



Management Report

December 2011

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Reason for Confidentiality:

The Confidential Attachment to this report is confidential as it involves security of property belonging to the Canadian National Exhibition, and it is recommended that this information not be disclosed in order to protect the economic interests and competitive and legal position of the Association.

General Manager's Comments

2011 CNE – Full financial results of the 2011 fair are not known at this time. However, we do know that almost every 2011 revenue line exceeded expectations. As usual, this is the time of year when all CNE departments review expenses in detail. We do not expect overall expenses to exceed budget, so we do anticipate a favourable report once the annual year-end audit has been completed.

As mentioned in my remarks to the AGM in October, co-ordination and co-operation within the various CNE departmental plans have led to success for the CNE, especially in the period prior to the Labour Day weekend. As always, our challenge going forward will be to improve upon that success.

2012 Budget – Budget changes are not being brought forward at this time. When the original Operating Budget was approved in July, I thought that we might need to have two rounds of budget transfers this year – one in the fall of 2011 and one in the spring of 2012. Each year we expect to make adjustments based on review of actual results from the previous fair, research results and anticipated plans for the next year. Of potential of all budget changes, any change in ticket price is usually the most time-sensitive.

One of the key assumptions of the 2012 CNEA Operating Budget was that there would be no increase in ticket prices unless supported by research. The pricing research done in 2011 does indicate that our customers would accept some increase in ticket price for the “\$5 after 5” weekday promotion. This category of admission has continued to grow significantly from year to year since it was introduced and was the one category that was not increased to accommodate the introduction of HST on ticket sales in 2010. In both 2010 and 2011, increased sales of “\$5 after 5” has not had adverse effect on other ticket categories. In particular, 2011 results seem to indicate that we are capable of increasing audience in almost every ticket category. Therefore, it is the recommendation of staff that we hold ticket prices at 2011 levels despite the indications in the research that we could raise some prices. We believe we can handle expense pressures by way of increased paid attendance rather than pricing, while still maintaining a relatively conservative position in the face of our usual risks.

MOU – We are proceeding very quickly towards a transition to financial and operational independence by the end of 2012. City officials have indicated that a report on this subject is expected to be before the Executive Committee of council when it meets in the third week of January 2012. President Brian Ashton, the MOU Committee, Gerald Charney, and I have been working diligently on the terms and conditions of a Letter of Intent regarding our new relationship with the Board of Governors and City through the transition period (presumed to be calendar 2012) to independence in 2013. For the most part, our discussions are going well. However, due to the importance of this matter and the compressed time frame, a special meeting of the Board may have to be called.

Corporate Secretary – We are close to engaging an individual to fill the new role of Corporate Secretary & Government Relations Manager. I hope to be able to introduce this individual at the Board meeting. As well, preparations are well in hand for Linda Costa to move into the Press Building. The new manager will occupy the office adjacent to my offices formerly used seasonally for Media Relations.

Marketing and Communications

The Marketing and Communications Department continues to review the Experience Renewal Solutions research that was conducted both onsite with our visitors during the 2011 fair, and online with our summer staff in October. The feedback garnered from these two surveys will inform the development of the 2012 Marketing Strategy, the 2012 Employee Handbook and the summer staff orientation sessions for next year.

We have now finished reconciling the 2011 Corporate Group and GO Transit ticket sales. Monies from all our 2011 sales campaigns have been delivered to the Finance Department. On the expense side, final invoices are being processed through the system.

Working with the Exhibition Place Purchasing Department, we have been developing a Request for Quotation (RFQ) for Printing. This RFQ will be issued through the City of Toronto. Despite the digital age in which we live, it must be stressed that printing continues to play a pivotal role in the marketing of the fair. Due to the seasonal nature of the event, timelines and turnaround times are extremely tight. It is essential that the successful candidate be able to deliver on our requirements on deadline or the success of the 2012 CNE will be in jeopardy. Moving forward, the CNE will also be looking to secure quotes for the following services: website and online initiatives, corporate sales telemarketing, mailing house services and research.

Given the major overhaul that was made to the Advertising creative and campaign in 2011 and its resulting success, the CNE will continue to work with Field Day Inc. (design and creative services), and Gaggi Media Communications (media planning and buying) in 2012 in order to build on the momentum of last year. Integral Communications Inc. (formerly Fantail Communications) will continue as our Media Relations consultant for the third consecutive year.

Sponsorship

The final results for Sponsorship in 2011 were the achievement of 98.2% of the \$950,000 cash objective plus \$125,464 in contra for an overall achievement of \$1,058,610.

As the 5 year Coca Cola deal expires in May of 2012 we are currently in negotiations with Coca Cola and also talking to Pepsi for a new 4 year deal (2012 – 2015). We have advised BMO that we are going to the marketplace in search of an overall Banking / Financial sponsor. We are also pursuing a naming rights sponsor for the new SkyRide.

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Operations

Over the past few months the CNE Operations Department has been focused on reviewing the performance of all our outdoor concessionaires. Part of this review includes the financial performance of all rides, games/food concessions and outdoor retail. Preliminary results show a positive variance of actual revenues over budget exceeding 6% for rides, games and food concessions. Outdoor retail, parking and gate revenues showed a positive variance of actual revenues over budget in excess of over 20% for parking, over 20% for outdoor retail and 7% for walk up gate admissions. Although all costs for the event have not all been received, preliminary review of the expenses of the Operation Department indicates actual expenditures should not exceed budget for the 2011 CNE, except in the area of gate set-up and operation. New gates had to be established at the north ends of the two bridges to Ontario Place. These additional costs are considerably less than the former share of revenue given to Ontario Place, which should result in a net positive financial position for 2011.

Now that all concessionaire settlements have been completed staff is evaluating other variables and will be extending to those concessionaires who had an overall positive performance an invitation to return in 2012. In addition, staff is reviewing the mix of products being offered in the outdoor retail area and midway concessions in conjunction with the Exhibit Sales Department to ensure that the overall mix of products available at the 2012 CNE is “fresh” and relevant.

The Operations team is currently working on initiatives for the 2012 CNE. An RFP has just been issued through the City of Toronto purchasing department for a supplier to provide gate and cash room management and operations. In addition, staff has just completed a comprehensive inventory of CNE assets and the requirements for the Fair moving forward. As a result of this study and five year plan is being developed which will outline the CNE long term needs for equipment.

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Programs

Program staff is wrapping up the fair while planning ahead to 2012. Now that we have received the research results and had feedback from the Programs Committee and Youth Advisory Group, staff have assembled the Program Plan for 2012 (see Confidential Appendix A).

Based on the research results, staff is bringing forward recommendations to enter agreements with Spot On Entertainment for the Superdogs show, International Snow Flyers for the skating/aerial acrobatic show, and Rick Davis Promotions for the Flowrider.

Staff has met with The Agency Group and S.L. Feldman, two of the biggest talent agencies in the country, to discuss some of the better options for musical acts touring or available in 2012. Staff is putting together a Bandshell Stage plan to present at the next meeting. Requests may come to the Program Committee and the Board for approval if staff find an opportunity that needs to be pursued immediately.

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Exhibitor Sales & Services

Exhibitor Sales & Services is responsible for the indoor commercial exhibits in the following areas; Arts, Crafts & Hobbies, Shoppers Market, At Home Pavilion, International Pavilion, Warehouse Outlets and the food tenants in the Food Building.

For the first time, commercial exhibitors were provided with the opportunity to reserve their booth space for the 2012 season at this year’s fair, which resulted in a 51% renewal retention rate.

Over the course of the past several months, we have been busy reaching out to all of our existing commercial exhibitors and food tenants, in order to determine their intentions for participation at the 2012 season. The results speak for themselves:

Building / Pavilion	2011 Total Exhibitors	2012 Total Renewals	Renewal Rate %
QE Exhibit Hall Arts, Crafts & Hobbies	126	88	70%
Hall A - DEC Shoppers Market	76	40	52%
Hall A - DEC At Home Pavilion	108	45	41%
Hall B - DEC International Pavilion	172	105	61%
Hall C & G - DEC Warehouse Outlets	22	20	90%
Food Building	106	94	88%
TOTALS as of November 7, 2011	610	392	64%

We are pleased with the response, but expect the renewal rate will climb in the next couple of months, as exhibitors return from the series of fairs and event circuits in the Autumn/Winter season. At that time, we will have a more accurate indication of the available space for lease to new exhibitors and retailers in the New Year.

Balancing the retail mix is important to ensure that we continue to introduce new vendors, new product categories so that we keep the show 'fresh' and relevant. Our goal is to effectively create and manage synergies between retailers that appeal to the types of consumers within the CNE's primary and secondary markets. This provides us with the ability to source new exhibitors and retailers, in order to expand our customer base by offering an assortment of products and brands in the specialty and premium niche markets.

The CNE continues to be a viable 'brick and mortar' retail marketplace for both our clients and visitors, despite the surge in online shopping. We want to ensure that our visitors continue to benefit from a diverse product mix, expert advice, education and entertainment, while ensuring that our partners, exhibitors and retailers benefit by immediate consumer purchases, product and brand awareness, public relations, research and development, and product launches and testing.

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Travel Reports:

Operations & Exhibition Sales:

At the conclusion of the CNE Michael Knott, Virginia Ludy and Gilbert Estephan had an opportunity to visit three fairs in the New England states and Coney Island in New York City. The tour provided many networking opportunities and also provided an opportunity for staff to visit a large fair, The Big E, and two smaller fairs: the Topsfield and Fryeburg fairs.

At the Big E an opportunity was provided to meet with colleagues in the Exhibit Services and Concessions Department to share ideas and work practices regarding operations and exchange ideas. Staff at the Big E was very interested in our International Pavilion and likewise we were impressed by the innovative way in which they present their outdoor retail exhibits. One of the features of the Big E is the "Street of States" which features replica buildings of state capital buildings for each of the New England states. Featured in these buildings are food and products from the state the building is representing. The visit also allowed us to see entertainment which we do not currently have, many new products and provided for us an opportunity to reconnect with some of our concessionaires.

Virginia Ludy attended CAFE Board meetings in conjunction with the visit to the Big E and Mike Knott and Gilbert were provided the opportunity to meet and network with the fair managers from across Canada who were in attendance at the CAFÉ Board meetings. Staff also held meetings with North American Midway and was successful in getting the Sky Ride contract executed during this visit.

The visit to Coney Island provided staff with an opportunity to visit a traditional older amusement park and also to visit the new amusement park at Coney Island. This provided an opportunity to experience some of the older traditional midway rides that the CNE no longer features. The new midway area at Coney Island features a number of new mid-size to large rides along with a compliment of the latest kiddie rides. The team was given a tour of the entire operation and a demonstration was provided on the cashless midway system that was recently installed in the facility. The visit ended with a visit to Nathan's for a traditional Coney Island "red hot".

The Topsfield and Fryeburg fairs are much smaller than the Big E. The Topsfield Fair is located just outside Boston and has a real country fair environment, yet caters to visitors from the Greater Boston Area. Most of the structures on the grounds are fairly new and the site is very well laid out and serviced. The Fryeburg Fair is very a local country fair catering to the rural community around it. That being said, the fair attracts quite a large audience and sits on a large parcel of land and has a large number of older buildings which are used predominately for agriculture displays. During our visit to both of these fairs we had an opportunity to meet with staff. One of the volunteers at the Topsfield Fair led us on a tour of the facility and introduced us to many of their key volunteers. The community involvement and support that both of these fairs receive is quite impressive. Many of these groups are very involved in staffing programs and displays. We saw quite an interesting historic display which features farming tools and machinery from the past and a display on the history of the fair highlighting many of the changes that have taken place over the years. In addition we visited bee keeping display with an interactive and educational component for children where they produce arts and crafts out of bee wax.

As the CNE team drove to all of these fairs there was plenty of time during the drive to digest the highlights of the trip which provided for an opportunity for staff to exchange ideas and discuss future initiatives.

Programming Conferences:

Danielle Bourre attended the International Entertainer Buyers Association Conference in Nashville, TN from October 2 – 5. The convention offered a series of sessions such as: Understanding the booking process starting with artist research and ending with a confirmation; Event marketing; Public relations; Ticketing and Sponsorships and how they all interconnect to make the event successful; a round table discussion on how to find middle ground for various items being requested on artist' riders; panel discussions on how to integrate Social Media, Sponsorship, Ticketing and Marketing and Safety and Crisis PR. The sixteen agencies present in Nashville took turns to present showcases during the day and in the evening. This was a good opportunity to meet agents face to face and to discuss our needs and see dozens of touring bands.

Zis Parras attended the International Festival and Events Association conference in Ft. Worth, TX, October 3 – 5. While the trade show did not offer anything we could use, there were many networking opportunities and some of the sessions had practical applications. In one session lead by entertainment buyers from three different events, the discussion revolved around touring patterns, and different ways of creating contracts and riders. Everyone commiserated over the way agents and/or artists are taking longer to confirm bookings. Another session dealt with various methods of estimating crowds.

Upcoming Travel:

Virginia Ludy and Michael Knott will be attending the National Independent Concessionaires Association convention in Tampa February 6-8. They will also be attending the Gibtown Trade Show of rides and concessions, Florida State Fair and the Outdoor Amusement Business Association's meetings. Both Virginia and Mike will be taking IAFE Fair Institute courses being provided at the same location from February 7 to 11, as part of the curriculum required to complete the Fair Institute program they are both enrolled in.

Respectfully submitted,



David Bednar
General Manager