

Item No. 10



Management Report

October 2011

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At its meeting of October 6th, 2011, the Board received this report for information subject to the Organizational Chart (Appendix C) being amended to clarify the reporting relationship of the Executive Committee to the Board. The Board also approved the following motion:

On a motion duly made by Debbie Woodman, seconded by Knox Henry, and **CARRIED**, it was **RESOLVED** that the Board:

- 1) Pursue a new agreement with the Board of Governors and City of Toronto based on operational and financial independence of the CNEA
- 2) Delegate the authority to negotiate such an agreement to the MOU committee
- 3) Report back to the Board of Directors on the substantive terms and conditions of the new agreement for approval by the Board of Directors

General Manager's Comments

2011 CNE - By almost any possible measure, the 2011 CNE was a success. We are still double-checking attendance records and, as usual, I will be announcing our 2011 attendance at the Annual General Meeting on October 20th. We may be able to take some encouragement from what appears to be two consecutive years of higher attendance earlier in the run. The first 14 days in 2010 and the first 15 days in 2011 showed year-over-year increases in paid attendance when compared to previous years (i.e. 2010 was better than 2009 and 2011 was better than 2010). Traditionally, we have about 27% of our attendance on the three days of Labour Day weekend and our failure to meet budget in 2010 was caused by bad weather on those days. It would appear that 2011 demonstrated our ability to have better attendance leading up to the final weekend and still have very strong attendance on the final 3 days: all-in-all a very good result. While we are still waiting for research results, I would attribute our good showing to several factors:

- Our marketing, programming and operational plans came together and have improved in terms of serving common goals,
- Long-term investments in things like customer service training and site improvements appear to be paying dividends,
- Buzz around new food items continues to generate positive press,
- North American Midway Entertainment's safety record has avoided any negative press, and
- Successful gate promotions such as "\$5 after 5pm" and "\$8 at the Gate" on Opening Day.

Compared to other endeavours, one thing that makes our business unique is the narrow window of opportunity we get with most of our customers. It is a real challenge to make a positive impression on your customers when most of them only spend a half-day or so with you once each year.

As requested at the meeting in July, I attempted to keep the Board informed of any significant developments during the move-in and throughout the fair. Directors will remember that we were very concerned about potentially negative effects from Ontario Place's decision to continue to offer free grounds admission during the CNE. To our relief, the difficulties did not materialize. We received virtually no complaints at the gates and our attendance was, by-and-large, unaffected. For all that we did not experience some anticipated difficulty; of course, we did have a few surprises. The most notable was the lightning storm on August 24th. As reported shortly afterwards, we closed early that evening. Although the weather was generally cooperative, we did have rain and forecast of rain on several of the 18 days, including Labour Day Weekend.

As it turned out, there was no need for the Executive to make use of the authority delegated to it by the Board.

STRAP - Our strategic plan was last revised in the spring of 2010 (see Appendix A for a copy of the plan as it was in 2010). Our strategic goals are integrated with the strategic goals for Exhibition Place (EP): Business Development, Environmental, Financial, Infrastructure, Organizational & Staffing, Recognition/Public Understanding, and Safety/Security. Obviously there are many common objectives and it has been important to maintain and support these common interests. Looking over the plans and goals, we have clearly made progress in key areas in the past year and a half.

Goal #1 – Event Development – as mentioned above, I believe we have achieved considerable success in improving and developing the experience of coming to the CNE. The various plans (programs, marketing etc.) have to have functional integrity in and of themselves, but more importantly they have to mesh and complement each other and pull together at fair time. There

is strong evidence that we have done well in addressing this major goal. Our ongoing challenge will be to continue to improve the CNE.

Goal #2 – Infrastructure - we were worried in 2010 that the new lay-out using more of the area south of BMO Field might not succeed. Not only has it worked and worked well, the new lay-out has set the stage for the installation of the SkyRide in 2012. As well, there has been excellent cooperation with EP to make sure that the design for Festival Plaza will serve the needs of both EP and the CNE. The need for improved amenities such as washrooms has been addressed in the plans for Festival Plaza.

Goal #3 – Advocacy - this is an area where success or failure can be difficult to gauge. We seem to be holding our own, but we hope to see further improvements in government relations and grant proposals at all levels, in part through the transfer of the Corporate Secretary office.

Goal #4 – Environment - every year we see some gains in this area. This year marked our 2nd year of EcoLogo certification. As many major gains have already been made, we need to continue to be diligent in maintaining our current position, coordinating efforts with EP and improving in as many areas as possible.

Goal #5 – Governance - this has been an area that has been very difficult for the association to address in a meaningful way. A review of the By-Laws was completed in 2010, but this matter will clearly need to be revisited in 2012, along with possible changes in the CNEA Association. The negotiation of a new MOU with EP, combined with other factors, such as the KPMG “Core Services Review”, have lead the CNEA to a major re-evaluation of independence from EP and this process, in turn, will necessitate a thorough examination of our governance structure.

MOU - On September 9th, Jim, Brian and I met with Mark Grimes, Dianne Young, and Camilla Mackenzie (via speaker phone). It was a positive meeting and we agreed to move forward with the goal of making the CNEA financially and operationally independent of Exhibition Place. It was agreed that staff continue to investigate the various factors and issues that require study and/or attention in order for both boards to be informed about making a decision regarding CNEA independence. Please see attached as Appendix B, Ms. Young’s report which will be going to the BOG on the topic of CNEA independence.

As reported at the July meetings of the Executive and Board, we have engaged the services of Gerald Charney, Q.C. From 1972 to 2003, Mr. Charney provided legal counsel to the CNEA and Exhibition Place. He has detailed and intimate knowledge of the legislation that established both the CNEA and the BOG and is ideally suited to provide advice to the CNEA in its discussions with the BOG. The services provided by Mr. Charney will include general advice to the negotiating team with regard to background and interpretation of pertinent legislation. He will also provide informed reaction to legal opinions we receive from City Legal. The assistance of Mr. Charney will be of significant benefit to the Association and may result in a more favourable MOU than would be negotiated without his involvement. Although it was stated in the minutes of the July Executive and Board that approval would be needed, the cost of this consulting service is within limits delegated to me, so approval has not been sought.

Corporate Secretary - As approved at the May meeting of the Board, I have proceeded to take the necessary steps for the transfer of this function to the CNEA. The new managerial position will encompass Corporate Secretary duties and management of government relations. A job description has been prepared and reviewed by legal counsel and I have sought advice from the Exhibition Place HR services for the evaluation and rating of managerial positions. As we are entering a transition period towards potential independence of the CNEA, this job will be posted as a contract position. Once the new person has been recruited, arrangements will commence to establish a physical office in the Press Building, coordinate the orderly transfer of duties as needed with Fatima, and Linda Costa will be relocated to the new office as of January 1, 2012. I

attach a revised organizational chart as Appendix C to illustrate the current reporting relationships and the addition of this new function to the reporting structure.

Marketing and Communications

The CNE Marketing and Communications Department is currently reconciling 2011 Marketing expenses and revenues and analyzing its various sales campaign results. Staff has been working on a series of recommendations for next year, and once the 2011 onsite research results are in hand and have been analyzed, we will begin working on the marketing strategy for the 2012 fair.

A major change in the marketing of the 2011 CNE was the rebranding of the CNE creative, in response to the research done during the 2010 CNE with both visitors and non-visitors. Through this research, we learned that we were potentially missing opportunities to attract more people to the CNE by positioning ourselves as primarily a family /child focussed event.

Hence, the look and feel of our brand creative was totally re-vamped. The child centric visuals and typeface of past years were replaced with a clean and uncluttered new look which focussed on CNE attractions and emphasized the CNE name as opposed to Let's Go to the Ex. We retained a vibrant colour scheme that would still appeal to young families. Also in response to last year's research, we increased the number of CNE Guidebooks distributed before the fair; approximately 1.2 million Guidebooks (300,000 more than in 2010) were inserted in daily and community newspapers the weekend before the CNE opened. We continued to streamline and segment our message, pitching specific CNE attractions to specific demographics throughout the 18 days of the run. In total, there were 21 different versions of our radio spots, and innumerable different versions of our print ads. Other new initiatives in 2011 included the development of a CNE APP for iPhone and Blackberry, as well as a Mobile Web Site.

Although overall attendance figures and research results have yet to be finalized, there are a number of signs that indicate that the re-branding of the CNE Marketing Campaign and the adjustments made to the media buy were, in fact, very successful.

Our advance sales partner GO Transit ran out of tickets at Union Station not once, but twice, before the fair even opened, which has never happened before. Advance Sales overall are up over 2010, with Corporate Group Sales (which are still being reconciled) at least at par with last year. With the exception of two days (including the electrical storm of August 24th), attendance was up over 2010 each and every day of this year's fair.

Other signs of growth can be found in the CNE website, which was accessed by a total of 761,733 unique visitors from June 24 to September 5th, compared to 626,692 unique visitors over the same time period in 2010. More than 19,000 people downloaded the CNE's new APP and to date, the CNE Facebook page is "liked" by more than 42, 000 people, compared to 25,000 in 2010. The Media coverage of the 2011 CNE continued to be strong, and exceeded the number of impressions achieved last year.

Sponsorship

For the 2011 CNE we achieved 98.2% of \$950,000 cash objective plus \$125, 464 in contra for an overall total of \$1,058,610. More detailed information is being provided to the Finance Committee.

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O'Loughlin
416-263-3815 or 416-263-3816.*

Operations

The Operations department is putting away the final pieces of the 2011 CNE and we are reconciling all work orders, invoices and purchase requisitions. In addition, the Concessions

staff are reviewing all revenue streams and checking all accounts to ensure they accurately reflect sales for the final reconciliation. Initial review of the various Operations Department revenue lines suggests that all of the 2011 revenue lines were met or exceeded. The department is participating in departmental debriefings and we are beginning to look forward to the 2012 CNE planning cycle with information from lessons learned at the 2011 event, and improvements and changes that we feel are warranted in 2012. The experiences from the 2011 CNE, along with the research results, will assist the Operations department in completing the plan for the 2012 CNE over the next few months. In addition, staff will be visiting a number of fairs in the Eastern US along with attending the CAFE and IAFE conferences in the fall for networking and operational ideas.

*Contact: Virginia Ludy
416-263-3824*

Programs

The Programs department is wrapping up the fair while planning ahead for 2012. We are evaluating anecdotal responses received about the 2011 programs, and are awaiting the input from the rest of the staff, research results, and feedback from the various committees (Agriculture, Programs, Youth Advisory). Looking ahead, we will be preparing the 2012 Program Plan once all the above information is received and processed. We hope to start negotiating major acts before the end of the calendar year.

Staff will be attending various conferences and trade shows (details can be found below) over the next few months with the hope of finding new acts and bands that will be touring next summer. If the aerial acrobatics ice show was to return in 2012, Karen Bradford and/or Zis Parras would travel to Montreal or Quebec City for a couple of days of discussions about future show sometime in the next few months.

*Contact: Zis Parras
416-263-3831*

Exhibitor Sales & Services

We continue to reconcile all 2011 budgets and finalize all exhibitor accounts as part of the Exhibitor Sales & Services department which includes the Arts, Crafts & Hobbies, Shoppers Market, At Home Pavilion, International Pavilion, Warehouse Outlets and the Food Building. Overall feedback from our exhibitors and concessionaires throughout all pavilions suggested sales were up compared to last year's sales figures, which resulted in positive experience at this year's CNE.

2012 Renewal Applications/Contract

We have instituted an on-site early-bird renewal process for exhibitors in Halls A, B and the Queen Elizabeth Exhibit Hall. Exhibitors were provided with an incentive to reserve their booth space for the 2012 season at this year's fair, which resulted in a 51% contract renewal retention rate. We attribute this primarily due to the success of this year's fair and as a first-opportunity to guarantee their preferred booth location for next year.

Exhibitors who did not renew at this year's fair will be given an opportunity to do so throughout the year, based on space availability. We expect the retention rate will climb in the next couple of months, as exhibitors return from the series of fairs and event circuits in the fall.

The conclusion of the 2011 fair marks the end of a three-year agreement with Food Licensee's in the Food Building. We are scheduled to enter into a 4-year agreement option to renew, at the beginning of the 2012 cycle. Outreach to our Food Licensee's process has begun to discuss their intentions moving forward, determine space availability or vacancy and discuss overall aesthetic improvements of booths that have become dated or in need of repair.

We are currently evaluating all exhibitors and product category mix across all buildings, developing sales strategies and recommendations for the 2012 season and will be updating CNEA Directors in future management reports with progress on next year's fair.

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416-263-3846*

Casino

The 2011 CNE Casino operated from August 1st to September 5th. This year, eighty-seven table games were successfully operated. For the 2011 Casino, an increase to the Texas Hold 'Em Poker limits was applied for and granted by the Alcohol and Gaming Commission of Ontario. This increase in poker limits brought in additional poker players and, along with other factors, contributed to overall casino revenues which exceeded our budget projections. As with the CNE in general, 2011 was another very good year for the CNE Casino.

*Contact: Sean Higgins
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CNEA Membership Exhibit

As in previous years, the 2011 CNEA Membership Exhibit provided the CNEA Members an opportunity to showcase their organizations or associations to CNE visitors. The exhibit also allowed the CNEA to advertise our own volunteer opportunities – Citizen Appointees, Youth Advisory and Friends of the CNE.

Fifteen groups took advantage of the opportunity this summer, including (in order of exhibit date): IODE Canada, York Pioneer Historical Society, Warrior's Day Parade Council, Council of the Regional Municipality of Durham, Ontario Veterinary Medical Association, Landscape Ontario Horticultural Trades Association, Ontario Quarter Horse Association, Standardbred Canada, Toronto Musician's Association, TABIA, Ontario Agriculture and Agri-Food Canada, Ontario Association of Art Galleries, International Association of Lions Clubs and the National Congress of Italian Canadians. Another 11 groups which were not able to participate in person provided their brochures for display and distribution.

As well, there were evenings dedicated to the CNEA and Exhibition Place. Linda received many positive comments from visitors and assisted children in designing a t-shirt for AI-Ex. 85 designs were created by guests and were displayed on the exhibit panels.

A full report on this Exhibit has been reviewed by the Credentials and Nominating Committee on September 12th and referred to the Executive Committee and Board. Any director who would like a copy of this report can obtain a one from Fatima Scagnol. Plans for next year are underway and details will be coming forward in the spring of 2012.

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Upcoming Staff Travel

International Festival and Events Association Conference, Fort Worth, TX Sept 30 - Oct 5

Zis will be attending this conference to begin courses to become a Certified Festival & Events Manager. For the second half of the travel period, Zis will be attending the IFEA conference which will be focussing on professionals gathering together to network, share and discuss new ideas, trends, challenges, opportunities, creativity and possibilities as they look to the future.

International Entertainment Buyers Association Conference, Nashville TN October 2 - 4

Danielle Bourre will attend this conference. The IEBA showcases the most diverse entertainment options available while striving to be the go-to organization for the entertainment community by offering continuing education and networking opportunities to its members.

Canadian Association of Fairs and Exhibition (CAFE) Board, Springfield, Mass. - October

The CAFE fall board meeting has been moved to Springfield, Mass. Board members will be conducting their regular meetings and will have an opportunity to meet with representatives of the Big E Fair and Exposition. As a Director of the CAFE Board, Virginia Ludy will be attending, and will be bringing Mike Knott, Mike Cruz and Gilbert Estephan, who will also be visiting the Coney Island, Toppsfield, Rochester and Bloomsville fairs.

Canadian Association of Fairs and Exhibitions (CAFE) Convention, London, ON - November

The annual CAFE convention is to be held in London, Ontario this year. Being so close-by, this CAFE convention will be attended by a higher number of staff than usual due to reduced travel costs. Full delegates include: David Bednar, Virginia Ludy, Mike Knott, Zis Parras, Paula Elis, Karen Bradford, Danielle Bourre, Gilbert Estephan and Jeannette Mintz. Karen Bradford's registration is complimentary as she has volunteered to assist CAFE with the administrative side of the conference. Andrew Sihelnik will be attending the conference for one day. Additionally, Mike Cruz and Joanne Benerowski will be presenting at the conference and have therefore been given complimentary daily registration packages.

International Association of Fairs and Exhibitions (IAFE) Las Vegas, NV - November

At this time, David Bednar, Virginia Ludy and Mike Cruz are planning to attend the IAFE annual convention in Las Vegas in November. Karen Lynch, Paula Ellis and Karen Bradford are currently investigating the opportunity of attending. Sessions are planned on relevant topics as well as a large industry trade show. Due to the extra travel required as a member of the CAFE Board of Directors. Virginia will be exceeding her annual travel limit.

Montreal or Quebec City – 4th Quarter

If the aerial acrobatics ice show was to return in 2012, Karen Bradford and/or Zis Parras would travel to Montreal or Quebec City for a couple of days of discussions about future show sometime in the next few months.

Respectfully submitted,

David Bednar
General Manager