

Board Report – October 2014 BOD Teleconference

FDDA Financials - Update

For the October 20th BOD teleconference, the FDDA as directed by the FDDA Treasurer – Jim Pearce, will present to the board the latest financial reports via our quarterly updates, latest 2014 budget/actual and the 2015 FDDA preliminary draft budget for review.

SharePoint Update:

The FDDA has created two SharePoint portals that are currently active. Both portals are related to the Government Relations activities and are currently only allowing access to GR Committee members for confidentiality purposes. More activities and development of other portals are transpiring. Once liquor collaboration is fully populated, we will share with the operators.

Business & Professional Development Draft Agenda

Currently being drafted with report submission for October 20th meeting. Any comments or recommendations on Chicago meeting topics are welcome.

Government Relations:

Recently sent out operator communication on the key political objectives for the FDDA. The three areas of concentration include: Tobacco, liquor collaboration and the reinstatement of the VRP.

Tobacco – the Coalition against Tobacco’s recent proposal via the pre-budget consultation to decrease tobacco allowances has been vetted via our TSA lobbyist through their Finance contacts both bureaucratically and politically. They have informed us that the threat is not pending nor is being reviewed seriously by Finance. Given it’s a pre election year; this is not a cause for concern based on their assessment. However, they did note that the flavoured tobacco ban discussions and upcoming government consultation is forthcoming – menthol will not be an ongoing product allowed in the CDN market as per their analysis. They recommended to the GR Committee several options to voice our support and in turn express our position on tobacco via the flavoured tobacco discussions. The GR Committee is currently considering these options and has not made a decision at this point in terms of our communications if any at this time.

Visitor Rebate Program – All indicators note that the reinstatement of our proposed three year pilot program for a newly created VRP program will hinge on political influence. Pls. note the following actions and updates:

- Advocacy plan and overall position of our industry is being finalized in the next two weeks
- Keys to success include our support from key border political officials such as Minister Bernier, Minister Nicholson, Minister Fast, etc. As an industry we represent key border ridings that are significant to the Conservatives for the upcoming election.

- We are leveraging the Conservative platform of small business and competitiveness – in addition to the benefits to our border communities alongside tourism benefits.
- Lack of information from our stores on annual rebates is an issue, but our legal representatives noted that selling this issue politically is more important than the fine details at this point.
- Having the VRP reinstated does not require changes to the legislation but is a budgetary decision by the government.
- The FDFA has provided supplier information on duty free exclusive products, products only sold at duty free stores with limited sales in the U.S., etc. – the rationale is part of our positioning is to showcase that this initiative will improve not only our industry but assist our supplier channel who depends on our industry for the sale of their products.
- GR Committee is working through the premise of our program in terms of how we foresee future audits, processing fees – if any, provincial sales tax questions, etc.
- We do not know when we will be called to the pre-budget finance consultations but anticipate it will be in November or December.

Liquor Collaboration

Key duty free representatives from each province have been requested to provide at the very minimum their liquor contracts in order to upload on the SharePoint portal. Purpose is to have documentation clearly available for all stores to use at their discretion when negotiating with their own respective liquor boards.

FDFA Convention 2014

Attached to the board documentation is the full registration and updates on event planning. The only issues at this stage are ensuring that Beler has finalized their list of suppliers attending and we are in process of completing this information. Minister Bernier is attending the gala, but we have been asked not to communicate to members until the government's security process is complete. The Minister will be attending with his Press Secretary and making a 10 minute speech.

Sponsorship has reached over 30% increase from last year, and suites are sold out at this time.

Request: We kindly ask that Board member attend the Media cocktail reception that is noted in your convention calendars.

Allison and I are working on the Convention budget for the Vancouver 2015 show.

FDFA Office Move for 2015 Recommendation

Pls see separate report as per the board's request on a potential virtual office for 2015 for cost savings.

Proxy and Election Materials

All being circulated next week to members. Laurie is working with Gene Davis on the election process and report to be provided to board on this process for October 20th.

Gold Standards Awards Update and Motion Request:

All Gold Standards activities/communications have been sent out. The increase in amount of votes has dramatically increased for both operator and supplier levels especially since we developed this year the online mandated criteria component.

This past Thursday was the deadline for operator submissions. The FDFA still has approx. one week to allow for late submissions.

Issue/Recommendation: The FDFA received an operator submission for the Marketing award whereby it was a three store submission in which three stores jointly worked on a marketing initiative and submitted their proposal. My response as per the process, given that our current criteria clearly notes “Store” not multiple stores was that of – I need to vet this process and consider any ramifications of changing the current rules.

First, any collaborative effort is fantastic and applauded by the FDFA. Second, our criterion does not currently note that our submission allows for multiple store or regional awards. However, I have considered this and am recommending a solution for the board’s decision:

Recommendation/Motion: Extend the submission deadline by one week, and immediately communicate to the stores that if there was a collaborative effort in any of the submission requests, they have one week to submit their application. By doing so, we will have provided the same opportunity to all stores and thus allowing this respective submission to be permitted without political fallout. To put in perspective, if I do not communicate this to all stores and announce the nominations at the gala, and other stores i.e. IGL and Philipsburg has a similar collaborative marketing initiative but did not know that they could submit in a joint proposal – we, as a board, will not have done our due diligence in the process.

I should note that Rob Prince, who is on the GS Advisory Committee recommended that as an option for the boards consideration that we simply ask the three stores to identify a “lead” store for the submission with the other stores taking honourable mentions. I have not put forward as the primary recommendation since I am not sure which store of the three would take the lead, since it was such a true collaborative effort.

National Marketing Update

Mars Philter has developed their preliminary brand pyramid in order to fundamentally understand the core objectives for the program as they develop the tactical plan for 2015 and in addition the revamping of our brand for our website – which they believe needs an overhaul in many factors.

An internal advisory Committee has been created that consists of Nancy Enright (BHT Philipsburg), Cam and Kelsi Bissonnette and Jim Pearce. The Advisory Committee is meeting with Mars next Wednesday to review Mars preliminary plan and will act as a vetting committee for Mars on their activities before any submissions to the board. Jim Pearce and I are meeting in Toronto next Wednesday with Mars to meet the team and review other activities.

Request: The Mars VP – Derek Joynt has requested that he personally deliver the strategic plan, operator marketing portal and introduction of their team at the November operators meeting. My recommendation is that they do meet live with the operators in order to develop that trust and have a proper introduction given the importance of this initiative.

By October 20th, the marketing budget and contract will be presented to the board. It should also be noted that Jan Ferguson has completed site visits at two Niagara duty free stores as per their process.