected will be deployed in 2012.

One of the chief advantages—beyond time savings, cost savings and greater ease of use—is that the new solution will be fully integrated, meaning that process elements associated with one function feed directly into the macro system for use by other functions.

One of the chief advantages of the new enterprise resource planning system—beyond time savings, cost savings and greater ease of use—is that it will be fully integrated.





How do you market a country?

With a focus on export revenue

There's a clear reason why Canada and other countries invest in tourism marketing: because it produces significant economic returns. In 2011, the tourism sector contributed \$78.8 billion in revenue to the Canadian economy, \$31.2 billion to the country's GDP, and \$21.7 billion in government revenue alone. Tourism spending supported some 603,400 jobs across the country.

It has always been our priority to deliver returns on the taxpayer dollars invested in our organization. For every dollar we devoted to measured direct-to-consumer advertising in 2011, \$37 flowed into the country's tourism sector. By reducing our overhead costs and reallocating marketing resources to markets where our brand leads, we have been able to increase the amount we generate in attributable tourism export revenue. This supports Canada's national tourism revenue target of \$100 billion by 2015.

In all last year, our measured direct-toconsumer campaigns inspired some 322,800 international travellers to come to Canada. Together, our consumer campaigns, travel trade co-op promotions, and meetings, conventions and incentive travel (MC&IT) lead conversions generated an estimated \$590 million in tourism revenue for Canada's economy, \$180 million in government tax revenues, and created or protected 4,781 tourism jobs across the country. Going forward, we will continue to monitor the performance of our markets—and the potential of unaddressed markets—rapidly responding to new opportunities or challenges as they emerge.





Investing where we can lead

The benefits of tourism marketing extend beyond the sector itself, delivering the country's brand to the world—spurring investors to invest in Canada, buyers to do business with Canadian companies, and families to send children here for their education and cultural enrichment.

Last year, we concentrated our marketing efforts where research and analysis showed they would have the maximum effect. Specifically, we targeted spending on core/traditional with large distribution and volume systems, as well as emerging and transitional markets of high potential. Our core markets (the UK, France, Germany, Australia, and the US in terms of MC&IT and media and public relations) are well entrenched, characterized by strong, decades-old international travel habits

and citizens that visit all parts of Canada. Emerging markets (India, Brazil, South Korea and China) are relatively new to international travel, stimulated by the rise of the middle class in the last 10 to 20 years. Our transitional markets (Japan and Mexico) were once highperformance markets from which travel has declined—usually for independent reasons such as the impact of new visa requirements for Mexican travellers, or the downturn of the Japanese economy in recent years. They require a backto-basics, on-the-ground approach to re-establish Canada as a potential tourism destination. In 2011, we began to see improved results from Mexico with 9.5% more overnight visits to Canada than in 2010. In addition, following the devastating earthquake and tsunami in Japan, overnight visits to Canada by

Japanese travellers fell by 9.8% in 2011; however, we project recovery from Japan to take hold in 2012.

One of the key assets at our disposal is the strength of the Canada branddeclared the top country brand for the second year in a row by leading international consultancy FutureBrand. Canada's tourism brand—"Canada. Keep Exploring"—is a key component of the overall country brand, managed and promoted by our organization.

To arrive at its ranking, FutureBrand conducted online interviews with 3,500 travellers from 14 countries, surveying their experiences of the 113 countries included in the assessment.

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Keeping our stakeholders in the loop

The CTC remains committed to engaging and working with key stakeholders in the tourism industry to foster the sharing of best practices, and has mechanisms in place to ensure that the CTC's Board of Directors and management are engaged with industry. We continuously engage with provincial and territorial marketing organizations, destination marketing organizations and other federal departments and agencies. We also leverage our advisory committees, in-market committees, provincial and territorial deputy ministers' forum, and international best practices forum to keep stakeholders in the loop.

One of the most significant market-related shifts made by our organization in 2011 was our reprofiling of direct-to-consumer marketing investments in the US leisure travel market. US leisure has been traditionally—and remains—important to Canada's tourism industry, yet is also ferociously competitive. Given our strategy to invest where Canada can lead, to ensure the highest possible returns, we determined that our limited resources prevented us from having an adequately strong impact in the US leisure space—and that redirecting those dollars elsewhere could generate measurable gains. As well, many Canadian provinces and territories market directly to US leisure travellers, leading to some overlap in effort.

To ensure stakeholder comfort with our decision, we engaged in extensive consultations with tourism sector players in 2011, explaining the rationale. Those consultations occurred naturally through the Commission's governance structure, through industry outreach at conferences, proactive and reactive media relations and thorough communications planning.

Canada's tourism stakeholders appreciated their inclusion in our process and acknowledged the wisdom of the shift—contributing to even stronger ties between the Commission and the industry.

As measured by a bi-annual partner survey, 89% of partners were satisfied with their relationship with the CTC in 2011. Likewise, 82% of partners aligned with at least one element of the CTC brand visual identity and 97% reported that they intend to partner with us in the future, demonstrating our relevancy with industry stakeholders.

Sharing knowledge, supporting strategy

Our extensive market research has long been looked to by the country's tourism sector as a resource for strategic planning. In 2011, our 50 published reports and bulletins were downloaded over 42,500 times by industry members.

We also overhauled our corporate website in 2011. Bolder, brighter imagery is matched by a revamped Newsroom section and other new content. On the homepage, our Twitter channel gets greater prominence as does a new module for videos. We also opened up the CEO's Corner to allow people to respond directly to Michele McKenzie, CTC President & CEO. For more information, visit: www.canada.travel/corporate.

Over the course of the year, we recognized opportunities to share our knowledge in new ways and undertook the development of a series of detailed reports on issues that impact tourism outside the marketing realm. These reports provide in-depth analysis of the country's policies and how they are perceived abroad, helping ensure that Canada's overall infrastructure and policy environment contribute to the effectiveness of future tourism marketing campaigns.

More broadly, we affirmed our commitment to support the Federal Tourism Strategy for Canada in 2011. The strategy engages the full range of government departments in viewing their business from a tourism perspective to ensure their actions are complementary and that Canada reaps the maximum gains. We began discussions with several federal partners including Foreign Affairs and International Trade Canada and the Canada Border Services Agency to identify opportunities for collaboration on tourism-related issues.

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.

Enterprise Balanced Scorecard

Since 2008, the CTC has been using the Balanced Scorecard (BSC) as its 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 and Stakeholder, Customer, Budget/Financial, Internal Business Processes, and Learning and Growth) 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. Therefore, the BSC contains a mixture of CTC performance measures and tourism industry indicators. For 2011, the four most critical measures to achieving our goal of growing tourism export revenues for Canada were:

- aided destination awareness;
- · marketing campaign ROI;
- partner contributions; and
- · employee engagement.

The overall aided awareness of Canada as a travel destination decreased slightly from 33.9% in 2010 to 33.2% in 2011; this is likely because of the decreased attention on Canada as a destination following the conclusion of the 2010 Winter Games.

We were able to achieve positive results from our marketing efforts as expressed through the performance measure of "marketing campaign ROI"; for every dollar invested in our measured direct-to-consumer campaigns, we generated \$37 in tourism export revenues for Canada's visitor economy. This ROI ratio is lower than the 82:1 we achieved in 2010 (and our target of 75:1 for 2011). While we believe this is largely due to the unpredicted stall of the global economic recovery and increased financial and fiscal challenges that brought uncertainty to the tourism market in 2011, we will conduct in-depth analysis into our 2011 direct-to-consumer campaigns in order to determine potential learnings for the future. See pages 30-31 for more analysis on this result.

Partnership contributions totalled \$73.0 million in 2011, resulting in an overall 0.84:1 ratio of partner contributions to our total budget allocation of \$87.2 million, which exceeded our target ratio of 0.6:1. This result demonstrates that our programs were relevant to partners.

Our employee engagement index increased to 74% in 2011, from 67.7% in 2010. The most significant contributor to this increase in index was good communication about the organizational restructuring, which helped clarify employees' understanding of their roles in the context of our mandate and strategy.

2011 Result

2011 Enterprise Balanced Scorecard

Tourism Industry Indicators¹

Shareholder & Stakeholder				
1.1 Objective: Increase demand for Canada's visitor economy				
a Tourism export revenue	\$	14.9 billion	N/A	15.1 billion
b Tourism GDP	%	2.0	N/A	2.0
c Tourism employment	#	594,500	N/A	603,400
d International tourist receipts from CTC's markets	\$	9.7 billion	N/A	9.8 billion
e Average spend per person per night among CTC's markets	\$	107.3	N/A	106.9
f Tourism domestic demand (revenue)	\$	58.5 billion	N/A	63.7 billion
CTC Performance Measures	Unit	2010 Result	2011 Target	2011 Result
Shareholder & Stakeholder				
1.2 Objective: Focus on markets where Canada's tourism brand le	eads and yields the high	hest return on investme	ent	
a Marketing campaign ROI ²	ratio	82:1	75:1	37:1
b Economic contribution of key account co-op promotions ³	\$	N/A	Benchmark	69.5 million
c Economic contribution of CTC's MC&IT program ³	\$	189.4 million	Benchmark	61.5 million
d Attributable tourism export revenue ³	\$	1.35 billion	1.72 billion	590.1 million
e Attributable jobs created and/or maintained ³	#	11,968	15,824	4,781
f Attributable federal tax revenue ³	\$	178.7 million	240.5 million	78.2 million
1.3 Priority: Lead industry in international brand alignment and con	nsistency			
a Partner brand alignment ⁴	%	N/A	60	82
b Partner satisfaction ⁴	%	N/A	80	89
1.4 Priority: Harvest the afterglow of the Vancouver 2010 Olympic	and Paralympic Winte	r Games for Canada		
a Brand Strength Score Index (measure under development) ³	\$	N/A	TBD	Measure removed ⁵
1.5 Priority: Foster organizational excellence				
a Shareholder engagement index	%	88	75	TBD
2. Customer				
2.1 Priority: Ensure customer relevancy and differentiate Canada				
a Aided destination awareness ²	%	33.9	35.0	33.2
b Aided destination consideration	%	71.8	74.0	71.4
c Country brand rank	Top 5: Yes/No (rank)	Yes (1)	Yes (5)	Yes (1)
3. Budget & Finance				
3.1 Priority: Foster organizational excellence				
a Partner contribution ²	ratio	1.32:1	0.6:1	0.84:1
b Overhead costs	%	15.4	18 maximum	13.9
4. Internal Operations				
4.1 Priority: Foster organizational excellence				
a Systems effectiveness	%	Measure removed ⁶	Benchmark	Measure removed ⁶
5. Learning & Growth				
5.1 Priority: Foster organizational excellence				
a Core values index	%	58.3	70	69.3

Unit

2010 Result

2011 Target

1 While the CTC contributes to the achievement of broader tourism industry outcomes, such as increases in tourism revenue and employment, the efforts of other provincial/territorial and destination marketing organizations, as well as tourism SMEs, also have an impact on the performance of the tourism sector. Given that it is difficult to link the results in the tourism sector directly to the efforts of the CTC, the CTC does not set targets for industry performance indicators.

67.7

b Employee engagement index²

65

74

² CTC Critical Metric

³ New measure for 2011

⁴ Data collected every two years through the Biennial Partner Survey

⁵ Upon further investigation, it was deemed that the brand valuation study which would have yielded this score was not warranted.

⁶ Result not available in 2010 and 2011 due to timelines associated with acquisition and implementation of the applicable IT applications.

2011 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 the goods or services are supplied by a Canadian company (e.g. purchase of an airline ticket from a Canadian international carrier to 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 core markets on Canadian-produced tourism goods and services during stays of at least one night. Purchases may take place outside of Canada if the goods or services are supplied by a Canadian company (e.g. purchase of an airline ticket from a Canadian international carrier to 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 core markets, based on total trip spend and the number of nights spent in Canada.

1.1 f Tourism domestic demand (revenue)

Total spend in Canada by Canadians on domestically produced commodities. Note: not seasonally adjusted. Source: National Tourism Indicators, Statistics

1.2 a Marketing campaign ROI

Value of tourist receipts generated by CTC's 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 Economic contribution of key account of co-op promotions

The economic value (visitor spending) generated as a result of incremental travel trade sales from CTC's partnership activities with key travel trade accounts. Key accounts vary by market, and are those that produce most sales for the CTC or have the potential to do so, or those who are of strategic importance. The economic value is calculated: (Total Sales/Booked Visitors) x (Daily Visitor Spending) x (Average Length of Stay)

1.2 c Economic contribution of MC&IT leads conversion

The economic value (attendee spending) generated as a result of CTC's MC&IT leads conversion into definite business. The economic value is calculated: (Total # of converted leads into definite business) x (Total Estimated Attendance) x (Daily Attendee Spending) x (Average Length of Stay)

1.2 d Attributable tourism export revenue

Export tourism revenue (see definition for 1.1) that is attributable to CTC's directto-consumer, travel trade and MC&IT Activities. Based on CTC's Advertising Tracking and Conversion Studies data, as well as MC&IT leads conversion and travel trade sales measures

1.2 e Attributable jobs created and/or maintained

The estimated attributable employment from tourism revenue generated by CTC's marketing, travel trade and MC&IT programs. To calculate the attributable employment: (Estimated Export Revenue) / \$112,670 (a ratio of total tourism demand in Canada to total jobs generated from tourism activities. In 2008, on average, 1 job was created for every \$112,670 in tourism spending across tourism industries. Source: Statistics Canada.)

1.2 f Attributable federal tax revenue

Estimated attributable federal tax revenue generated by CTC's marketing, travel trade and MC&IT programs. Calculations based on CTC's Advertising Tracking and Conversion Studies data and Statistics Canada's Government Revenue

Attributable to Tourism (GRAT) indicators. For every \$100 of tourism spending, the federal government collects \$12.98 (domestic tourism) and \$13.96 (export non-residents).

1.3 a Partner brand alignment

Percentage of partners who 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 Bi-Annual Partner Survey.

1.3 b Partner satisfaction

Percentage of partners who are satisfied with their relationship with the CTC. Source: CTC's Bi-Annual Partner Survey.

1.4 a Brand strength score index

The strength of Canada's Tourism Brand in CTC markets as calculated by Intrabrand valuation study (measure under development).

1.5 a Shareholder engagement index

Percentage of Government shareholders who feel they receive the right level of support and information from the CTC. Source: CTC Annual Shareholder Survey.

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, parallel, 3rd party) versus CTC investment (parliamentary appropriations).

3.1 c Overhead costs

Actual overhead expenses divided by the sum of total annual appropriations and total partnership cash revenues:

- Marketing/Sales/Business Development/Communications & PR all expenses, excluding program, salaries, professional services and contract/temp.
- IT all expenses excluding: website maintenance costs.
- · Corporate Services: all expenses.

4.1 a Systems effectiveness

Employee satisfaction with the support provided by applicable IT applications.

5.1 a Core values index

Average value of three Employee Survey questions regarding how the company overall effectively demonstrates CTC's core values: innovation; collaboration; and respect.

5.1 b Employee engagement index

Calculation of the average score of the results of six questions in the Annual Employee Survey:

- There is good cooperation and teamwork within my work group;
- The CTC is the kind of place I want to work for today;
- The CTC is the kind of place I want to work for in the future;
- I am proud to work for the CTC;
- I would prefer to remain with the CTC even if a comparable job were available in another organization;
- · I would recommend the CTC to others as a good place to work.

The year in review

Canada's tourism industry

Industry overview

Tourism has become one of the world's fastest-growing industries, and is recovering well from the economic turbulence of recent years. According to the United Nations World Tourism Organization (UNWTO), international tourist arrivals reached an estimated 980 million in 2011—a gain of 4% from 939 million in 2010—and are projected to surpass one billion in 2012. As an export category, tourism ranks fourth globally after fuels, chemicals and automotive products.1

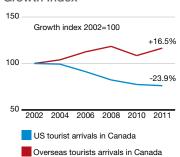
Tourism is also a key driver of Canada's economy. The Canadian tourism sector is widely varied, ranging from small- and medium-sized enterprises (SMEs) operating in a single location to large, far-reaching corporations. It also includes provincial marketing organizations (PMOs), destination marketing organizations (DMOs), as well as tourism industry and trade associations.

In 2011, Canada's visitor economy generated \$78.8 billion in total tourism revenue; contributed \$31.2 billion (or 2%) to Canada's gross domestic product (GDP); produced \$21.7 billion in government revenues; and created or protected 603,400 Canadian jobs. With international travellers to Canada spending \$15.1 billion in 2011, tourism has become Canada's seventh largest source of export revenue.2

		Final est	Preliminary estimates			
	2009	09/08	2010	10/09	2011	11/10
Total tourism revenue	\$68.8 billion	-5.2%	\$73.4 billion	+6.7%	\$78.8 billion	+7.4%
Domestic revenue	\$54.7 billion	-2.8%	\$58.5 billion	+6.9%	\$63.7 billion	+8.9%
International revenue	\$14.1 billion	-13.2%	\$14.9 billion	+5.7%	\$15.1 billion	+1.8%
Tourism's total contribution to Canada's GDP	\$27.7 billion	-4.4%	\$29.3 billion	+6.0%	\$31.2 billion	+6.4%
Total government revenue generated by tourism (GRAT)*	\$19.0 billion	-13.2%	\$20.2 billion	+6.3%	\$21.7 billion	+7.4%
Federal government revenue	\$8.9 billion	-8.2%	\$9.5 billion	+6.7%	\$10.2 billion	+7.4%
Total jobs in Canada as a result of tourism spending	601,200	-2.6%	594,500	-1.1%	603,400	+1.5%

Source: Statistics Canada, National Tourism Indicators (NTI) 2011 Q4: *CTC estimates for GRAT based on Statistics Canada GRAT 2009 key indicators

US vs. Overseas (other international) 2002-2011 **Growth Index**



Canadian tourism industry economic activity

Domestic tourism revenue increased by 8.9% in 2011, contributing \$63.7 billion (or 81%) to an overall tourism revenue total of \$78.8 billion. International tourism revenue increased by 1.8%, contributing \$15.1 billion (or 19%). 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. Since 2000, the contribution from international travellers to Canada's total tourism revenue has fallen from 35% to 19%. While this decline in international tourism revenue's contribution to Canada's total tourism revenue is largely reflective of the decline in travel from the US market, it also comes despite exponential growth in global receipts, doubling from under \$500 billion in 2000 to \$1 trillion in 2011.

Source: UNWTO Tourism Highlights 2011 Edition.

Source: Statistics Canada measurement of export industries in Global Commerce Strategy

Tourism is strategically important to Canada's future competitiveness: it is important for the country to generate real growth from international tourism markets, attracting foreign investment in Canadian tourism products. To further illustrate this point, Canadians spent an average of \$270.30³ per overnight trip while travelling domestically in Canada in 2010, compared to visitors from key overseas markets⁴ who spent an average of more than \$1,400 per trip to Canada. There is no doubt that international travel to Canada is high-value and drives increased competitive investment and product development.

Total receipts from overnight visitors from our 11 key markets reached an estimated \$9.8 billion in 2011—a gain of 0.3% from 2010—with increases from seven markets. (Although Canada had fewer visitors from the UK in 2011, those who did come spent more than in 2010.) As the global economy continues to improve, it is expected that travellers' spending will increase.

Annual estimated overnight traveller revenue by CTC market (\$ millions)

	Final estimates*			Preliminary	estimates**	
CTC key markets	2009	09/08	2010	10/09	2011	11/10
US total	\$6,086.7	-8.3%	\$6,254.4	+2.8%	\$6,131.8	-2.0%
UK	\$894.3	-24.5%	\$811.9	-9.2%	\$813.7	+0.3%
France	\$513.2	-5.1%	\$527.1	+2.7%	\$558.5	+7.2%
Germany	\$445.0	-4.5%	\$476.3	+7.0%	\$468.0	-1.7%
Japan	\$270.9	-23.9%	\$330.0	+21.8%	\$308.0	-6.7%
Australia	\$312.2	-12.3%	\$352.9	+13.0%	\$376.0	+6.5%
China	\$261.0	-0.7%	\$315.1	+20.7%	\$411.1	+30.5%
South Korea	\$216.0	-21.8%	\$256.6	+18.8%	\$231.1	-9.9%
India	\$118.9	-2.7%	\$144.7	+21.7%	\$162.7	+12.1%
Mexico	\$231.4	-36.4%	\$157.2	-32.1%	\$176.4	+12.2%
Brazil	\$97.5	-11.3%	\$134.1	+37.5%	\$145.9	+8.8%
Total key markets	\$9,447.1	-11.5%	\$9,760.3	+3.3%	\$9,783.4	+0.3%
Total international markets	\$11,521.2	-11.0%	\$11,921.5	+3.5%	\$11,969.2	+0.4%

Sources: *Statistics Canada, International Travel Survey - Frontier Counts; **CTC estimates

³ Source: Statistics Canada 2010 Travel Survey of Residents of Canada.

⁴ CTC's key overseas market refers to all CTC key markets excluding the US.

Annual average spend per person per trip to Canada by CTC market*

	Final estimates*			Preliminary e	stimates**	
CTC key markets	2009	09/08	2010	10/09	2011	11/10
Brazil	\$1,717	+9.6%	\$1,881	+9.6%	\$1,803	-4.1%
Australia	\$1,660	+2.3%	\$1,745	+5.1%	\$1,723	-1.3%
China	\$1,636	-1.3%	\$1,630	-0.4%	\$1,701	+4.4%
South Korea	\$1,645	+2.9%	\$1,630	-0.9%	\$1,593	-2.3%
Japan	\$1,503	+9.3%	\$1,532	+1.9%	\$1,586	+3.5%
Germany	\$1,526	+3.2%	\$1,509	-1.1%	\$1,543	+2.3%
Mexico	\$1,435	+1.4%	\$1,356	-5.5%	\$1,390	+2.5%
France	\$1,320	-1.3%	\$1,292	-2.1%	\$1,294	+0.2%
UK	\$1,304	-7.8%	\$1,229	-5.8%	\$1,260	+2.7%
India	\$944	-0.6%	\$966	+2.3%	\$983	+1.8%
US total	\$522	-1.7%	\$532	+1.9%	\$531	-0.3%
Total key markets	\$673	-3.3%	\$685	+1.8%	\$693	+1.2%
Total international markets	\$739	-3.0%	\$751	+1.6%	\$759	+1.0%

Sources: *Statistics Canada, International Travel Survey – Frontier Counts; **CTC estimates.

Average spent/trip (\$CDN)

	1996	2010	10/96
US	\$1,099	\$1,784	+62.3%
Germany	\$850	\$1,329	+56.4%
UK	\$622	\$1,113	+78.9%
Spain	\$987	\$1,027	+4.1%
Italy	\$622	\$916	+47.3%
China	\$315	\$848	+169.2%
Turkey	\$461	\$794	+72.2%
Canada	\$365	\$759	+107.9%
Malaysia	\$980	\$747	-23.8%
France	\$333	\$621	+86.5%

Source: UNWTO

Although Canada's performance from a yield perspective remains relatively flat, evidence based on data produced by the UNWTO shows that Canada's calculated yield from tourist arrivals and receipts among the top ten destinations in terms of tourist arrivals still registered the second largest gain in the 1996-2010 period. Against its main competitors, Canada's yield over the 14 years increased by 107.9%, for an annual average gain of 5.3%, or an estimated 3.3% in constant terms. This speaks directly to the CTC's strategy to focus on markets with the maximum potential for return on investment, largely generated from long-haul, high-yield travellers who stay in Canada longer and spend more while visiting.

Overnight visits to Canada from the CTC's 11 key markets declined last year by 0.9% compared to 2010. Overall, Canada saw fewer visitors from five markets (the US, the UK, Germany, Japan and South Korea) and more travellers from six markets (France, Australia, China, India, Mexico and Brazil).

Annual estimated overnight trips to Canada by CTC market (000s)

	Final estimates*			Preliminary	estimates**	
CTC key markets	2009	09/08	2010	10/09	2011	11/10
US total	11,667	-6.7%	11,749	+0.7%	11,557	-1.1%
UK	686	-18.1%	661	-3.6%	646	-2.3%
France	389	-3.9%	408	+4.9%	432	+5.8%
Germany	292	-7.5%	316	+8.2%	303	-3.9%
Japan	180	-30.4%	215	+19.5%	194	-9.8%
Australia	188	-14.2%	202	+7.5%	218	+7.8%
China	160	+0.5%	193	+21.1%	242	+25.0%
South Korea	131	-24.0%	157	+19.9%	145	-7.2%
India	126	-2.0%	150	+18.9%	166	+10.5%
Mexico	161	-37.3%	116	-28.1%	127	+9.5%
Brazil	57	-19.1%	71	+25.5%	81	+13.1%
Total key markets	14,037	-8.4%	14,238	+1.4%	14,110	-0.9%
Total international markets	15,585	-8.3%	15,866	+1.8%	15,976	-0.8%

Sources: *Statistics Canada, International Travel Survey – Frontier Counts; **CTC estimates.

Competitor performance

As the following table illustrates, Canada's established international competitors experienced both gains and losses in 2011. While the US experienced a mild setback from the UK and from Japan as a result of the earthquake and resulting disasters, they still experienced growth from all other CTC key markets and saw an overall gain in international tourist arrivals of 4.9%. This demonstrates that the US continues to do well in terms of business growth despite increased competition from emerging destinations, and will likely increase further following the launch of marketing efforts by Brand USA (the new US national tourism marketing organization).

In contrast to Canada and the US, the UK experienced gains from Japan, as well as the US. However, setbacks mainly from Germany and India more than offset gains in other target markets and resulted in an overall decrease from CTC key markets of 4.4% from 2010.

With the exception of the US, the global trend of mature destinations losing business to new emerging receptive destinations seems to be continuing. In response to this trend, we have strategically diversified our focus to include growing emerging markets; Canada was quick to recognize this global trend and adjust accordingly.

2011 Estimated overnight trips by CTC market (000s)

CTC key markets	Canada	11/10	US	11/10	UK	11/10
US total	11,557	-1.6%	-	-	2,751	+3.0%
UK	646	-2.3%	3,836	-0.4%	-	-
France	432	+5.8%	1,515	+12.8%	3,646	-1.0%
Germany	303	-3.9%	1,832	+6.1%	2,904	-3.0%
Japan	194	-9.8%	3,253	-4.3%	233	+6.0%
Australia	218	+7.8%	1,044	+15.5%	1,064	+9.0%
China	242	+25.0%	1,092	+36.2%	182	+32.0%
South Korea	145	-7.2%	1,145	+3.4%	-	-
India	166	+10.5%	663	+1.9%	343	-6.0%
Mexico	127	+9.5%	13,651	+1.7%	77	+15.0%
Brazil	81	+13.1%	1,527	+27.5%	-	-
Total key markets	14,110	-0.9%	29,558	+4.1%	11,200	-4.4%
Total international markets	15,976	-0.8%	62,672	+4.9%	30,526	+3.0%

Source: CTC estimates

Partnerships

The CTC was founded on the principle of public/private sector partnerships. Through contributions that match our funding, we achieve the maximum return on investment for our tourism marketing initiatives.

The CTC anticipated partnership contributions (of all kinds) to be reduced as a result of the strategic shift and accordingly reduced its partnership contribution ratio target from 1:1 to 0.6:1 on its enterprise balanced scorecard. This change was approved as part of the 2011-2015 Corporate Planning process.

In 2011, those partnership contributions totalled \$73 million, resulting in an overall 0.84:1 ratio of partner contributions to our total budget allocation of \$87.2 million⁵, exceeding our target and demonstrating the relevance of our programs to partners.

There are four types of CTC partnership arrangements:

- CTC-led marketing or sales campaigns: Arrangements whereby we directly sell advertising opportunities to our partners; for example, when partners buy advertising in CTC publications or space at CTC-led events. In 2011, partners invested \$8 million in these campaigns.
- Partner-led marketing or sales campaigns: Arrangements through which partners lead campaigns and sell us advertising opportunities. Our partners' investments in these types of initiatives totalled \$45.8 million in 2011.

This figure is composed of \$75 million from base budget allocation, \$4.2 million from 2010 Winter Games one-time funding, \$5.2 million from Canada's Economic Action Plan one-time funding, and \$2.8 million from the Calgary Stampede promotion one-time funding.

- Parallel partnerships: These involve running ads in parallel with our partners. Based on signed agreements that align our campaign strategies, these campaigns typically begin by exposing the market to Canada-focused messages. After a set period of time, the partner enters the market with specific destination messaging and leverages this momentum. Parallel partnership contributions were originally used only to reach the US Leisure market and for domestic campaigns in Canada; however, since we did not engage in these types of initiatives in 2011, there are no parallel contributions to report.
- **In-kind partner contributions:** These are contributions to our marketing or sales campaigns that take the form of goods or services rather than finances; for example, when partners contribute to CTC-organized media familiarization (FAM) trips by covering transportation or accommodation costs or invite the CTC to advertise in publications or at events without cost. In-kind contributions in 2011 were valued at \$19.2 million.

Sustaining the industry

Canada's tourism brand

Since the launch in 2007 of Canada's revitalized tourism brand "Canada. Keep Exploring", the CTC has worked to bridge the world's nature-based perceptions of the country with more diverse and real Canadian travel experiences in a personal, emotional, relevant and interactive context. Throughout 2011, we continued expanding our solid platform to share brand assets and capture the imagination of travellers around the world. "Keep Exploring" is now a reflection of Canada, expressing its attributes and strengths through enticing and modern visuals, with a personality and tone that mirrors the authentic, warm nature of Canadians.

CTC events & tradeshows

To promote business-to-business networking and give small and medium-sized Canadian tourism enterprises the chance to meet buyers or pitch to media, the following events and tradeshows were led by the CTC in 2011:

- · GoMedia Canada Marketplace (Canada)
- Rendez-vous Canada (Canada)
- GoMedia Marketplace (Mexico)
- Conozca Canadá (Mexico)
- Canada Media Marketplace (US)
- Showcase Canada-Asia (Japan, China, India and South Korea)
- Showcase Canada-Brazil (Brazil)
- Canada Corroboree (Australia)

Signature Experiences Collection®

In 2010, the CTC began developing an inventory of experiences that exemplify Canada's tourism brand for showcasing through our marketing channels (including leisure-focused advertising, sales, media and public relations, social media and incentive travel). Known as the Signature Experiences Collection® (SEC), this inventory builds on Canada's unique selling propositions, and aims to differentiate the country from competitors by highlighting travel experiences that exemplify



Canada's tourism brand has become a leading storytelling tourism brand in the world where travellers bring home extra-ordinary stories all their own.

The world is starting to see Canada as not just a beautiful place with incredible landscapes, but as a place that offers travellers an opportunity to create their own stories and experiences—unique stories that are a little unexpected, unusual and out of the ordinary.



Canada's brand—experiences that are memorable, authentic and engage international travellers with Canada's people, geography and culture. The program will help shift travellers' perceptions about Canada so they see the country as a unique destination with more to offer than might have been expected. It also creates a heightened sense of urgency for travel to Canada.

The SEC was launched in July 2011 with 48 inaugural experiences from across Canada. Following a summer application process, another 67 were added in October, for a total of 115 by the end of 2011. A fall application process was conducted in November and December; results will be announced in spring 2012 and the next application period will begin in November 2012.

Members of the SEC become the priority pool from which we choose content for advertising, media and trade activities in our markets. The program aims to: improve perceptions of Canada's brand as a whole; provide opportunities for tourism operators with relevant, export-ready experiences to increase their profile in our source markets; and inspire developing Canadian tourism products to reach the next level. It also provides opportunities for the CTC to work with provincial and territorial partners and other federal departments and agencies (such as Agriculture and Agri-Food Canada, Parks Canada, Indian and Northern Affairs Canada, Canadian Heritage, Atlantic Canada Opportunities Agency and more) to ensure that export-ready experiences best aligned with our research-based marketing are included in the collection. www.canada.travel/sec.

CTC Media Centre website

Our CTC Media Centre website continues to evolve and offer relevant content for our global travel media audience, with domestic-language sites recently launched in Korea, Brazil and Mexico. The site has become the main tool to reach international media and inspire them to create and publish engaging stories on Canada—in print, via online and social media platforms, and as part of broadcast TV productions. The website features video footage (b-roll), photos, story ideas and blog posts, as well as links to our SEC members, industry media contacts, CTC research and corporate information. Users can subscribe to Story Ideas, Canada's Insider Blog, Consumer E-News and CTC News via Rich Site Summary (RSS) feeds or email alerts. They can also follow us on Twitter @ctccct and Facebook and comment on, bookmark and share our content. The site receives more than 20,000 visits per month. www.canada.travel/media.

Social Media

Social media is an important element of the CTC's overall marketing communications strategy. The main objective of the CTC using social media is to stimulate more people to talk and share their stories and experiences about Canada, in order to generate greater consideration of Canada as a potential destination amongst a wider audience. Our focus is on being present where travellers are speaking with travellers and supporting the conversation. By leveraging social media channels such as Facebook, Twitter, YouTube, Instagram and Tumblr we showcase Canadian travel photos and videos. We also invite user-generated content submissions and advocacy within our communities in order to give travellers a richer picture of the experiences they can have in Canada, thereby inspiring them to visit. Social media has allowed us to cost-effectively build Canada's tourism brand globally and will continue to be useful as a means of engaging influencers and consumers in two-way dialogue.

Explore Canada Like a Local

The CTC's latest innovative travel tool, "Explore Canada Like a Local" (ECLAL), invites travellers to plan trips based on recommendations from locals and other travellers who know the real Canada. A means of exciting visitors about Canada, the tool lets them create their own travel guide and bring it with them using a downloadable mobile application. Launched in September 2011, ECLAL made the CTC the first national tourism organization to launch a mobile application and online itinerary-building tool powered solely by user-generated content. This tool will take travellers from planning to experiencing a trip, and even to recommending their own travel tips. Between September 2011—when it went live—and December 31, 2011, ECLAL had 30,742 site visitors and 112,129 page views; however, the value of this new platform will largely grow in 2012 as partners engage and link to their own sites. www.explorecanadalikealocal.com.



Visiting Journalist Program

The Visiting Journalist Program (VJP) is a CTC initiative in partnership with the provinces and territories that provides travel support for media who profile Canadian travel experiences for key US outlets. In 2011, the program helped 168 online, print and broadcast journalists from around the US share their Canadian experiences. Since 2011, the VJP has increased its support of social and broadcast media while also supporting qualified print outlets. Overall, the program increased media and public awareness of the CTC's importance to Canada's tourism industry by building relationships with partners and traditional and social media.

Special funding

Leveraging the 2010 Winter Games for Canada

In November 2007, the Government of Canada allocated \$26 million over five years (2008-2012) to the CTC to leverage the tourism opportunities created by the 2010 Vancouver Olympic and Paralympic Winter Games. This funding was used to implement our five-year Olympic Games Tourism Strategy and to work with our tourism and Olympic partners, Olympic sponsors, television broadcast rights holders and the media to maximize these opportunities. The goals of our five-year strategy—Leveraging Canada's Games—were twofold: 1) to accelerate global awareness of Canada's refreshed tourism brand, "Canada. Keep Exploring"; and 2) to grow Canadian tourism export revenues over the long-term.

The strategy unfolded in three phases:

- Phase 1: Brand building (2008-2010)
 - Create a personality for Canada and enhance how its tourism experiences are communicated to the world.
- Phase 2: Media relations (2008-2010)
 - Through dynamic and intriguing images and stories, introduce international media to a fresh experience of Canada, building the country's tourism brand while establishing key relationships before and during the Games.
- Phase 3: Harvesting the afterglow effect (2010-2012)
 - Maintain the intrigue created for a new travel experience to Canada by aggressively converting interest into intentions (i.e., "closing the sale").

The 2010 Winter Games were the most extensively covered Winter Games ever, reaching a record 3.8 billion people worldwide. The International Olympic Committee (IOC) reported that 235 broadcasters and television stations covered the Games in 220 countries. These Games also represented a defining moment in Olympic broadcasting history, being the first to be fully embraced on new media platforms as rights holders and broadcasters increasingly sought to augment traditional media coverage with online content and live-video streaming.

The CTC's primary focus during the Games was working with international media to showcase Canada as a premier tourism destination, ensuring that international viewers could find and buy any Canadian tourism experiences they saw.

Following the closing ceremonies, we entered phase 3 of our strategy and began to focus on harvesting the "afterglow effect", working with partners to target consumers. Our Olympic media and public relations program generated an additional \$1 billion in advertising value in 2010, and global audiences were exposed 12 billion times to Canadian tourism messages influenced by the CTC. As a result, our 2010 marketing campaigns in five key markets (the UK, Germany, France, Australia and South Korea) inspired an estimated 666,000 visitors to come to Canada, generating \$943.6 million in tourism export revenue—an increase of 39% from \$676.7 million in 2009.

We continued to harvest the afterglow of the Games in 2011 and worked to keep Canada a frontof-mind destination for international travellers. Despite global economic uncertainty and fewer travellers purchasing trips in 2011, our ongoing campaigns in the UK, France, Germany, Australia and South Korea inspired an estimated 251,000 visitors to book trips to Canada, amounting to \$345 million in tourism revenue.

In addition to these significant results for Canada, Leveraging the Games will leave important legacies, including:

- 2010 Tourism Consortium: a model of how to work together as host tourism destination marketers (CTC, Tourism BC, Tourism Vancouver, Tourism Whistler and Tourism Richmond);
- National Tourism Marketing Working Group: a model of how to leverage events such as the 2010 Winter Games nationally through such programs as Connecting with Canadians and the Torch Relay;
- Our work with the Four Host First Nations and with Aboriginal tourism operators across Canada through the Aboriginal Tourism Experiences Program: a model of how to engage Aboriginal communities and Aboriginal tourism organizations; and
- The National Asset Development Program: a pan-Canadian collaboration and investment that resulted in an inventory of digital assets on the topic of Canada, including all provinces and territories.

With final CTC funding to leverage the opportunities presented by the 2010 Winter Games set to expire in March 2012, this will be the last reporting on the results of our Leveraging the Games strategy in a CTC Annual Report.

Canada's Economic Action Plan

The Government of Canada's Budget 2009 Economic Action Plan provided the CTC with \$40 million over two years (\$20 million for 2009-2010 and \$20 million for 2010-2011) to benefit the Canadian tourism industry. In 2010, the federal government announced an additional \$8 million for the CTC to conduct marketing initiatives and programs to promote key Canadian tourism events internationally, which had to be spent by March 31, 2011—a testament to our ability to deploy funds efficiently.

The \$8 million was used to expand our activities in existing program areas directly linked to our mandate and to build upon existing expertise in global marketing, media and public relations. The additional funding was used to expand activities as follows:

- Consumer marketing in China following Approved Destination Status (ADS): Following the announcement of ADS in June 2010, we dedicated additional funds to allow us to begin full direct-to-consumer advertising in China.
- Conversion: In order to fully harvest the afterglow of the 2010 Winter Games, the CTC used additional funds in government fiscal year 2010-11 to convert interest into sales by working with travel trade, and to pursue direct-to-consumer marketing in priority international markets (excluding Japan).
- International MC&IT: The CTC dedicated funds in government fiscal year 2010-11 to increasing the awareness of Canada's tourism experiences, including Marquee Festivals, among international MC&IT planners.
- Emerging markets India and Brazil: Following the CTC's market entry into India and Brazil in 2009, we used funds in government fiscal 2010-11 to support our travel trade activities in these markets and to continue to increase interest in visiting Canada through media and public relations.

100th Anniversary of the Calgary Stampede

The Government of Canada's Budget 2011 provided the CTC with one-time funding of \$5 million to support the marketing of the 100th anniversary of the Calgary Stampede to be celebrated in July 2012. We received \$2.8 million of this funding in 2011, with the remaining funding to be utilized in the first quarter of 2012. This is a unique opportunity to leverage the anniversary celebrations to boost awareness of the Stampede internationally and get new travellers interested in a Western Canada experience. The marketing program, launched in July 2011, involves a blitz of advertising campaigns, promotions, media relations, social media content and marketing through tour operators and travel agents. The program will end by March 31, 2012.

The CTC's measured marketing activities in 2011 generated an estimated \$590.1 million in total tourism revenue for Canada's economy, produced \$180.1 million in government revenue, and helped Canadian tourism businesses create or protect 4,781 jobs.

Marketing Canada to the world: A strong return on investment

As part of our performance management framework, we track and evaluate the success of our direct-to-consumer marketing efforts through third-party-administered⁶ advertising tracking and conversion studies. In 2011, we studied our marketing campaigns in the UK, Germany, France, Mexico, Australia, South Korea, Brazil and China; we did not conduct any studies in Canada as we did not engage in any domestic marketing campaigns in 2011. Likewise, we did not conduct advertising tracking and conversion studies to measure direct-to-consumer activities in India, Japan or the US in 2011 because:

- · we implemented our Indian consumer campaign later in the year, so could not return to sample by the end of 2011;
- · we did not conduct direct-to-consumer activities in Japan (we focused solely on media and public relations and travel trade activities); and,
- · we did not conduct direct-to-consumer activities in the US (our US marketing strategy focused on media and public relations and meetings, conventions and incentive travel (MC&IT) activities).

While we do monitor the impact of our media and public relations activities in these markets, our principal performance metrics for results in India and Japan are from travel trade co-op promotions, while those for the US are based on MC&IT lead conversions.

The economic value generated by our direct-to-consumer marketing campaigns is calculated using "marketing campaign return on investment (ROI)," which values tourist receipts generated per dollar spent on media. This measure counts the number of travellers who were considering travelling to Canada but had not yet booked a trip or seen a specific campaign, but were then motivated to visit or book a trip to Canada upon seeing an advertisement.

We also measure the economic value generated by travel trade sales through our partnership activities with key accounts (i.e., travel trade co-op promotions), as well as by our MC&IT leads that convert into definite business.

²⁰¹¹ advertising tracking and conversion studies were administered by Insignia Research.

Source: UNWTO Tourism Highlights 2011 Edition.

Overall key marketing activities performance metrics	2011 Results
Converted travellers	322,800
Marketing campaign ROI (from direct-to-consumer campaigns)	37 : 1
Total attributable tourism export revenue	\$590.1 million
From direct-to-consumer campaigns	\$459.1 million
From travel trade co-op promotions	\$69.5 million
From MC&IT leads converted	\$61.5 million
Total attributable government tax revenue	\$180.1 million
From direct-to-consumer campaigns	\$140.1 million
From travel trade co-op promotions	\$21.2 million
From MC&IT leads converted	\$18.8 million
Total attributable federal tax revenue	\$78.2 million
From direct-to-consumer campaigns	\$60.8 million
From travel trade co-op promotions	\$9.2 million
From MC&IT leads converted	\$8.2 million
Total attributable jobs created and/or maintained	4,781
From direct-to-consumer campaigns	3,720
From travel trade co-op promotions	563
From MC&IT leads converted	498

Results of direct-to-consumer campaigns

Direct-to-consumer advertising and marketing 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 2011 engaged in integrated advertising campaigns using broadcast and social media, newspapers, magazines, and out-of-home advertising, such as billboards, e-marketing and database marketing.

Advertising recall results for 2011 reveal that our direct-to-consumer campaigns were fairly successful, with an average recall rate 3.5% higher than in 2010, including increased recall rates in France (16.5%), Germany (14.7%) and the UK (4.2%). However, with the economic environment becoming increasingly unstable as the year progressed, by the time of the return to sample some three months later, particularly in Germany and the UK, many potential travellers had reconsidered their travel plans, opting to forgo their holidays or travel domestically. In other words, while many travellers indicated they were considering Canada as a potential destination following exposure to our spring and summer campaigns, by the time follow-up interviews were conducted to see how many actually booked trips, which largely took place in September and November, the outlook for economic growth had deteriorated considerably. Largely as a result of this global economic uncertainty, high ad recall rates did not necessarily translate into equally high conversion rates in 2011.

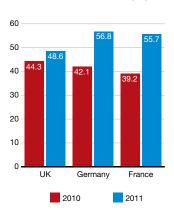
To illustrate the point, while Germany and the UK had 2011 ad recall rates of 56.8% and 48.6% respectively, Canada still saw drops in overnight visitors of 3.9% from Germany and 2.3% from the UK in 2011. The deterioration in economic confidence that resulted in decreased conversion is emphasized by the UK Office for National Statistics' estimate that although the UK economy

IMPACT OF THE EUROPEAN DEBT CRISIS ON GLOBAL OUTBOUND **TOURISM**

With a relatively large amount of holiday time, affluence and a proclivity for travel, Europe is the largest source of international travellers, accounting for 52.8% of all global arrivals in 2010.7 However, growing concerns about sovereign debt in Europe are weighing heavily on the region's economies and consumers. As the UNWTO has noted, "The stalled economic recovery and increased financial and fiscal challenges have brought growing uncertainty to the tourism market. The implementation of austerity measures, particularly in Europe, puts pressure on household budgets and undermines consumer confidence, with implications for outbound tourism." As a result of the economic uncertainty in 2011, Europeans have tended to stay closer to home, opting for shorter trips on low-cost airlines.

grew by 0.8% in 2011, it decreased by 0.2% in the fourth quarter, largely driven by a sharp drop in business investment. Similarly, while the German Statistics Office estimates that Germany's GDP grew by 3.0% overall in 2011, it contracted by 0.25% in the last three months of the year. With the economic contraction of these markets occurring at the same time that follow-up interviews were conducted to see how many people actually booked trips, it is easy to see why conversion rates from these markets fell in 2011.

CTC Ad Recall Rates (%)



Conversely, France also had a relatively high ad recall rate of 55.7% in 2011; however, unlike Germany and the UK, France's economy is estimated to have grown by 0.2% in Q4 2011 and by 1.7% for the year. As a result, fewer French travellers opted to forgo their travel plans, and in this case our high ad recall rate helped contribute to an increase of 5.8% in overnight visitors from France in 2011. In addition, high ad recall rates help to maintain strong brand awareness during times of economic contraction and position destinations for better growth in visitors when the economy recovers.

As part of a 2011 third-party review of our ad tracking and conversion study methodology, the timing of our return to sample three months following exposure to the marketing was highlighted as an opportunity for improvement. Specifically, research suggests that a return to sample six months following exposure to the marketing would allow for people in international long-haul markets sufficient time to plan and make their trip. The current three month time delay likely misses the majority of the CTC's campaign impacts and, as a result, underestimates the impact of advertising. In 2012, we will look at implementing recommendations to improve our methodology to measure performance in this area.

Overall, for every dollar invested in the CTC's measured 2011 direct-to-consumer campaigns, we generated \$37 in tourism revenue. Our 2011 consumer campaigns generated an estimated \$459.1 million in tourism revenue for Canada's economy, \$140.1 million in government revenue, and 3,720 jobs were created or protected by Canadian tourism businesses.

Direct-to-consumer marketing activities performance metrics	2011 Results
Conversion rate	0.76%
Converted travellers	323,000
Marketing campaign ROI	37 : 1
Attributable tourism export revenue	\$459.1 million
Attributable government tax revenue	\$140.1 million
Attributable federal tax revenue	\$60.8 million
Attributable jobs created and/or maintained	3,720

Results of travel trade activities

The CTC works directly with international travel companies to develop and sell Canada as a vacation destination. Travel agents who understand 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 (www.canada.travel/csp)—to educate travel agents and tour operators on Canadian products and to convince 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 this is a new area of measurement for the CTC, we were able to measure that, for every dollar invested in the CTC's 2011 travel trade co-op promotion activities, \$22 was generated in tourism revenue. Overall, our 2011 travel trade activities generated an estimated \$69.5 million in tourism revenue for Canada's economy, produced \$21.2 million in government revenue, and helped Canadian tourism businesses create or protect 563 jobs.

Travel trade activities performance metrics	2011 Results
Travel trade promotion ROI	22 : 1
Attributable tourism export revenue	\$69.5 million
Attributable government tax revenue	\$21.2 million
Attributable federal tax revenue	\$9.2 million
Attributable jobs created and/or maintained	563

IMPACT OF THE GREAT TOHOKU EARTHQUAKE ON JAPANESE OUTBOUND TRAVEL

The Great Tohoku Earthquake in March 2011 significantly affected Japan, with the cost to the country-the world's third largest economy-forecast to reach \$235 billion and requiring a five-year recovery period. At the time of the disaster, tourism to Canada was on track for its fastest growth in 20 years, with visitation numbers expected to increase. Due to the earthquake, Japanese trips to Canada actually fell to 194,000 - a 9.8% decrease. Still, tour operators and key accounts are optimistic that growing consumer confidence will strengthen demand and increase sales - in fact, Japanese arrivals to Canada already began to recover late in 2011, increasing by 0.6% in November and 4.9% in December compared to the same months in 2010. The strategic considerations and opportunities for how we will recover the Japan market are based on postquake research and are driven by Japanese consumers' unique cultural needs and motivators resulting from the crisis. We will address the need to advance prospects further down the pathto-purchase by tapping into the now pent-up demand and desire to travel internationally.

Results of MC&IT activities

The Meetings, Conventions & Incentive Travel (MC&IT) program (www.canada.travel/meetings) is designed to generate business opportunities for various private and public sector Canadian partners, resulting in the booking of meetings, conventions or incentive travel. This economically impacts destinations and ultimately increases export revenues. Increasing awareness of Canada and the brand among meeting planners and influential senior executives and CEOs is an additional goal of the program.

We measure the economic value (i.e., attendee spending) generated as a result of our MC&IT leads conversion into definite business by the following calculation: (Total # of converted leads into definite business) x (Total Estimated Attendance) x (Daily Attendee Spending) x (Average Length of Stay). For every dollar invested in 2011 MC&IT promotion activities, \$11 in tourism revenue was generated. The CTC's 2011 activities to convert MC&IT leads generated an estimated \$61.5 million in total tourism revenue for Canada's economy, produced \$18.8 million in government revenue, and helped Canadian tourism businesses to create or protect 498 jobs.

MC&IT activities performance metrics	2011 Results
MC&IT activities ROI	11:1
Attributable tourism export revenue	\$61.5 million
Attributable government tax revenue	\$18.8 million
Attributable federal tax revenue	\$8.2 million
Attributable jobs created and/or maintained	498

US MC&IT MARKET

The US market represents a vast source of international arrivals to Canada, with 11.6 million overnight visitors spending more than \$6.1 billion in 2011. Having turned leadership in the US leisure market over to our partners in 2011, our US activities now focus on media and public relations and MC&IT. Our targeted media-relations strategy highlighted Canada's competitive strengths, tapping into top-selling products and unique and unexpected travel stories. Social media channels also played an important role. Likewise, our US MC&IT initiatives positioned Canada as an attractive alternative to international meeting and incentive destinations, providing the cachet of a foreign experience with the familiarity and ease of home. Canada's state-of-theart 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 competitive US and overseas destinations.

2011 awards

Corporate Awards

FutureBrand's Country Brand Index

In 2011, FutureBrand's CBI ranked Canada the #1 country brand out of 113 countries—the second year in a row Canada has held the top ranking. FutureBrand noted, "From the creation of beautiful b-roll landscape footage to the ubiquitous use of the country's iconic maple leaf, Canada actively made the most of its assets to support a 'keep exploring' brand position."

Marketing Awards

Digital Marketing Awards

CTC won 4 digital marketing awards in Toronto: Gold in the Other Digital Media: Creative Use of Technology; Silver for Best Social Media Integration; Silver in the Online Advertising: Integrated Campaign section; and Bronze in the Other Digital Media: Creative Use of Technology category.

Best Booth Awards at Outbound Travel Mart, Mumbai and Delhi

The CTC picked up the best booth awards at both iterations of 2011's Outbound Travel Mart in India, the country's largest travel-trade and consumer show.

Best Destination Marketing Award from World Traveller

At World Traveller's May 2011 awards in China, the CTC received the best Destination Marketing award in the MICE (meetings, incentive-travel, conventions and exhibitions) category. World Traveller is one of China's most influential travel groups, with a strong presence on TV, online and in magazines.

IMEX Green Meetings Award for Canada Media Marketplace

The CTC collected the IMEX Green Meetings Award for Small/Medium Meetings for our 2010 Canada Media Marketplace in San Francisco. Our initiatives included printing all materials on 20% post-consumer recycled content paper (which saved 19 trees, 3,123 gallons of water and 97.5 kg (215 pounds) of solid waste in the past three years), recycling all paper, plastic, glass and metal and providing 60% of menu items from within 160 km (100 mi) of San Francisco.

Distintivo W-Best International Tourism Office

Established by one of Mexico's leading radio stations, Distintivo W is awarded by Mexico's key opinion leaders from the tourism press. CTC won the Distintivo W for our efforts to promote the national tourism industry among 20 categories and five special mentions.

Canadian E-Tourism Awards - Best User Generated Content

The CTC picked up a second place award in the Best User Generated Content category for campaigns that urged consumers to share their Canadian travel experiences—from stories to photos to videos—on the web.

ASAE Annual Meeting & Exposition—Best in Show

The CTC won 1st place for best exhibition at the 2011 ASAE Annual Meeting & Exposition in St. Louis. It ranked highest in the categories of company identity, product presentation, design elements, exhibit personnel, and overall booth appearance.

2011 CTC AWARDS LIST			
Adrian Awards	Ctoroccoco / Twitter Moll	Canadian Marketing Awards (continued)	l l- 1/ O i
Bronze - OOH Category	Storescapes / Twitter Wall	Silver - Public Relations, Consumer Services	Locals Know Campaigr Gold Medal Getaways
Ad and Design Club of Canada Awards		Digital Maytesting Assayla	
Best Advertising Transit Single	Ski Gondola Bus Shelter	Digital Marketing Awards Nominee- Best in Online Advertising	Google Streetview
Best use of Existing Social Platform	Storescapes / Twitter Wall	Gold - Other Digital Media Creative Use of	Storescapes / Twitter W
Best use of an API	Storescapes / Twitter Wall	Technology	Otorescapes / Twitter W
Installation (Physical Interaction)	Storescapes / Twitter Wall	Silver - Online Advertising:	Europe Spring 2011
Merit - Advertising Transit, Single	Ski Gondola Bus Shelter	Integrated Campaign	Integrated Campaign
Merit - Best use of an Existing Social Platform	Storescapes / Twitter Wall	Silver - Best Social Media Integration	Storescapes / Twitter W
Silver - Best use of an API	Storescapes / Twitter Wall	Bronze - Other Digital Media Creative Use of	Google Streetview
Merit - Installation (physical interaction)	Storescapes / Twitter Wall	Technology	
Applied Arts Interactive Awards		IABC Gold Quill Awards	
Offline Digital	Storescapes / Twitter Wall	Merit - Communications Management: Media	Locals Know
Experimental / Artistic	Storescapes / Twitter Wall	Relations	
Entertainment, Arts and Tourism	Storescapes / Twitter Wall	IABC Ovation Awards	
Integrated Campaign	2010 Global CTC UGC Campaign	Excellence - Media Relation 51k - 100k	Locals Know
	Campaign	Lotus Awards	
ATOMIC		Lotus - Best Online Advertising Campaign	Google Streetview
Gold - Transmedia	2010 Global Campaign	Merit - Best Online Campaign	Google Streetview
Cassies		Merit - Best Outdoor Single	Sky Gondola Bus Shelte
Silver - Events, Season & Short Term	Locals Know	Lotus - Best Multimedia Campaign	Europe Spring 2011
CPRS ACE Awards		Strategy Agency of the Year Awards	
Bronze ACE Award	Locals Know	Silver	CTC Integrated
Occasion Mandation Association Association			Campaign (Locals Know
Canadian Marketing Association Awards	Storescapes / Twitter Wall	Webby Awards	- 141
Gold - Digital, Consumer Services Gold - Media, Innovation, Consumer Services	Storescapes / Twitter Wall	Official Honoree - Mobile & Experience	Storescapes / Twitter W
Silver - Promotion	Storescapes / Twitter Wall	Marketing	4
Giver - Fromotion	Storescapes / Twitter Wall	A	141
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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. 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 governed by or 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 their 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.

Board of Directors

The Board of Directors oversees the business of the CTC, which operates in partnership with the public and private sectors. Its role is to provide strategic leadership and stewardship, and approve the allocation of resources.

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 Governorin-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

Governance review and board accomplishments

In 2009, the CTC undertook a broad assessment of its governance structure to identify and implement an optimal governance model based on best practices and the CTC's unique nature. As a result of the review, recommendations for a streamlined, effective governance framework for the CTC were proposed. Almost all recommendations have been implemented. The CTC is awaiting the Governor-in-Council to officially implement its new 12 member skills-based Board of Directors as per the *Jobs and Economic Growth Act*. In January 2011, seven CTC board members resigned in order to facilitate the CTC's move toward adopting a smaller Board of Directors.

This new governance structure positions the CTC as a more strategic organization with greater relevancy to government and industry, thereby enabling a modern corporate board to guide the CTC to effectively deliver on its goal to grow tourism export revenues.

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

- The CTC's advisory committees and their important role of advising the Board of Directors and the President & CEO;
- The provincial/territorial tourism Deputy Ministers' forum table 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 at the provincial and territorial marketing organizations, as well as Destination Marketing Association of Canada (DMAC), an organization that represents Canadian Civic destination marketing; and
- Annual meetings with similar National Tourism Organizations (NTOs) with the objective of establishing best practices and international benchmarks.

In 2011, the CTC Board of Directors met four times in person in different regions of the country and six times by conference call. Attendance at these meetings averaged 80%.

With a new board structure in place, the CTC conducted a full board evaluation in 2011. The elements of this evaluation included a full board governance survey, board committee surveys and individual peer feedback. In addition, a comprehensive third-party evaluation of the Board Chair was implemented. All results were very positive.

Board of Directors

This section is written from a point in time perspective of December 31, 2011.

Chair of the Board

Mr. Steve Allan

President & CEO

Ms. Michele McKenzie

Government of Canada (ex officio member)⁸

Ms. Marie-Josée Thivierge

Assistant Deputy Minister, Small Business, Tourism and Marketplace Services Industry Canada

Mr. Montie Brewer

Vice-Chair of the Board

Mr. Scott Allison

Vice-President, Canadian Operations Marriott Hotels & Resorts of Canada

Ms. Anne Arsenault*

(until January 2011)

Owner/Operator

Driftwood Country Cottages
Tignish, Prince Edward Island

Mr. Jean-Marc Eustache

(until September 2011)

President & CEO

Transat A.T. Inc.

Mr. Shaun Harbottle*

(until January 2011)

Owner/Manager

Crescent Beach Cottages

West Hawk Lake, Manitoba

Ms. Gina Hodge-Noordhof*

(until January 2011)

President and Manager

Norseman Restaurant and
Gaia Art Gallery

L'Anse aux Meadows,

Newfoundland and Labrador

Mr. Dray Matovic

President
Halex Ventures Inc.

Mr. Bhagwant S. Parmar*

(until January 2011)

Owner/Operator

Travelodge Hotel, Days Inn
Hotel and Quality Hotel &
Conference Centre and Spa
Royal Brock
Brockville, Ontario

Mr. Alexander Reford

Owner/Operator Les Jardins de Métis Grand-Métis, Quebec

Mr. Rod A. Seiling*

(until January 2011)

Chair

Ontario Racing Commission

Mr. Rod Taylor

Chief Executive Officer
Waste to Energy Canada

Mr. Kosta Tomazos*

(until January 2011)
President, Hospitality
Investment and Management
CK Atlantis Inc.

Mr. Boyd Warner*

(until January 2011)

Owner/Operator

Bathurst Inlet Lodge and
Bathurst Arctic Services

Northwest Territories

Mr. George Young

Huntsville, Ontario

The CTC Act names the Deputy Minister of Industry as ex officio director; however, in 2010 the Deputy Minister delegated these duties to the Assistant Deputy Minister, Small Business, Tourism and Marketplace Services.

^{*} In January 2011, these seven Directors resigned from the Board in order to facilitate the CTC's move towards adopting a smaller Board of 12 directors, as per the recommendation of the Governance Review and the Jobs and Economic Growth Act.

Committees of the Board of Directors

In 2011, the CTC Board of Directors included the following three committees:

Governance & Nominating Committee

• The 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, Jean-Marc Eustache (until September 2011), George Young

Audit & Pension Committee

• The Audit & Pension Committee oversees financial and management control systems, the administration and investment activities of the Commission's pension plans, and internal audits.

Chair: Steve Allan (Interim)

Members: Scott Allison, Montie Brewer, Dray Matovic

Human Resources Committee

• The 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

Strategic Advisory Committee Chairs

According to the CTC's corporate bylaws, the Board of Directors may from time to time create strategic advisory committees composed of such persons as it may deem necessary to advise it on any matters pertaining to the affairs of the Commission. In 2011, there were six CTC Strategic Advisory Committees chaired by and comprised of 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.

2011 CTC Strategic Advisory Committee Chairs9

Core Markets Committee

Christena Keon Sirsly

Brand Experiences Committee

Andrew Lind

Vice-President and General Manager

Jonview Canada

Research Committee

Stephen Pearce

Vice-President, Leisure Travel & Destination

Management

Tourism Vancouver

Emerging Markets Committee

Mike Ruby

President

Muskoka Language International Inc.

Meetings, Conventions & Incentive Travel (MC&IT) Marketing Committee

Patricia Lyall

President & CEO

Destination Halifax

Americas Marketing Committee

(eliminated in January 2011)

David Whitaker

President & CEO

Tourism Toronto

In January 2011, the Board of Directors restructured the Strategic Advisory Committees to reflect the CTC's strategic shift: the Americas Marketing Committee was eliminated; the Europe Marketing Committee was merged into a new Core Markets Committee; and the Asia/ Pacific Committee was merged into a new Emerging Markets Committee.

Senior Management Commitee



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.

Left to right: Charles McKee, Lena Bullock, Chantal Péan, Paul Nursey, Michele McKenzie, Greg Klassen

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 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.

Management discussion and analysis

Our goal: Grow tourism export revenues for Canada.

Our vision: Inspire the world to explore Canada.

Our mission: Harness Canada's collective voice to grow tourism export revenues.

Our core values: Innovation, collaboration, respect.

Our mandate:

• Sustain a vibrant and profitable Canadian tourism industry;

- Market Canada as a desirable tourism destination;
- Support a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories with respect to Canadian tourism; and
- Provide information about Canadian tourism to the private sector and to the governments of Canada, the provinces and the territories.

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

Adoption of new accounting standards for the year ended December 31, 2011

As described in note 2(a) to the financial statements, effective January 1, 2011, the CTC has adopted the Generally Accepted Accounting Principles (GAAP) as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) to prepare its financial statements. These amended standards were retroactively adopted and therefore the 2010 comparative figures have been restated with Public Sector Accounting Standard (PSAS) accounting policies outlined in note 2 to the financial statements. The Commission is classified as an "other government organization".

In preparing its opening PSAB statement of financial position, the Commission has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to PSAB has affected the Commission's financial position, statement of operations, changes in net assets and cash flows is set out in note 3.

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 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.

Standards on Quarterly Financial Reports for Crown Corporations

Effective April 1, 2011, section 131.1 of the Financial Administration Act requires Crown corporations to prepare and make public quarterly financial reports in accordance with the Standard on Quarterly Financial Reports for Crown Corporations, within 60 days of its quarter end. The Commission posted its first set of quarterly reports on the corporate website www.canada.travel/corporate in August 2011, which reported CTC's second quarter results. The quarterly reports consist of unaudited financial statements and a narrative discussion outlining financial results, risks, and significant changes in operations, personnel and programs.

Corporate planning

The 2011-2015 Corporate Plan established our objectives and priorities for 2011 and reaffirmed the strategic goal of growing tourism export revenues for Canada. By concentrating our efforts on the following two objectives, we worked to achieve our mandate for the benefit of Canada's tourism industry:

• Increase demand for Canada's visitor economy

- » Generate wealth for Canadians by focusing on both short-term and long-term potential for maximizing return on investment as markets mature and evolve.
- » Engage in effective tourism marketing, promotions and market development activities supported by market research as we aim to support the achievement of Canada's national tourism revenue goal of \$100 billion by 2015.

· Focus on markets where Canada's tourism brand leads and yields the highest return on investment

- » Concentrate on those geographic markets or consumer market segments where marketing at the national level (i.e. Canada's tourism brand) leads to the highest potential for return on investment.
- Convert high-yield customers by investing in appropriate communication channels based on insights from customer segmentation research and the path-to-purchase model.

In addition, the following four key priorities for action formed the framework for how we worked towards achieving our two objectives in 2011:

• Ensure customer relevancy and differentiate Canada

- » Develop and maintain relevant communication with targeted potential travellers and ensure that the marketing message they receive is relevant and addresses their interests and expectations as consumers.
- » Position Canada's tourism brand as one of the leading experiential tourism brands in the world, where travellers create extra-ordinary stories all their own.

• Harvest the afterglow of the Vancouver 2010 Olympic and Paralympic Winter Games for Canada

» Engage with industry partners and international travel intermediaries to target consumers with the aim of converting consumer interest in Canada from media coverage of the 2010 Winter Games into travel intentions, with a focus on closing the sale.

· Lead industry in international brand alignment and consistency

- » Work closely with industry and governments at all levels to communicate the advantage of a strong, consistent international tourism brand for Canada.
- » Engage export-ready small and medium-sized tourism enterprises (SMEs) in CTC communications platforms to align supply with consumer demand in international markets and to strengthen the value of Canada's tourism brand by showcasing compelling product experiences.
- » Lead industry and government in tourism marketing.
- » Drive brand alignment and relevancy.

· Foster organizational excellence

- » Be a "strategy-focused organization" with the right tools, people and resources in place to deliver.
- » Maintain a positive and collaborative relationship with the shareholder.
- » Focus on overhead management and implement cost containment measures.

As part of our 2012-2016 planning process that took place in 2011, we maintained the same two objectives from the 2011-2015 Corporate Plan, but made several strategic decisions that will affect our corporate priorities in 2012 and beyond. The following four key priorities for action form the framework for how we will achieve our two objectives in the 2012-2016 period:

Ensure customer relevancy and differentiate Canada

- » Develop and maintain relevant communication with targeted potential travellers and ensure that the received marketing messaging addresses their interests and expectations as consumers.
- » Position Canada's tourism brand as a leading experiential brand where travellers create extraordinary stories all their own.

• Advance a culture of innovation and entrepreneurial development among tourism

- » Work with the industry to foster the development and adoption of new tourism products and business practices.
- » Aim to be recognized as one of the most innovative tourism marketing organizations in the world by adopting new tools and technology, using world-class research and cutting edge multimedia marketing to keep Canada front-of-mind internationally.

• Lead industry in international brand alignment and consistency

- » Provide a unified voice internationally and drive alignment in key source markets.
- » Facilitate international marketplace access for brand-aligned Canadian small and medium-sized enterprises (SMEs) with export-ready consumer products.

· Foster organizational excellence

- » Be a "strategy-focused organization" with the right tools, people and resources in place
- » Focus on continuing to be a lean and scalable organization.

Analysis of Financial Results

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 generally accepted accounting principles as prescribed by the Public Sector Accounting Board 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.

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, 2011, the CTC drew down appropriations approved from government fiscal periods 2010-11 and 2011-12 (note 7). 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 2010 Winter Olympic and Paralympic Games, Stimulus and Calgary Stampede programs are considered restricted under PSAS and are therefore recognized as income in the same period as the related expenditures.

While the CTC has benefited from one-time special funding for specific activities, CTC's base appropriations have been in steady decline. CTC's base appropriations were once as high as \$98.7 million in 2001, the first year of CTC's existence as a Crown corporation. Base funding for 2010-11 was \$75.6 million, which reflects efficiency reductions of \$421,000 and strategic review reallocation of \$896,000. Base funding was \$72.0 million for government fiscal 2011-12, which reflects the full cumulative impacts of both the efficiency reductions (\$649,000) and strategic review reallocation (\$4.2 million). In anticipation of reduced base funding levels, the CTC implemented a new, leaner, more scalable operating structure in 2010, CTC's "strategic shift", which allows the CTC to operate with lower overhead costs on a go-forward basis. As part of the shift, the CTC ceded its US direct-to-consumer activities, closed five of its international offices and regionalized responsibilities in its offices in Vancouver and London.

March 2011 marked the end of the successful Stimulus program. One-time funds of \$48.0 million were utilized from CTC's 2009 to 2011 fiscal periods. In 2011, the CTC drew down its remaining appropriation balance related to the Stimulus program of \$5.2 million.

One-time funding of \$26 million to support the 2010 Winter Games is being utilized over a five year period, which began in fiscal 2008. The CTC continued its Olympic post-games conversion program in 2011. To date, the CTC has drawn down \$25 million of this funding. The remaining \$1 million will be requested and utilized in the first quarter of 2012.

In 2011, the CTC received approval for one-time funding of \$5 million to support the marketing of the 100th anniversary of the Calgary Stampede, to be utilized over two part fiscal years, commencing in 2011. The CTC requested and received \$2.8 million of this funding in 2011. The remaining funding will be requested and utilized in the first quarter of 2012.

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 are recorded as revenue and reported as partnership contributions in our statement of operations.

In 2011, the CTC recognized \$8.0 million of these types of partnership contributions, down significantly from \$16.3 million in 2010. The reduction is attributable to ceding US direct-toconsumer activities in the US, which historically were highly partnered, and the wind up of the Stimulus program in 2011.

Other revenues

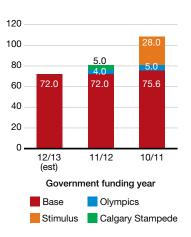
Other revenues consist mainly of commodity tax recoveries and interest revenue. Prime rates have dropped significantly since 2009, and as a result, interest revenues have declined to less than half of the amount earned in 2008. For 2011, interest revenues earned are \$244,000, up \$56,000 from the prior year.

The CTC engages various commodity tax recovery service providers who successfully recovered \$210,000 in commodity taxes for Canada and Japan. These recoveries have been recognized as Other Revenues.

Expenditures (excluding Amortization)

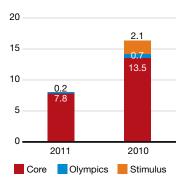
Total expenditures have declined significantly year over year, by \$25.2 million from 2010, most notably due to the end of the Stimulus program. Overall expenditures (excluding amortization) are \$97.3 million in 2011 (\$122.5 million in 2010), made up of \$84.2 million Core, \$4.9 million Olympics, \$5.8 million Stimulus and \$2.4 million Calgary Stampede spending.

Parliamentary Appropriations millions of CAD

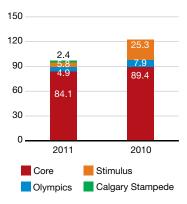


Partnership revenues

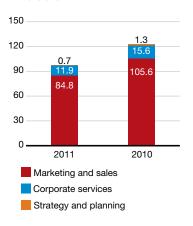
millions of CAD



Total expenditures by funding category (excluding amortization) millions of CAD



Total expenditures by spend category (excluding amortization) millions of CAD



Marketing and sales spending is lower by \$20.8 million, attributable mainly to the reduction of one-time funded programs. The Stimulus program ended in March 2011, resulting in \$19.5 million lower spend in 2011. Some Stimulus activities in 2011 included core market (UK, France, Germany, Australia) spring on-line advertising campaigns and the first direct to consumer brand awareness campaign in China, "Hello! Canada". In 2011, the Olympic program focused on post-games conversion activities in core markets and South Korea. The Olympic spend was \$3.0 million higher in 2010 due to a high level of games-time activities. Marketing and sales spend from Core funding is down by \$1.5 million due to reduced spending on the global website and communications platform. As a result of the strategic shift, the CTC stopped investing in US direct-to-consumer activities and reallocated the budget to other core and emerging markets. These reductions are offset slightly by \$2.4 million of marketing and sales expenditures related to one-time funded Calgary Stampede activities. These activities were initiated in the summer of 2011 therefore there is no comparative spending in 2010.

Overall costs for Corporate Services and Strategy and Planning are down significantly versus prior year, \$3.7 million and \$0.6 million respectively. This is a result of the new organizational structure implemented in 2010 as part of the strategic shift. Prior year figures include onetime costs related to the implementation of the new structure, such as severances and office closure costs. Significant savings have been realized in the current year in compensation and operational expenditures, such as rent, office expenses and travel.

Pension plans:

The CTC offers a number of pension and benefit plans to its employees. Details of these pension plans are provided in note 6 of the financial statements. Since 2005, the CTC has contributed \$5.5 million in special payments to the Canadian defined benefit pension plan to fund the going concern unfunded liabilities and solvency deficiencies. In 2011, the CTC made \$333,800 in special payments. The CTC does not receive any additional funding for these solvency special payments. 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, 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, released by the federal government in March 2011, which allow a Crown corporation to further reduce its annual solvency special payments.

Foreign exchange:

CTC's functional currency is the Canadian dollar, but it regularly transacts in multiple foreign currencies as it operates internationally. As a result, 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 moderate variability but noted overall strengthening of the Chinese renminbi, Japanese yen and the Australian dollar against the Canadian dollar. The CTC realized a foreign exchange gain on transactions of \$134,000 and a loss on translation of \$233,000.

Systems Project:

In 2011, CTC continued its efforts to replace its existing enterprise systems, seeking alternative tools for its customer relationship management tool, financial system, HRIS and balanced scorecard reporting. The CTC is in its final phases of the procurement phase and is planning to begin implementation in 2012.

Overheads:

Historically, the CTC has tracked its overhead percentage (defined as non-marketing and sales compensation and operating costs divided by total parliamentary appropriations plus partnership revenues) as a key metric and targets to maintain a percentage under 18%. This metric appears on the corporate balanced scorecard and personal balanced scorecards of senior management personnel.

The overall overhead percentage is 13.9%, down 1.5% from prior year and 4.1% below the targeted maximum. Notably, Core overhead % is down 4.3% from 2010 indicative of CTC's success in reducing overhead costs out of its structure.

In 2011, the CTC began tracking a new metric, percentage of spend dedicated to Program, as the CTC strives to dedicate the highest possible portion of its budget to Program. This metric will replace the Overhead percentage on the enterprise balanced scorecard beginning in 2012. It is worth noting that the program metric and overhead metric are not completely complementary of one another. In other words, the overhead % above does not equal the combined Opex % and Comp % below. The overhead % (defined above) excludes all program spend and certain operating and compensation costs (e.g. compensation costs, contract/ temporary labour costs and professional services related to Marketing and Sales functions and website maintenance costs).

Following the strategic shift, the CTC has significantly increased the portion of its Core budget to Program by 10.5%.

Overhead Percent 20.3 20 15 13.9 10 5 3.5 0.8

Core

2010

Olympic

Core program spend

2011

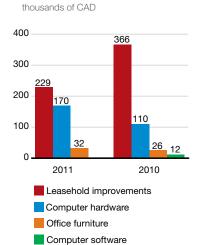
Total

Percent

Stimulus

100 80 60 70.5 60.0 40 20 2010 2011 Program Opex Comp

Tangible capital asset additions



Tangible capital asset additions

Under PSAS, web development costs do not meet the definition of tangible capital assets, therefore previously capitalized costs for web development have been written off as part of the transition to PSAS (note 3). Tangible capital asset additions totalled \$431,000 in 2011 (\$514,000 in 2010). Leasehold improvements were incurred to set up the new London regional office and some minor renovations in the Vancouver headquarters. Computer hardware costs were for the data centre infrastructure refresh at headquarters in Vancouver and replacement of PCs and laptops which had reached end of life.

Outlook f)

The CTC is awaiting the outcome of the federal government's efforts to return to balanced budgets, expected to be announced with Budget 2012. The CTC is prepared to begin implementing those plans in contribution to the government's goal to return to balanced budgets. Several cost-savings initiatives have already been planned for 2012 which include the systems replacement project and the termination of the lease of CTC's former headquarters in Ottawa.

By the end of the first quarter of 2012, the CTC will have completed its one-time funded activities in support of the 2010 Olympic and Paralympic Games and the 100th anniversary of the Calgary Stampede.

Risks and uncertainties

Enterprise Risk Assessment

As part of its strategic management process, the CTC conducts an annual 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. Historically, a risk assessment has been conducted annually, supported by an external consultant every other year. CTC management began its internal risk assessment at the end of 2011. The results of the assessment and related report are in their final phases but not yet available. The results of the 2010 enterprise risk assessment can be found in the 2010 Annual Report available at: http://en-corporate.canada.travel/about-ctc/corporate-reports/ctc-annual-report.

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 annual enterprise risk assessment and input from the Board of Directors and key management personnel. In 2011, the internal auditor completed its audit report on Procurement (which began in 2010). Management has developed targeted action plans to address the internal auditor's recommendations. The action plans are in varying stages of implementation based on the level of assigned risk and priority.

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 ten years. The next Special Examination for the CTC will be completed prior to 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 Generally Accepted Accounting Principles as prescribed by the Public Sector Accounting Board 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 22, 2012



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 statements of financial position as at 31 December 2011, 31 December 2010 and 1 January 2010, and the statements of operations and accumulated surplus, statements of change in net assets and statements of cash flows for the years ended 31 December 2011 and 31 December 2010, 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 audits. I conducted my audits 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 in my audits is sufficient and appropriate to provide a basis for my audit opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

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 2011, 31 December 2010 and 1 January 2010, and the results of its operations, changes in its net financial assets, and its cash flows for the years ended 31 December 2011 and 31 December 2010 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, after giving retroactive effect to the adoption of the new standards as explained in Note 3 to the financial statements, 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 audits 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, CA Assistant Auditor General

for the Auditor General of Canada

22 March 2012 Vancouver, Canada

Statement of Financial Position

As at December 31, 2011

(in thousands)	D	ec 31, 2011	De	Dec 31, 2010		Jan 1, 2010	
Financial assets							
Cash	\$	17,055	\$	12,357	\$	21,790	
Accounts receivable							
Government of Canada		811		904		912	
Partnership contributions		708		2,563		2,288	
Other		410		889		592	
Parliamentary appropriations (Note 7)		-		11,213		-	
Accrued benefit asset (Note 6)		4,711		4,039		3,365	
		23,695		31,965		28,947	
Liabilities							
Accounts payable and accrued liabilities							
Trade	\$	10,232	\$	15,645	\$	10,399	
Employee compensation		2,636		3,572		1,995	
Government of Canada		1		454		36	
Deferred parliamentary appropriations (Notes 7 and 8)		2,948		-		5,334	
Deferred revenue		670		939		1,685	
Accrued benefit liability (Note 6)		3,786		4,310		4,024	
Asset retirement obligation		822		839		843	
		21,095		25,759		24,316	
Net financial assets		2,600		6,206		4,631	
Non-financial assets							
Tangible capital assets (Note 5)		1,711		2,353		2,988	
Prepaid expenses and other assets		1,882		1,486		3,002	
		3,593		3,839		5,990	
Accumulated surplus	\$	6,193	\$	10,045	\$	10,621	

Commitments and Contingencies (Notes 15 and 16)

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

Approved on behalf of the Board of Directors

Scott Allison

Director

Dragan Matovic

Director

Statement of Operations and Accumulated Surplus For the year ended December 31

(in thousands)	Вι	udget 2011	2011	- 1	Budget 2010	2010
Revenues						
Partnership contributions	\$	7,191	\$ 8,005	\$	14,056	\$ 16,286
Other		50	580		-	404
		7,241	8,585		14,056	16,690
Expenses						
Marketing and sales (Note 10)		85,344	84,803		105,483	105,626
Corporate services		13,992	11,821		19,528	15,614
Strategy and planning		567	651		1,265	1,295
Amortization of tangible capital assets		1,068	1,046		947	1,149
		100,971	98,321		127,223	123,684
Net cost of operations before funding from						
the Government of Canada		(93,730)	(89,736)		(113,167)	(106,994)
Parliamentary appropriations (Note 7)		87,224	85,884		108,534	106,418
Deficit for the period		(6,506)	(3,852)		(4,633)	(576)
Accumulated surplus, beginning						
of period			10,045			10,621
Accumulated surplus, end of period			\$ 6,193			\$ 10,045

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

Statement of Change in Net Assets For the year ended December 31

(in thousands)	E	Budget 2011	2011	Budget 2010			2010
Annual Deficit	\$	(6,506)	\$ (3,852)	\$	(4,633)	\$	(576)
Acquisition of tangible capital assets		(510)	(431)		(435)		(514)
Amortization of tangible capital assets		1,068	1,046		947		1,149
Net disposition of tangible capital assets		-	27		-		-
		558	642		512		635
Effect of change in other non-financial assets							
(Increase) / decrease in prepaid expenses		-	(396)		-		1,516
		-	(396)		-		1,516
Increase / (decrease) in net assets		(5,948)	(3,606)		(4,121)		1,575
Net financial assets, beginning of period			6,206				4,631
Net financial assets, end of period	\$		\$ 2,600	\$		\$	6,206

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

Statement of Cash Flows

For the year ended December 31

(in thousands)	2011	2010
Operating transactions:		
Cash received from:		
Parliamentary appropriations used to fund operating and capital transactions	\$ 100,045	\$ 89,871
Partners	9,729	15,324
Other income	580	404
	110,354	105,599
Cash paid for:		
Cash payments to suppliers	(89,601)	(94,508)
Cash payments to and on behalf of employees	(15,918)	(19,992)
Cash applied to / (used in) operating transactions	4,835	(8,901)
Capital transactions:		
Acquisition of tangible capital assets	(431)	(514)
Disposition of tangible capital assets	61	-
Cash used in capital transactions	(370)	(514)
Foreign exchange loss / (gain) on cash held in foreign currency	233	(18)
Net increase / (decrease) in cash during the period	4,698	(9,433)
Cash, beginning of period	12,357	21,790
Cash, end of period	\$ 17,055	\$ 12,357

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

Notes to the audited financial statements

December 31, 2011

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

a) Change in the Commission's basis of accounting

Effective January 1, 2011, the Commission changed the basis of accounting used to prepare its financial statements. The Commission is classified as an "other government organization" under the Public Sector Accounting Handbook. The Commission has chosen to adopt the Canadian Generally Accepted Accounting Principles (GAAP) as prescribed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") to prepare its financial statements. These are the Commission's first financial statements prepared in accordance with Public Sector Accounting Standards ("PSAS") and PS 2125, First-time Adoption by Government Organizations has been applied.

Previously, the Commission had been using Canadian Generally Accepted Accounting Principles ("CGAAP") for the private sector to prepare its financial statements. The change in the basis of accounting has been applied retroactively with the restatement of prior period amounts.

An explanation of how the transition to PSAS has affected the reported statements of financial position, operations and accumulated surplus, change in net assets, and cash flows of the Commission is provided in note 3.

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 are 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 7.

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.

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.

d) 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.

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 were 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 expense 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.

Prepaid expenses

Prepaid expenses consist of program and operating expenses recognized into income based on the term of usage for items such as subscriptions or based on the event date of tradeshows.

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. The deferred revenues relating to deferred 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 5.

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 that provide pension and other benefits to qualifying employees. The pension plans include statutory plans and a supplemental plan. Other benefit plans include post-employment severance benefits and post-retirement health, dental and life insurance benefits 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 2011, this EARSL has been determined to be 10.4 years (11.5 years in 2010) for the RPP, 10 years (12 years in 2010) for the SRP, 15.4 years (16.4 years in 2010) for the Pension Plan for Employees of the Canadian Tourism Commission in Germany, Japan, South Korea and China, 18 years (18 years in 2010) for non-pension post-retirement benefits, 13 years (13 years in 2010) for severance benefits and 13 years (13 years in 2010) 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.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reporting periods. Actual results could differ significantly from those estimates. The most significant estimates involve the determination of employee future benefits, the useful lives for amortization of tangible capital assets and the fair value asset retirement obligation.

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. There is no expected financial impact upon adoption.

» PS 1201 Financial Statement presentation, PS 2601 Foreign currency translation 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 would be currently limited to the disclosure of remeasurement gains/losses for any realized and unrealized foreign exchange gains and losses on the Statement of Operations and Statement of Financial Position.

First time adoption of PSAS

As stated in note 2, these are the Commission's first financial statements prepared in accordance with PSAS.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening PSAS statement of financial position at January 1, 2010 (the Commission's date of transition).

The Commission has made the following transition adjustments for First-time Adoption of Public Sector Accounting Standards by Government Organizations:

Presentation

In preparing its opening PSAS statement of financial position, the Commission has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian Generally Accepted Accounting Principles. An explanation of how the transition from previous Canadian Generally Accepted Accounting Principles to PSAS has affected the Commission's financial position, statements of operations, change in net assets, and cash flows is set out in the following tables and the notes that accompany the tables. These accounting changes have been applied retroactively with restatement of prior periods.

» Parliamentary appropriations

Under PS 3410, Government Transfers, non-restricted appropriations are recognized as income on a straight-line basis covering the period of use while restricted appropriations are recognized as income in the same period as the related expenditures are recorded.

Previously under Canadian Generally Accepted Accounting Principles, parliamentary appropriations used to fund operations were mainly recognized as income in the year in which the related expenses were incurred. One exception to this accounting treatment is the Commission recorded as a revenue or expense each year the annual change in its accrued benefit liability or asset.

» Deferred capital contributions

Previously under Canadian Generally Accepted Accounting Principles, appropriations used for acquiring Property and equipment and Intangible assets were recorded as deferred capital funding on the balance sheet and amortized on the same basis and over the same period as the related assets. These appropriations do not meet the requirements of capital funding under PS 3410, Government Transfers, and, therefore, were adjusted to accumulated surplus at transition.

» Website development costs

Under PS 3150, all assets previously recorded in Canadian Generally Accepted Accounting Principles as Property and equipment are categorized as Tangible capital assets. Computer software previously recorded as Intangible assets are also captured under tangible capital assets in PSAS. Website development costs previously recorded as Intangible assets are no longer capitalizable and have been written off.

The Commission has elected to use the following exemptions for First-time Adoption of Public Sector Accounting Standards by Government Organizations:

» Retirement and post-employment benefits

Under PS 3250, for defined benefit plans, and under PS 3255, accrued benefit obligations and postemployment benefits are determined by the Commission applying a discount rate with reference to the Commission's plan asset earnings or a rate with reference to the Commission's cost of borrowing. Previously under the Employee future benefits, Section 3461 of the CICA handbook, the discount rate used was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Under PS 3250, the expected rate of return on plan assets was used to determine the accrued benefit obligation with respect to the Registered Pension Plan, and the cost of borrowing (i.e. Government of Canada bond yields) was used for the Supplemental Plan, Worldwide Plan and the Non-Pension Post Retirement and Severance Plans. A first-time adopter may elect to delay application of these Sections relative to the discount rate used until the date of their next actuarial valuation or within three years of the transition date to Public Sector Accounting Standards, whichever is sooner. The Commission has not elected this exemption but revised the discount rates as at the date of transition.

Under Retirement Benefits, PS 3250, for defined benefit plans, a government organization amortizes actuarial gains and losses to the accrued benefit liability or accrued benefit asset and the related expense in a systematic and rational manner over the expected average remaining service life of the related employee group. The Commission has elected to recognize all cumulative actuarial gains and losses at the date of transition directly in accumulated surplus.

» Tangible capital asset impairment

Under PS 3150, Tangible Capital Assets, the Commission is allowed to account for impairments on a prospective basis as opposed to having to restate impairment retroactively. Electing this exemption did not have any financial statement impact as at January 1, 2010.

Financial impact

The Commission has prepared an opening statement of financial position as at January 1, 2010. It differs from the previous reported balance sheet as at December 31, 2009 as follows:

(in thousands)	usly stated an 1, 2010	Effect of transition to PSAS	Restated at Jan 1, 2010
Property and equipment	\$ 2,758	\$ (2,758)	\$ -
Intangible assets	2,556	(2,556)	-
Accrued liabilities - employee compensation	1,996	(85)	1,911
Accrued benefit asset	4,256	(891)	3,365
Tangible capital assets	-	2,988	2,988
Deferred parliamentary appropriations	11,742	(6,408)	5,334
Deferred capital funding	5,384	(5,384)	-
Accrued benefit liability	5,121	(1,012)	4,109
Accumulated surplus	947	9,673	10,620

The statement of financial position as at December 31, 2010 differs from the previously reported balance sheet as at December 31, 2010 as follows:

(in thousands)	Previously stated at Dec 31, 2010		Effect of transition to PSAS	Restated at Dec 31, 2010
Parliamentary appropriations receivable	\$ 5,233	3 \$	5,980	\$ 11,213
Property and equipment	2,194	ļ	(2,194)	-
Intangible assets	1,364	ļ	(1,364)	-
Accrued liabilities - employee compensation	3,672	2	(98)	3,574
Accrued benefit asset	4,907	,	(868)	4,039
Tangible capital assets			2,353	2,353
Deferred capital funding	3,629)	(3,629)	-
Accrued benefit liability	5,236	6	(926)	4,310
Accumulated surplus	1,483	3	8,562	10,045

The statement of operations differs from previously reported as at December 31, 2010 as follows:

(in thousands)	Previously stated at Dec 31, 2010	Effect of transition to PSAS	Restated at Dec 31, 2010
Marketing and sales	\$ 105,502	\$ 125	\$ 105,627
Corporate services	15,640	(26)	15,614
Amortization of property and equipment	1,065	(1,065)	-
Amortization of intangible assets	1,253	(1,253)	-
Amortization of tangible capital assets	-	1,149	1,149
Parliamentary appropriations	106,283	135	106,418
Amortization of deferred capital funding	2,318	(2,318)	-
Surplus / (deficit)	536	(1,113)	(577)

A reconciliation of the accumulated surplus as at December 31, 2010 and January 1, 2010 is as follows:

(in thousands)	De	ec 31, 2010	Jan 1, 2010		
Accumulated surplus beginning of year as originally reported	\$	1,483	\$ 947		
Adjustments to accumulated surplus					
Write off website additions and reverse depreciation expense		(1,882)	(1,882)		
Adjust pension for change in discount rate and amortization of actuarial gains/losses over EARSL		207	207		
Adjust parliamentary appropriations to annual budget for core and to expenses for restricted		6,408	6,408		
Write off deferred capital contributions		4,941	4,941		
		9,674	9,674		
Adjustments to annual accumulated surplus					
Write off website additions and reverse depreciation expense		1,120	-		
Adjust pension for change in discount rate and amortization of actuarial gains/losses over EARSL		(49)	-		
Adjust parliamentary appropriations to annual budget for core and to expenses for restricted		135	-		
Write off deferred capital contributions		(2,318)	-		
		(1,112)	-		
Accumulated surplus beginning of year as restated	\$	10,045	\$ 10,621		

The differences arise due to the cumulative effects of the transition to PSAS and the election of first time adoption exemptions noted above.

4. 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 are comprised of the following currencies as at December 31, 2011:

	Cash Accounts receivable				Accounts paya Accounts receivable accrued liab					
Currency (in thousands)	Currency units		Canadian equivalent	Currency units		Canadian equivalent	Currency units		Canadian equivalent	
Australian Dollars	426	\$	440	15	\$	15	73	\$	75	
Canadian Dollars	12,128		12,128	474		474	7,569		7,569	
Chinese Yuan	402		65	-		-	242		39	
Euros	1,846		2,440	10		13	1,612		2,131	
Great Britain Pounds	621		980	32		50	1,106		1,746	
Hong Kong Dollars	-		-	-		-	160		21	
Japanese Yen	1,156		16	-		-	10,555		139	
Mexican Pesos	1,042		76	-		-	1,074		78	
South Korean Won	23,384		21	-		-	158,219		140	
United States Dollars	869		889	203		207	910		931	
Total Canadian equivalent		\$	17,055		\$	759		\$	12,869	
Comprised of:										
Trade and partnership		\$	-		\$	759		\$	10,233	
Employee compensation			-			-			2,636	
Total		\$	17,055		\$	759		\$	12,869	

At December 31, 2011, if the above foreign currencies had strengthened (or weakened) by 10% against the Canadian dollar, with all other variables held constant, the net cost of operations would have increased by approximately \$8,913 (\$678,311 in 2010 and \$274,000 at January 1, 2010).

The amount of realized foreign exchange gains recorded under "Corporate services" on the statement of operations is \$134,062 (\$8,108 in 2010 and \$516,403 at January 1, 2010).

5. Tangible capital assets

(in thousands)	Computer Hardware	Computer Software	lm	Leasehold provements	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

(in thousands)		Computer Hardware		Computer Software	ln	Leasehold provements		Office Furniture		Decom- Leaseholds		2010 Total
Cost of tangible capital assets, opening	\$	2,055	\$	3,184	\$	3,692	\$	1,620	\$	843	\$	11,394
Acquistions	Ψ	109	Ψ	13	Ψ	346	Ψ	25	Ψ	21	Ψ	514
Cost of tangible capital assets, closing		2,164		3,197		4,038		1,645		864		11,908
Accumulated amortization, opening		1,526		2,954		2,143		1,322		461		8,406
Amortization expense		311		84		454		202		98		1,149
Accumulated amortization, closing		1,837		3,038		2,597		1,524		559		9,555
Net book value	\$	327	\$	159	\$	1,441	\$	121	\$	305	\$	2,353

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.

6. 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, Germany, Japan and South Korea	Pension Plan for Employees of the CTC in China, Germany, Japan and South Korea	Unfunded, Defined Benefit Plan	CTC and the Government of Canada	Defined Benefit Plan		
United States	Qualified Pension Plan for U.S. Citizen Employees Working in the U.S.	Funded Multi- employer Defined Benefit Plan	СТС	Defined Contribution Plan		
	Registered Pension Plan for Canadian Citizen Employees Working in the U.S.	Funded Multi- employer Defined Benefit Plan	СТС	Defined Contribution Plan		
United Kingdom	Canadian High Commission Locally Engaged Staff Pension Scheme	Funded Multi- employer Defined Benefit Plan	СТС	Defined Contribution Plan		
All Employees	Severance Benefits for Canadian and Locally Engaged Employees	Unfunded, Defined Benefit Plan	СТС	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. For service prior to March 8, 2007, the impacted members had a one-time option to either retain their accrued defined benefit pension in the plan, or to transfer the commuted value of such accrued benefits to the defined contribution plan. The commuted value was paid out for the vested employees. The employee contributions, with interest, were paid out for the non-vested employees; the remaining portion of the commuted value will be paid out on their vesting dates. For the year ended December 31, 2011, no transfers were made (no transfers were made in 2010) to cover the transfer deficiency.

The total cost for the Commission's defined contribution pension plans was \$451,747 in 2011 (\$477,995 in 2010).

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 \$240,429 in 2011 (\$275,314 in 2010), 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 postemployment 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. In China, Japan and South Korea, the plan is unfunded. The Commission is only responsible for the service accruing on and after January 2, 2001.

All employees

Severance benefits are provided for all 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 at December 31, 2010. An actuarial report for funding purposes will be completed as of December 31, 2011. This report is required to be filed with the Office of Superintendent of Financial Institutions no later than June 30, 2012. The going concern financial position based on the most recent actuarial valuation showed a funding surplus of \$706,900 (surplus of \$190,600 for 2010). The valuation also identified an average solvency ratio of 85.5% (89.1% in 2010).

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 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 do so. In 2011, the Commission received approval 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.

As permitted under the Federal funding relief regulations, and with the agreements of the Minister of Finance and Minister of Industry, special payments for 2011 remained at the 2010 level of \$333,800 per year (\$333,800 in 2010). Future special payments are estimated to remain at \$333,800 annually until a new funding valuation is completed and new arrangements are established with the agreements of the Minister of Finance and Minister of Industry in accordance with the Federal funding relief regulations.

Certain changes to the Canadian Institute of Actuaries Standard of Practice for determining pension commuted values ("CIA CV Standard") became effective on February 1, 2011. The changes affect the mortality assumptions used to value the solvency and wind-up liabilities for benefits assumed to be settled through a lump sum transfer. The financial impact of the change in the CIA CV Standard has not been reflected in this actuarial valuation. A new Canadian actuarial Standard of Practice - Practice Specific Standards of Practice for Pension Plans became effective December 31, 2010 (the "CIA Pension Standards"). The requirements of the CIA Pension Standards have been reflected in this report.

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.

Accrued benefit obligation, plan assets, and funded status:

Change in Accrued Benefit Obligation	Pension					Other Benefit Plans			
(in thousands)		2011		2010		2011		2010	
Accrued benefit obligation, beginning of year	\$	18,236	\$	17,827	\$	3,399	\$	3,234	
Current period benefit cost (employer portion)		388		426		413		399	
Interest cost on average accrued benefit obligation		1,115		1,135		107		117	
Plan amendments		-		-		(246)		-	
Employees' contributions		120		132		-		-	
Benefits paid		(1,565)		(1,227)		(473)		(299)	
Actuarial loss / (gain)		1,564		(267)		822		344	
Increase / (decrease) in accrued benefit obligation due to curtailment		-		(443)		-		(396)	
Increase / (decrease) in accrued benefit obligation due to settlement		(15)		-		-		-	
Contractual termination benefits		-		654		-		-	
Accrued benefit obligation, end of year	\$	19,843	\$	18,237	\$	4,022	\$	3,399	

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 \$638,600 (\$287,200 in 2010), and a one percentage point decrease would be a decrease of \$470,800 (\$219,900 in 2010). 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 \$89,200 (\$41,900 in 2010), and a one percentage point decrease would be a decrease of \$63,800 (\$31,700 in 2010).

The plan assets at the end of 2011 and 2010 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, Germany, Japan and South Korea exceed the plan assets at the end of 2011 and 2010.

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:

		Pension					Other Benefit Plans					
(in thousands)	Dec	ember 31, 2011	De	ecember 31, 2010		January 1, 2010	De	ecember 31, 2011	С	ecember 31, 2010		January 1, 2010
Accrued Benefit Obligation	\$	(2,323)	\$	(2,404)	\$	(2,033)	\$	(4,022)	\$	(3,399)	\$	(3,184)
Plan assets		1,070		1,109		1,111		-		-		-
Funded status – deficit, end of year	\$	(1,253)	\$	(1,295)	\$	(922)	\$	(4,022)	\$	(3,399)	\$	(3,184)

Detailed Pension Plan information (in thousands)	D	ecember 31, 2011	December 31, 2010	January 1, 2010
Defined benefit component of Pension Plan for Employees of the Commission				
Accrued benefit obligation	\$	(17,520)	\$ (15,832)	\$ (15,794)
Plan assets		19,276	19,539	18,731
Surplus	\$	1,756	\$ 3,707	\$ 2,937
Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Commission				
Accrued benefit obligation	\$	(2,025)	\$ (1,485)	\$ (1,314)
Plan assets		1,070	1,109	1,111
Deficit	\$	(955)	\$ (376)	\$ (203)
Pension Plan for Employees of the Commission in China, Germany, Japan and South Korea				
Accrued benefit obligation	\$	(298)	\$ (919)	\$ (719)
Plan assets		-	-	-
Deficit	\$	(298)	\$ (919)	\$ (719)

Change in Plan Assets	Pension					Other Benefit Plans			
(in thousands)		2011		2010		2011	2010		
Market value of plan assets, beginning of year	\$	20,648	\$	19,842	\$	- \$	-		
Actual return on plan assets net of actual investment expenses		(203)		931		-	_		
Employer contributions		1,345		970		473	299		
Employees' contributions		120		132		-	-		
Benefits paid		(1,565)		(1,227)		(473)	(299)		
Market value of plan assets, end of year	\$	20,345	\$	20,648	\$	- \$	-		

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

	December 31, 2011	December 31, 2010	January 1, 2010
Equity Securities	59%	62%	61%
Debt Securities	38%	35%	36%
Receivable from Government of Canada	3%	3%	3%
Total	100%	100%	100%

Reconciliation of Funded	Pension						Other Benefit Plans					
Status to Accrued Benefit Asset (Liability) (in thousands)	Decemb	er 31, 2011	D	ecember 31, 2010		January 1, 2010	D€	ecember 31, 2011	D	ecember 31, 2010		January 1, 2010
Funded status – surplus / (deficit), end of year	\$	502	\$	2,411	\$	2,016	\$	(4,022)	\$	(3,399)	\$	(3,184)
Employer contributions during period from measurement date to fiscal year end		167		133		431		-		-		-
Unamortized past service costs		_		-		-		-		-		-
Unamortized actuarial losses		3,308		212		-		977		344		-
Accrued benefit asset / (liability)	\$	3,977	\$	2,756	\$	2,447	\$	(3,045)	\$	(3,055)	\$	(3,184)

Accrued Benefit Asset/(Liability) (in thousands)	D€	ecember 31, 2011	De	cember 31, 2010	January 1, 2010
Registered Pension Plan for the Employees of the Canadian Tourism Commission	\$	4,711	\$	4,039	\$ 3,365
Total Accrued Benefit Asset		4,711		4,039	3,365
Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission		(416)		(304)	(200)
Pension Plan for the Employees of the CTC in China, Germany, Japan and South Korea		(317)		(979)	(719)
Non-pension Post Retirement Benefit Plan		(1,782)		(1,518)	(1,369)
Post Employment Severance Plan		(1,143)		(1,410)	(1,730)
Post Employment Non-Vested Sick Leave Plan		(119)		(98)	(85)
Total accrued benefit liability		(3,777)		(4,309)	(4,103)
Total net accrued benefit asset / (liability)	\$	934	\$	(270)	\$ (738)

The total accrued benefit asset excludes a notional supplementary retirement plan for certain employees of the Commission. The notional supplement retirement plan was \$8,694 in 2011 (\$0 in 2010).

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, Germany, Japan, and South Korea, the post-retirement, post-employment benefits and sick leave are reported as an accrued benefit liability.

Net benefit cost recognized in the period:

Components of Expense	Pensi	ion		Other Ben	efit Plar	าร
(in thousands)	2011		2010	2011		2010
Current period benefit cost	\$ 508	\$	558	\$ 412	\$	400
Interest cost	-		-	107		117
(Gains)/losses arising from curtailment	-		(521)	-		(396)
(Gains)/losses arising from settlement	(15)		-	-		-
Amortization of net actuarial loss / (gain)	22		-	21		-
Immediate recognition of past service costs	-		-	(246)		-
Immediate recognition of net actuarial loss	-		-	168		-
Contractual termination benefits	-		654	-		-
Total	515		691	462		121
Less: employee contributions	(120)		(132)	-		-
Retirement benefits expense	395		559	462		121
Interest cost on average accrued benefit obligation	1,115		1,135			
Expected return on average pension plan assets	(1,352)		(1,331)	-		-
Retirement benefits interest expense	\$ (237)	\$	(196)	\$ -	\$	-
Total pension expense	\$ 158	\$	363	\$ 462	\$	121

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

	Pens	sion	Other Ben	efit Plans
	2011	2010	2011	2010
Accrued benefit obligation				
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, Germany, 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%
Rate of compensation increase				
Canadian	3.50%	3.50%	4.00%	4.00%
Locally engaged	4.50%	4.50%	4.50%	4.50%
Pension expense				
Discount rate				
Registered Pension Plan for the Employees of the Canadian Tourism Commission	6.75%	6.75%		
Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission	3.27%	3.87%		
Pension Plan for the Employees of the CTC in China, Germany, Japan and South Korea	2.42%	2.93%		
Non-pension post retirement			3.27%	3.87%
Post employment severance			2.42%	2.93%
Post Employment Non-Vested Sick Leave Plan			2.42%	2.93%
Expected long-term rate of return on plan assets				
Registered Pension Plan for the Employees of the Canadian Tourism Commission	6.75%	6.75%		
Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission	3.38%	3.38%		
Rate of compensation increase				
Canadian	3.50%	3.50%	4.00%	4.00%
Locally engaged	4.50%	4.50%	4.50%	4.50%

Assumed health care cost trend rate for other benefit plans:

Net benefit cost	Other E	Benefit Plans
	2011	2010
Initial health care trend rate	6.91%	6.96%
Ultimate health care trend rate	4.48%	4.48%
Year ultimate rate reached	2029	2029
Accrued benefit obligation	Other F	Benefit Plans
7.001dod bollolik obligation	2011	2010

Accrued benefit obligation	Other Benefit Pla		
	2011	2010	
Initial health care trend rate	6.87%	6.91%	
Ultimate health care trend rate	4.48%	4.48%	
Year ultimate rate reached	2029	2029	

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 \$1,471,666 (\$1,285,008 in 2010). In addition, the Commission was required to make special monthly payments totaling \$333,800 (\$333,800 in 2010) due to the unfunded liability and solvency shortfall identified in the most recent actuarial valuation of the Canadian registered defined benefit pension plan for funding purposes as of December 31, 2010. The total cash amount is \$1,805,466 (\$1,618,808 in 2010).

Letter of Credit

The Commission has a registered retirement compensation arrangement for certain employees of the Canadian Tourism Commission. The actuarial valuation completed September 2010 for the year ending December 31, 2011 was used to determine the face amount of the letter of credit during 2011. The value of the plan's letter of credit, in place during 2011, is measured based on the estimated assets and liabilities for the year ending December 31, 2011. The estimated market value of the plans' assets was \$1,093,000 (\$1,084,700 in 2010 and \$1,167,400 at January 1, 2010) and the estimated present value of the unfunded benefit obligation was \$1,555,600 (\$1,376,100 in 2010 and \$1,383,800 at January 1, 2010). The amount of \$462,600 (\$291,400 in 2010 and \$216,400 at January 1, 2010) of the unfunded benefit obligation has been secured by a letter of credit.

7. Parliamentary appropriations

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

(in thousands)	Dec 31, 2011	Dec 31, 2010
Amounts provided for operating and capital expenditures		
Amounts voted:		
Main estimates 2010/11 (2009/10)	\$ 100,643	\$ 83,526
Supplementary estimates B	8,000	4
Treasury Board Vote 15	822	1,572
Treasury Board Vote 35	-	20,000
Permanent Frozen Allotment	(900)	
	108,565	105,102
Less portion recognized in prior year	(81,147)	
Adjustment for restricted funds	(6)	
Amounts recognized in current year	27,412	25,271
Amounts voted:		
Main estimates 2011/12 (2010/11)	76,033	100,643
Supplementary estimates B	5,000	8,000
Treasury Board Vote 15	-	822
Permanent Frozen Allotment	-	(900)
	81,033	108,565
Less portion to be recognized in following year	(22,561)	(27,418)
Amounts recognized in current year	58,472	81,147
Parliamentary Appropriations used for operations and capital in the year	85,884	106,418
Amounts voted:	81,033	108,565
Less portion of cash received during year	(61,414)	(69,934)
Cash to be received in following year	19,619	38,631
Parliamentary Appropriations adjustment for restricted funds	(6)	-
Parliamentary Appropriations to be recognized in following year from current year	(22,561)	(27,418)
Parliamentary appropriations receivable/(deferred)	(2,948)	11,213
Parliamentary appropriations receivable/(deferred)		
Opening Balance	11,213	(5,334)
Cash Received from Government Fiscal 2010/11 (2009/10)	(38,631)	(19,937)
Cash Received from Government Fiscal 2011/12 (2010/11)	(61,414)	(69,934)
Appropriations used for operations and capital in the year	85,884	106,418
Ending Balance	\$ (2,948)	\$ 11,213

Deferred parliamentary appropriations

Included in deferred parliamentary appropriations is \$1,339,856 (\$2,115,775 in 2010 and \$4,969,926 at January 1, 2010) relating to funds drawn but not yet used for the 2010 Winter Olympic and Paralympic Games and for the 100th Anniversary of the Calgary Stampede.

Accumulated surplus

The surplus represents the excess of appropriations received over actual spend. Refer to note 3 for a description of the adjustments to the accumulated surplus relating to transition to PSAS which has affected the accumulated surplus.

10. Marketing and sales expenses

The Commission operates and manages its activities as a single reportable segment, that being Marketing of the Canadian Tourism Industry.

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:

(in thousands)	2011	2010
Core (U.K., France, Germany and Australia)	\$ 30,224	\$ 19,887
Corporate Marketing	22,376	19,085
Emerging markets (India, Brazil, Mexico, Japan, Korea and China)	21,300	14,830
U.S.	10,903	40,685
Canada	-	11,139
	\$ 84,803	\$ 105,626

11. Expenditure by object

The following is a summary of expenditures by object:

(in thousands)	2011	2010
Program		
Advertising	\$ 13,408	\$ 47,465
Public and media relations	10,968	12,912
Consumer development	24,027	5,985
Trade development	17,871	17,620
Research	8,452	5,768
	74,726	89,750
Salaries and benefits	13,787	21,377
Operating Expense		
Other	4,356	4,048
Rent	1,846	3,486
Travel	1,346	1,558
Professional services	1,214	2,316
	8,762	11,408
Amortization	1,046	1,149
	\$ 98,321	\$ 123,684

12. 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 are being utilized over a five year period ending March 31, 2012. As at December 31, 2011, the Commission has drawn \$25.0 million (\$4.2 million in 2011). The remaining amounts will be requested through 2011/12 Main Estimates appropriations before March 31, 2012.

For the year ended December 31, 2011, the Commission incurred costs, related to the 2010 Winter Olympic and Paralympic Games as follows:

(in thousands)	2011	2010
Revenue		
Partnership contributions	\$ 202	\$ 698
Expenses		
Marketing and Sales	4,924	7,809
Corporate Services	-	26
	4,924	7,835
Total	\$ 4,722	\$ 7,137

13. Stimulus

In Budget 2009, the Treasury Board of Canada approved government fiscal years and entrusted the Commission with \$40 million, \$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, 2011, the Commission incurred costs, related to the stimulus program as follows:

(in thousands)	2011	2010
Revenue		
Partnership contributions	\$ 25	\$ 2,081
Expenses		
Marketing and Sales	5,185	24,599
Corporate Services	644	642
Strategy and Planning	-	39
	5,829	25,280
Total	\$ 5,804	\$ 23,199

14. 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 (taking place in July 2012) in key international tourism markets. These funds are expected to be fully spent by March 31, 2012.

For the year ended December 31, 2011 the Commission incurred marketing and sales costs of \$2.4 million relating to the Stampede.

15. 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, 2011 are \$30.2 million (\$36.5 million in 2010 and \$39.2 million at January 1, 2010).

(in thou	ısands)								
	2012	2013	2014	2015	2016	Subtotal	2017	-2018	Total
\$	8.806	\$ 14.647	\$ 5.023	\$ 1.632	\$ 72	\$ 30.180	\$	_	\$ 30.180

16. 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.

17. Subsequent events

In March 2012, the Commission expects to receive \$1.0 million from Treasury Board of Canada Secretariat 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 1, 2001.

18. Comparative figures

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

Glossary of terms and acronyms

Glossary

Destination Marketing Organization (DMO): A company or other entity involved in the business of increasing tourism to a destination or improving its public image.

Explorer Quotient® (EQ): An innovative research tool that identifies the underlying emotional motivators of travellers beyond traditional demographics like age and geography.

International tourism revenue: Spending by foreign visitors on Canadianproduced tourism goods and services, including spending that may take place outside of Canada, such as the purchase of an airline ticket from a Canadian international carrier, to travel to Canada.

International tourist arrivals: Total number of arrivals (not persons) in Canada who are overnight visitors staying at least one night in a collective or private accommodation. Note: A person who makes several trips to Canada during a given period will be counted as a new arrival each time.

Provincial Marketing Organization (PMO): A provincial entity involved in the business of increasing tourism to a province or improving its public image.

Tourism employment: Measure of the number of jobs in an industry generated by, or attributable to, tourism spending on the goods and/or services produced by that industry. 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.

Tourism export revenue: Total international tourism revenue, calculated by subtracting domestic tourism revenue from total tourism revenue.

Tourism Gross Domestic Product (GDP): Unduplicated value of production, within the boundaries of a region, of goods and services purchased by tourists.

Tourism revenue: Spending of Canadian and foreign visitors on domestically produced commodities, as reported by Statistics Canada as total tourism demand in the Canadian Tourism Satellite Account. It is the sum of tourism domestic demand and tourism exports.

Tourist receipts: Expenditures made by visitors from abroad generated by overnight trips, as reported by Statistics Canada as overnight international trip spending.

Acronyms

Balanced Scorecard
Country Brand Index
Chief Executive Officer
Chief Financial Officer
Canadian Institute of Chartered
Accountants
Canada Specialist Program
Canadian Tourism Commission
Foreign Affairs and International Trade
Canada
Destination Marketing Organization
Explorer Quotient®
Enterprise Risk Assessment
Financial Administration Act
Familiarization
Gross Domestic Product
General Sales Agency
Meetings, Convention & Incentive Travel
Management Discussion & Analysis
National Tourism Organization
Provincial Marketing Organization
Public Relations
Public Sector Accounting Board
Return on Investment
Small and Medium-sized Enterprise
Treasury Board Secretariat
United Nations World Tourism
Organization
Vancouver 2010 Organizing Committee

Visiting Journalist Program

