



**FDFA Operator's Draft Meeting Minutes
Semi-Annual Meeting
Sandman Hotel – Etobicoke, ON - May 31st, 2017**

1.	Description	Action
1.	<p>Call to Order</p> <p>The meeting was called to order at 8:30am on Wednesday, May 31st, 2017 by Abe Taqtaq.</p> <p><u>The special guests/presenters/media attendance included for meeting:</u> Shawn Riel and Darryl Larson of CBSA would be the special guests at the meeting. No media in attendance.</p>	<p>NOTE: All Presentations including the full FDFA PowerPoint presentations provided on secure Operator only Portal Page via FDFA Members only website. All non-members in attendance would receive a copy of all presentations via a separate email.</p>
2.	<p>May 2017 Operator Member Roll Call and Review/Approval of Draft Agenda. November 2016 Operator's Draft Meeting Minutes Review and Approval</p> <p>Cam Bissonnette reviewed roll call and noted 15 Operator stores in attendance with no proxies. No new business was requested from the floor.</p> <p>Attendees: Abbotsford Duty Free, Altan Duty Free, Carway Duty Free, Blue Water Duty Free, DFS Ventures, BHT de L'Est, BHT de Stanhope, Importations Guay Ltee, Niagara Duty Free, Tobacco Plains Duty Free, West Coast Duty Free, Philipsburg Duty Free, Osoyoos Duty Free, Kingsgate Duty Free, BHT de Highwater, BHT de Beauce Duty Free, Sault Ste. Marie and Windsor Duty Free</p> <p>FDFA Members Non-Attendance: Ambassador Duty Free, Altan Duty Free, Carway Duty Free, North Portal Duty Free, Kitts Duty Free, Peace Garden Duty Free, Aldergrove Duty Free and Fort Duty Free</p> <p>FDFA Non-Member Attendance: 1000 Islands Duty Free/Prescott Duty Free, Peninsula Duty Free and Peace Bridge Duty Free Store.</p> <p>Total Stores Represented at meeting– 15 Stores of 24 Stores.</p> <p>Cam Bissonnette (Treasurer) noted that quorum for the operator's meeting has been met.</p> <p>The draft Operator's agenda for the meeting was reviewed for the May 2017 Operator's meeting. Cam Bissonnette also reviewed the November 2016 draft operator's minutes from Annual Convention Operator's Meeting held in Toronto, ON and requested that if anyone had any amendments, deletions or comments to provide at the meeting.</p>	<p>Motion was made to approve the draft May 2017 agenda. Motion by Michael Resch and seconded by Len DaSilva. All approved.</p> <p>Motion: Draft November 2016 Operator minutes from the FDFA Operator Meeting held in Toronto, ON at the Hyatt Hotel. Motion: Paul Dickinson approved and Ralph Caria seconded – All Approved.</p>
3.	<p>FDFA President's Welcome and Opening Remarks:</p> <ul style="list-style-type: none"> • Abe Taqtaq welcomed and thanked the members and non-members for attending this important meeting. He also thanked RCC and Diane Brisbois for the collaboration and opportunity to attend their Annual Convention the day prior. 	

- He recognized the outstanding efforts of this year's new Board of Directors and the hard work of the FDFA staff in Ottawa.
- In terms of the key objectives for the FDFA, he noted that Government Relations is critical and specifically the collaboration and proactive relationship with CBSA. He noted that the Annual Convention and identifying how we as an industry are moving forward with this important pillar of the association is critical in our future success. Discussion surrounding the Duty Free Show of the Americas merger and the decisions made to keep the show in Canada was noted and the importance of marketing ourselves as an industry to the world will prove beneficial.
- He concluded with the importance of re-building our membership to exemplify a unified voice and one that is collaborative and forward thinking to ensure we meet our goals as individual stores and as that of a strong industry.

4. Treasurer's Report – Simon Resch

- Simon Resch reviewed the 2016 Statement of Operations. Due to the RFP situation of last year, the financials were impacted on many different levels. First, the Convention brought in approx. 194K vs. the budget of \$227. This was a result of lower operator/buyer attendance impacting the supplier attendance and other revenues associated. Other areas impacted included legal fees, transportation, meeting costs, etc. within the Board line items and the GR expenditures.
- Given that National Marketing was not a priority in 2016, the Board has decided not to lower the membership fees in which the marketing dues are amalgamated with due to other expenses the FDFA has had to incur and will be facing.
- Overall, Simon noted that we faced an approx. 13K deficit in the total FDFA budget.

Notation: No operator approval required for this financial overview.

5. Executive Director's Report – Laurie Karson

- Laurie noted the key goals of the Association since the board was elected in November 2016 to now – May 2017. Given the role of the FDFA, the orientation and execution of the new board, their new roles and identifying committee's, committee mandates, and all execution of these actions is left to the FDFA.
- To re-iterate Abe's opening remarks, the key focus has been on the Strategic Convention Committee, GR and the upcoming Montreal Convention amongst other activities.
- Some of the operational activities have included the development of the membership package, identifying and recommending the RCC partnership that everyone from this meeting attended – a true member benefit with free registrations for all in attendance including non-members. Also, the newly revamped FDFA website, bag program.
- Other key areas noted included – development of bi-annual meeting and execution of first meeting with CBSA in Ottawa with key GR representation, key point of contact for Duty Free Show of Americas merger discussions and key contact in Ottawa with national partners that include TIAC, Destination Canada, National Chamber and RCC (Toronto).

6. Strategic Convention Committee Proposal – Tania Lee

- Tania Lee, Chair of the Strategic Convention Committee provided an extensive presentation to the members on the mandate of the Committee and the key objectives/opportunities that the proposal would provide.
- She discussed the history of the FDFA and the original conventions that have been held. She noted that the original reason FDFA conventions were struck was simply the suppliers – solidifying relationships with supplier members as a more unified front from the operator membership.
- Other key areas within her presentation noted why the FDFA is not moving forward with a merger with IAADFS and AUSTIL – given that Canadian identity was a key factor for keeping our shows in Canada.

ACTION: The Strategic Convention Committee will be sharing the presentations with all members after the semi-annual. They will be reviewing their post communication plan on the new program, and to the media. They will also be reviewing the appointment

- Review of the key challenges within the historical convention format. She also reviewed the extensive process by which the committee has developed the new proposal for future conventions which included mass survey's, strategic member interviews, analysis of appointments, etc. Some of the key metrics reviewed included historical attendance review, profitability, and detailed revenue breakdown i.e. trade floor, etc.
- Based on the analysis, it is the recommendation of the committee to stay in Toronto due to the number of suppliers located in GTA – automatic cost savings on shipping, etc. Toronto world class city, etc. It was also noted that the trade floor isn't working any longer and would be removed from future conventions. However, a new supplier format potentially tied into the future semi-annual meetings is being reviewed. This new format without the trade floor will allow more concentrated time with the key suppliers and interaction amongst operator members.
- It became apparent that more cost savings, nicer hotel property and less time at the show would be key areas to focus on based on supplier requests. The suite format will continue to be a platform for future meetings. More networking and ability to bring in higher level decision makers also became a priority in the new format.
- Another key new area of the proposal includes our key top three liquor/fragrance suppliers having the ability to conduct group presentations by region on the Monday and Tuesday of the show. For example, Bacardi, Pernod and Diageo will present at the same time conducting concurrent group presentations by regions. On the Tuesday, DDFI and Beler will conduct similar group presentations. This will allow for more efficient time for these suppliers on topics such as trends, new brand launches, etc.
- Tania then presented the new format for the future conventions starting in 2018. This new format would remain in November. It would still be 5 days in length, but category driven whereby specific supplier categories would only require attendance on three days of the show, and on specific days. For example, the liquor/fragrance suppliers would come to show on Sunday and hold meetings on Monday and Tuesday. The non-core and tobacco on Tuesday and Wednesday. The gala on the Monday night and instead of an all member welcome reception on Sunday night, we would hold a private sit-down dinner with the liquor/fragrance members on Sunday night – with all buyers, government reps, liquor boards, airports, etc.
- Overall, those in attendance of the meeting were supportive of the new proposal and its mandate. Some were concerned that their appointments may not adequately fit their schedule. Laurie noted that they are conducting mock up appointment schedules to ensure that enough time is provided. Tania noted that some of the larger stores may not need individual meetings with suppliers since they meet so frequently with these suppliers anyhow – thus freeing up time for the medium/smaller stores to meet.
- Also, it was noted that there may be a concern with some of the other larger liquor suppliers in not having the opportunity to also conduct group presentations. It was noted that some of these liquor suppliers were provided this opportunity i.e. PMA and prefer their individual meetings. Laurie noted that they have a contingency plan with other key liquor suppliers should the demand warrant further group presentations. In terms of the airport meetings, Laurie recommended that they could meet with the larger suppliers on the Sunday when the Operators are holding their all-day meeting.
- Tania noted that the proposal would not be implemented for the 2017 Montreal show, as the committee has determined we need ample time to execute and communicate the proposal. Additionally, due to the Westin previously signed contract, the FDFA is bound to honour certain components of the historical show i.e. trade floor space, etc. Hence, the new proposal is set to be executed starting in 2018.
- Concluding the membership in attendance were very positive on the presentation and noted the positive move forward by the FDFA with such a proposal. Tania noted the importance of everyone's attendance at the 2017 show and moving forward. Full support of the operators is critical to the success of the new program.

schedules for the various store size schedules to identify any challenges and solutions.

ACTION: One member noted that if we do look at attaching new supplier group presentations during a semi-annual show, that we should consider an earlier timeline for semi-annual meetings i.e. Feb. or early March so they can order before the high season.

7. Multi-Year Hotel Contract (2018, 2019, 2020) – L.Karson

- Laurie Karson reviewed the proposal in which operators were asked to vote on for approval at the end of her presentation. The proposal is for a three-year deal with the King Edward Hotel in Toronto – which she noted best fits the requirements of the Strategic Convention Committee proposal.
- She outlined the process from 2016 to now to determine the recommendation presented. A full vetting of specific hotels in Toronto that meets the specific suite and meeting room requirements. She noted the shortlist of properties and the final determination of the King Edward recommendation. She outlined the detailed negotiations that have taken place and final board review of the recommendation.
- She outlined the costs of the membership including supplier case study and operator costs for the five days. Since the suppliers would be staying less time at the show due to the new category format, the suppliers would be saving approx. 25% on their bottom line costs compared to that of they Hyatt in Toronto 2016. They will also save time, since they can leave earlier which adheres to the supplier requests.
- Laurie reviewed extensively the benefits of the King Edward specifically the completed \$50 million in renovations, the size of the hotel providing intimacy for our members and the variety of meeting space available to our group. Service standards for this property are exceptional and it is truly a world class property that meets our Canadian identity mandate.
- A review of the historical room rates and FDFA Registrations was discussed and detailed. She noted that they are lowering the cost of supplier registrations in 2018 and lowering additional operator buyer registrations for most cost efficiencies.
- A detailed photo and room specs were provided by Laurie on the key rooms at the new hotel – i.e. luxury suite i.e. room size, type of supplier staying, amenities, etc.
- Allison distributed out to the members details of the rooms vs. historical convention room types.
- Laurie also reiterated that Toronto is one of the key cities globally right now for conventions. To secure a top hotel at the rates we have secured will work in our favour moving forward.
- It was noted that the King Edward contract expired at 5:00pm the day of the presentation, so if not passed, the FDFA would have to relook at all Toronto properties once again.
- Laurie noted that after proposal was completed and hotel recommended, she conducted an extensive telephone survey with key suppliers who historically stay in suites at the convention – representing different types of suites required i.e. Remy Cointreau, Michel Germain, Turkey Hill, etc. All the suppliers interviewed were told about new proposal and potential hotel and its offering/costs, etc. All the suppliers interviewed were supportive of the hotel and proposal.

Motion: It was moved that the “FDFA Operators approve the three-year convention contract with King Edward Hotel for 2018, 2019 and 2020 as approved by the FDFA Board of Directors”. A show of hands was taken to identify who approved and who opposed. All members approved unanimously. The motion was provided by Simon Resch: and seconded by Michael Gruyich. No opposition. All approved.

8. Projected Financial Convention Overview – Simon Resch

- Simon discussed how the committee and the board reviewed the implications of the new convention in conjunction with the new hotel format and potential financial issues that could arise. If we continue without operator unity, and suppliers migrate that can negatively impact all aspects of our financials. It is critical that we move forward in a unified manner for the financial security of our industry.
- He reviewed the key metrics and scenarios if we lose rapid attendance. We have a \$50K exit clause to leave the contract after the 2018 show. Of course, our goal is to grow the convention under the new proposal. He outlined our conservative projections for the future shows which did not include in the projections non-members coming back, nor other revenue streams with new suppliers and estimated a low sponsorship. It was important to create this projection in a conservative manner to truly examine what worst case scenarios would mean to the FDFA.

9. CBSA Presentation – Darryl Larson and Shawn Riel (CBSA)

- Darryl Larson introduced himself to the members as the new Director General for Trade and Anti-Dumping Programs in which Duty Free resides.
- He reviewed their current organizational chart at CBSA and the specific representatives who work directly on duty free and their respective responsibilities.
- In terms of our administration, he reviewed sales stats and their audit processes moving forward which will be more streamlined and consistent moving forward. He also noted their review of duty free bonds, and consistency of Duty free shop information by the officers to the public. It was asked by Philippe Bachand if CBSA would reveal what each store would be audited on prior to their audits, but Shawn Riel noted that they could not disclose this information.
- Pertaining to D432, CBSA is continuing their review of the policy to ensure that future situations such as the Peace Bridge one is done with clarity by CBSA. They plan on continuing with their FDFA consultations as they continue their Program Integrity review.
- He noted that the FDFA and CBSA are committed to the bi-annual live meetings in Ottawa with key FDFA GR representatives and their duty free team at CBSA. The objectives are to work collaboratively on key administrative and regulatory issues that arise and are ongoing.

ACTION: CBSA requested that if any operator had any issues or questions, that they are to contact them directly as they would like to act more as a service to our industry.

10. Government Relations – Philippe Bachand

- Philippe Bachand, Chair of the FDFA GR Committee noted the objectives of the GR Committee. He also reviewed that the GR Committee was initially focused on a potential Road TRIP proposal for 2018 that would include accommodations alongside goods, but due to the recent Federal Budget eliminating FCTIP, the committee decided against pursuing this initiative.
- He expressed the importance of the FDFA developing CBSA/FDFA bi-annual meetings as a measure to proactively manage our files and ensure continuity of our communications with CBSA. He also noted that many times CBSA officials leave the duty free division after we have spent much time educating them on our industry, and this new meeting system will ensure that our industry oversight is done not in a reactive manner but proactive manner.
- We had our first bi-annual meeting on April 26th with Abe, Laurie and himself which was very educational.
- In terms of the lease rate review, there are approx. 10 stores impacted by this review which is being spearheaded by Mr. Charles Chenard. The analysis by CBSA is completed but due to Public Works still completing their portion of CBSA's review, the final results to the individual stores will be communicated this summer. He noted that they received a document which he has provided to everyone on the process by which CBSA conducted this review.
- Tobacco – He noted that the FDFA GR Committee had developed a sub-committee on tobacco being spearheaded by Simon Resch. They realize that a specific industry paper highlighting our key tobacco metrics, and that we are a responsible retailer of tobacco needs to be developed.
- In order to even develop a general industry paper that is current on who we are as an industry both for general advocacy objectives and if a threat to tobacco could directly impacting our industry – we need to have industry statistics and have full cooperation from our members to provide this data i.e. employment numbers, etc.
- Philippe concluded on the importance of inviting key political stakeholders like Maxime Bernier to our convention. He also reiterated the importance of our stores conducting grassroots advocacy in their communities such as this Summer. It is important to know your MP and local community political decision makers so that if duty free is under scrutiny these decision makers understand the importance of your store to your local economy and the industry's importance.

ACTION:
To send a Memorandum of Understanding to all operator members to collect information for the Industry paper. Members will be assured that the FDFA staff have signed confidentiality agreements stating that all information collected will be kept private - no proprietary information will be shared. The goal is to have collected all the requested information before the November 2017 Operator's meeting. A framework of the key stats required will be developed in the summer by the GR Committee – both for general industry information and for tobacco specifically.

11. Convention Committee 2017 Montreal – Lauren Guay

- Lauren Guay, Chair of the Montreal Convention Committee reviewed the committee composition and the dates, details of the upcoming convention in November 2017 at the Westin Hotel.
- She noted that the theme of this year's convention is Joie de Vivre which is translated into Joy of Life. She noted that the theme will adhere to a Quebec oriented theme incorporating Quebec into everything from our food, décor and convention branding.
- She noted that trade floor would be two days as opposed to three days this year and going back to the historical format whereby regions go to the floor on specific days to ensure more buyers frequenting the floor. She provided interesting facts about Montreal and the importance of our members attending and encouraging our suppliers to attend especially since we will be communicating the new convention format at this respective show.
- She noted that they have begun working with Imperial on the gala and working with Estee Lauder to sponsor the makeup at pre-gala, etc. The Committee is set to meet in Montreal on June 21st. As well, the registration will open end of June and the committee is working on the newsletter announcement and discussion with suppliers on sponsorship opportunities to begin.

12. Open Discussions of Issues – ALL

Retail Council of Canada Operator Collaboration:

- Laurie noted that the FDFA provided a member benefit by purchasing a group registration package free of charge for our members, which is valued for the entire RCC post early bird at \$999. The concept was since RCC brings in over 60 of the top global retail speakers and exhibition show for our members to leverage. We want to understand if this initiative is something we should continue doing moving forward i.e. attaching semi-annual to RCC show or as a separate benefit?
- The group spoke about their experiences at the show and it was agreed that the afternoon sessions were more valuable i.e. Doug Stephens show. Ralph Caria noted he thought it was a great value but some sessions were not as impactful.

Supplier Discussions:

- Since the members discussed tobacco at great length during the GR session earlier in the day with specific action items that resulted, the operators discussed national liquor issues.
- In terms of liquor issues, we are aware that the provincial stores work together, but there may be opportunities or challenges within liquor that are impacting national liquor progress. These may not even be related to GR specific but sharing of information and collaboration from a national scale may prove beneficial.

ACTION: Laurie noted the importance of everyone who attended RCC show to complete the online post semi-annual survey to rate their experiences and identify which sessions were valuable. The FDFA will evaluate the overall results to make future decisions surrounding our industry participation.

ACTION: Before the FDFA Convention in November, the FDFA will set up a teleconference with a key appointed representative from each duty free province to discuss any challenges and opportunities as it relates to duty free and liquor.

Adjournment of Meeting

The meeting was adjourned at 4:30pm.

Gerry Lee Adjourned the meeting.