Canadian Tourism Commission | Commission canadienne du tourisme

U.S. and Overseas Travel to Canada

Short-Term Competitive Outlook

First quarter of 2011

Prepared for:
Canadian Tourism Commission

By:
Conference Board of Canada

November 2010

WHAT'S INSIDE

This report provides competitive intelligence on Canada's U.S. and key international markets for the first quarter of 2011 (January to March).

Canada

www.canada.travel

Table of Contents

Introduction

The *Short-Term Competitive Outlook* provides competitive data on Canada's key tourism markets (U.S. and overseas) for the upcoming travel season. The prime objective of this report is to provide some forward-looking indicators that will help the Canadian Tourism Commission (CTC) and its many tourism industry partners plan more effectively for the near term.

This report includes the following information:

Competitive price index: One important aspect of Canada's global competitiveness as a tourism destination is the price of Canadian travel products relative to those of its key international competitors' products. The competitive price index is calculated using prices for airfares, hotels, meals, and other costs incurred by visitors to Canada, compared against prices for competing destinations.

Air capacity to Canada: The ability to get to a destination is an integral part of planning and taking a trip. For this reason, the level of direct air capacity to Canada from key international markets is analyzed, using data from BACK Aviation Solutions, Inc. Air access between Canada and key travel markets is crucial, because growth in travel from specific markets is linked to improvements in air access.

Please note: the air capacity tables list the number of seats available as of early October 2010, but these numbers may change as airlines adjust their schedules.

Air capacity to competitive destinations: A comparison of air services from key international markets to travel destinations competing with Canada for those markets is an important measurement of Canada's relative performance as an international tourism destination. A table for each travel market country illustrates the level and rate of change in direct air service from that country to competing long-haul travel destinations for the upcoming travel season.

Canadian exchange rate index (tourism weighted): This index tracks the movement of the average exchange rate (including and excluding the U.S. dollar) that foreign travellers face when travelling to Canada.

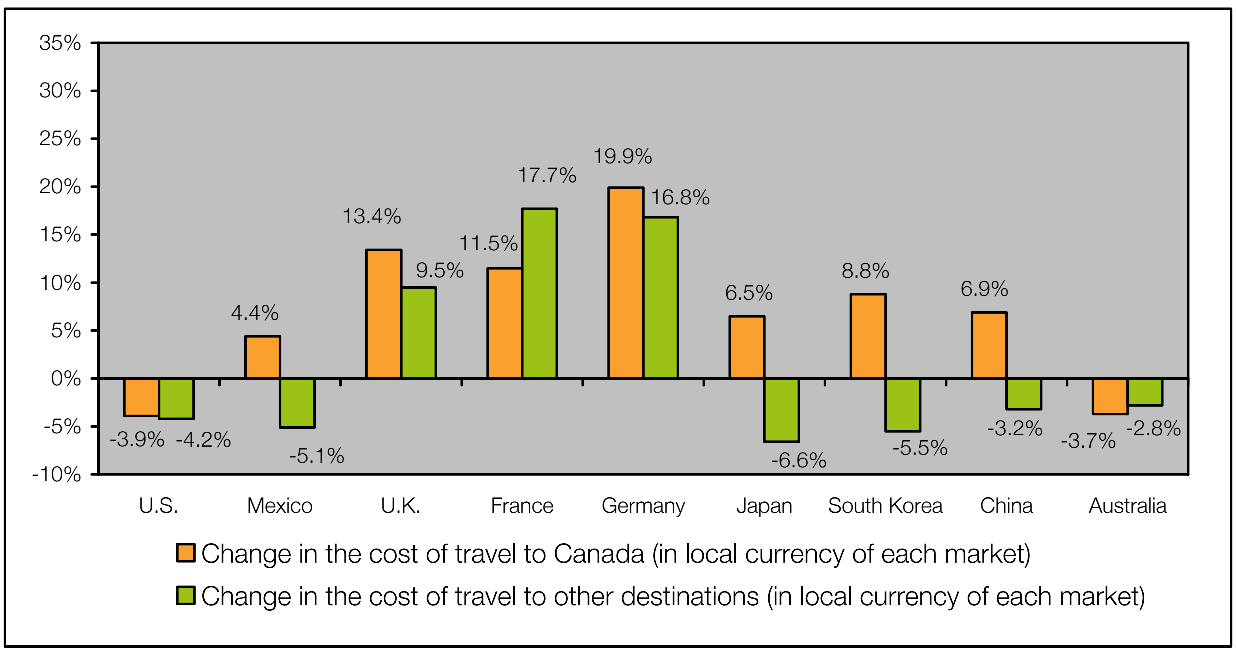
Competitive Price Index—Summary Table

- One important aspect of Canada's global competitiveness as a tourism destination is the price of Canadian travel products relative to those of its key international competitors' products. The competitive price index tracks product pricing trends in key markets and monitors Canada's relative price competitiveness.

- The competitive price index is calculated based on a potential traveller's expected spending on airfares, hotels, meals, and other costs for travel to Canada, compared with the costs for travelling to competing destinations.

- The following summarizes the results of the competitive price index for the first quarter of 2011. The chart represents a snapshot of the year-over-year difference in the average cost of travelling to Canada from each origin market (the first bar) and the difference in the average cost of travelling to key competitive markets from each origin market (the second bar).

Changes in the Cost of Travel to Canada vs. Competitive Markets
(Q1 2011 vs. Q1 2010)



Sources: The Conference Board of Canada; U.S. General Services Administration; World Bank; FareCompare; SideStep.

Canada's price competitiveness is expected to decline for most inbound travel markets during the first quarter of 2011, with the exception of France and Australia, compared with the same quarter of 2010. The decline in price competitiveness is partly the result of lower prices, on a year-over-year basis, for travel to many of Canada's competitive markets. As well, Canada's strong currency does prop up average travel costs from many markets, particularly those in Europe. For details, please see the competitive price index found in each country section of this report.

United States

U.S.-to-Canada Air Capacity

Since the ability to get to a destination is an integral part of planning and taking a trip, the level of air service offered between the United States and Canada was studied using data from BACK Aviation Solutions. Air access is important because growth in travel from specific travel markets is linked to improvements in air access.

It is important to note that the tables list the number of seats available as of early October 2011, but these numbers may change as airlines adjust their schedules.

The number of seats available on non-stop flights from the United States to Canada is scheduled to increase 5.9 per cent in the first quarter of 2011 over the same quarter of 2010.

Seats Available for Direct Travel From the U.S. to Canada (Q1—January to March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
to Canada (overall)	3,917,308	3,917,308	5.9%
B.C.	749,949	749,543	-0.1%
Alberta	581,084	567,705	-2.3%
Saskatchewan	49,352	57,512	16.5%
Manitoba	90,684	82,876	-8.6%
Ontario	1,777,600	1,969,164	10.8%
Quebec	602,725	639,594	6.1%
New Brunswick	5,708	4,794	-16.0%
Nova Scotia	55,706	71,548	28.4%
Newfoundland & Labrador	4,500	4,500	0.0%

Source: BACK Aviation Solutions.

Air Capacity from the U.S. to Competitive Destinations

A comparison of air services from the U.S. travel destinations competing with Canada for the U.S. travel market is an important measurement of Canada's relative performance as a tourism destination. The table below illustrates the level and rate of change in direct air service to domestic destinations within the United States, the main competition for short- and medium-haul U.S. travellers. As noted above, these numbers may change as airlines adjust their schedules.

In the first quarter of 2011, air capacity is expected to grow 3 per cent on non-stop domestic routes within the Unites States, compared with a year earlier.

Seats Available for Domestic Travel within the United States

(Q1—January To March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
U.S. domestic destinations	200,854,652	206,839,619	3.0%

Source: BACK Aviation Solutions.

Competitive Price Index

From the perspective of U.S. travellers to Canada, the potential travel destinations that are most comparable to Canada are U.S. domestic destinations. The U.S. domestic market is Canada's main competitor for weekend getaways and mini-break trips made by U.S. travellers. The competitive price analysis was based on a typical four-night stay in Canada for U.S. travellers priced in U.S. dollars.

Our analysis suggests Canada's price competitiveness will decrease by a marginal 0.2 points in the first quarter of 2011, compared with a year earlier. While the Canadian dollar is likely to increase the cost of hotels, meals and other items for potential U.S. visitors during the first quarter, airfares to Canada are quite a bit cheaper, compared to the same time last year.

Overall, the analysis suggests a four-night stay in Canada for U.S. travellers, including airfare, hotels, meals, and other items, will cost 3.9 per cent less in the first quarter of 2011 than it did a year earlier. Average airfares during the quarter are expected to decrease 17.6 per cent.

Meanwhile, a similar trip within the United States is expected to cost 4.2 per cent less during the first quarter of 2011 than it did a year earlier. In Canada, Ontario/Quebec will be the most price-competitive region for U.S. travellers during this period.

Competitive Price Index—U.S. Travellers To Canada

(Us$, Based on Four-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2011 Index (Canada = 100)	Q1 2010 Index
Canada	$912	$737	$418	$368	$2,435	100.0	100.0
Atlantic Canada	$982	$644	$387	$368	$2,382	97.8	100.4
Ontario/Quebec	$792	$747	$417	$368	$2,324	95.4	95.7
Manitoba/Sask.	$978	$689	$376	$368	$2,412	99.0	104.8
Alberta/B.C.	$1,065	$748	$449	$368	$2,630	108.0	105.1
U.S. (domestic)	$493	$562	$226	$391	$1,672	68.7	68.9

Sources: The Conference Board of Canada; U.S. General Services Administration; World Bank; FareCompare; SideStep.

Mexico

Mexico-to-Canada Air Capacity

In the first quarter of 2011, direct air capacity between Mexico and Canada is scheduled to decline by 18.2 per cent over the previous year. This substantial decrease in scheduled air services will detract from the growth potential of Mexican visits to Canada during the quarter.

Please note: the tables list the number of seats available as of early October 2010, but these numbers may change as airlines adjust their schedules.

Seats Available for Travel From Mexico to Canada (Q1—January to March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
Canada (overall)	387,443	316,847	-18.2%
British Columbia	53,345	73,217	37.3%
Alberta	55,383	66,155	19.5%
Saskatchewan	24,710	12,240	-50.5%
Manitoba	36,630	12,353	-66.3%
Ontario	163,451	98,010	-40.0%
Quebec	49,940	50,768	1.7%
New Brunswick	1,632	1,632	0.0%
Nova Scotia	2,352	2,472	5.1%

Source: BACK Aviation Solutions.

Air Capacity from Mexico to Competitive Destinations

A comparison of air services from Mexico to travel destinations competing with Canada for the Mexican market is an important measurement of Canada's relative performance as an international tourism destination. The table below illustrates the level and rate of change in direct air service to competing long-haul travel destinations for the upcoming travel season.

Seats Available for Travel From Mexico To Other International Destinations

(Q1—January To March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
to the United States	3,316,398	3,272,755	-1.3%
to Italy	9,996	9,072	-9.2%
to Spain	105,069	126,394	20.3%

Source: BACK Aviation Solutions.

Direct air capacity from Mexico to key competitive destinations is expected to decline to the U.S. and Italy and increase to Spain in the first quarter compared with a year earlier. For travel to the U.S., direct capacity to Texas is expected to expand 12.1 per cent while direct air capacity to California declines 22.6 per cent.

Competitive Price Index

For potential Mexican travellers to Canada, the key competitive tourism destinations are the United States, Spain, and Italy. For the Mexican market, the competitive price analysis was based on a typical seven-night stay in Canada, priced in Mexican pesos.

Canada's competitive price index is expected to decrease against all competitive markets during the first quarter of 2011, year-over-year.

Our competitive price analysis suggests the cost of a seven-night stay in Canada during the first quarter, including airfare, hotels, meals, and other items, will increase 4.4 per cent for Mexican travellers, year-over-year. The modest increase in travel prices is, in part, attributed to the slight 2.9 per cent increase in average airfares from Mexico to Canada. Costs in other categories of the index are expected to increase around 4-7 per cent.

Meanwhile, the cost of a similar trip to other competitive destinations during the quarter is expected to decrease 5.1 per cent.

The index suggests that Ontario/Quebec will be the most price-competitive region in Canada for Mexican travellers during the quarter.

Competitive Price Index—Mexican Travellers to Canada

(Mexican Pesos, Based on Seven-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2011 Index (Canada = 100)	Q1 2010 Index
Canada	$7,589	$15,893	$9,012	$7,946	$40,441	100.0	100.0
Atlantic	$10,167	$13,883	$8,351	$7,946	$40,348	99.8	99.4
Ontario/Quebec	$6,591	$16,107	$8,985	$7,946	$39,629	98.0	97.4
Manitoba/Sask.	$11,979	$14,865	$8,103	$7,946	$42,894	106.1	104.5
Alberta/B.C.	$6,930	$16,123	$9,674	$7,946	$40,674	100.6	102.6
U.S.	$6,490	$12,112	$4,877	$8,436	$31,914	78.9	81.9
Spain	$12,638	$17,223	$8,507	$5,632	$44,001	108.8	121.7
Italy	$11,215	$22,730	$10,465	$6,215	$50,624	125.2	144.0

Sources: The Conference Board of Canada; U.S. General Services Administration; World Bank (purchasing power parity); FareCompare; SideStep.

United Kingdom

U.K.-to-Canada Air Capacity

The number of direct seats available from the United Kingdom to Canada is expected to decline 11.6 per cent during the first quarter of 2011 over the previous year. This decline in direct air access is likely to dampen the growth potential of U.K. visits to Canada during this period.

Please note: the tables list the number of seats available as of early October 2010, but these numbers may change as airlines adjust their schedules.

Seats Available for Direct Travel From the U.K. to Canada (Q1—January to March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
Canada (overall)	369,486	326,679	-11.6%
B.C.	59,980	54,666	-8.9%
Alberta	73,580	61,871	-15.9%
Ontario	183,954	157,713	-14.3%
Quebec	41,000	41,035	0.1%
Nova Scotia	10,972	11,394	3.8%

Source: BACK Aviation Solutions.

Air Capacity from the U.K. to Competitive Destinations

A comparison of air services from the United Kingdom to travel destinations competing with Canada for the British travel market is an important measurement of Canada's relative performance as an international tourism destination. Below is a table illustrating changes in air services to competing long-haul travel destinations during the upcoming travel season.

Seats Available for Travel From the U.K. to Other International Destinations

(Q1—January To March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
to the United States	2,156,441	2,372,788	10.0%
to mainland China	78,591	103,123	31.2%
to South Africa	231,814	234,087	1.0%
to Kenya/Nigeria/Ghana	213,224	226,957	6.4%
to Brazil	68,048	77,046	13.2%
to Mexico	44,539	38,172	-14.3%

Source: BACK Aviation Solutions.

With the exception of Mexico, all of the key competitive destinations for the U.K. market are expected to see an increase in direct air access during the first quarter of 2011 compared with a year earlier. The most significant increase in capacity is scheduled for routes to China and Brazil, while a still sizable increase is planned for routes to the United States and key African destinations.

Competitive Price Index

Canada's key competitors for U.K. travellers are the United States, China, South Africa, sub-Saharan Africa (specifically, Kenya, Nigeria, and Ghana), and Latin America (specifically, Brazil and Mexico). For the U.K. market, the competitive price analysis was based on a typical seven-night stay, priced in British pounds.

Canada's competitive price index is expected to deteriorate slightly against all competitive markets during the first quarter of 2011 compared with a year earlier.

The analysis suggests the average cost of a seven-night stay in Canada for U.K. travellers during the quarter, including airfare, hotels, meals, and other items, will increase 13.4 per cent over the previous year. Airfares from the U.K. to Canada are expected to increase by an average of 15.8 per cent during the quarter.

Meanwhile, the average cost of a similar trip to competitive destinations (the United States, China, South Africa, sub-Saharan Africa, Brazil, and Mexico) during the quarter is expected to increase by 9.5 per cent.

In terms of Canadian destinations, the index shows that Atlantic Canada will be the most price-competitive region for U.K. travellers during the first quarter of 2011.

Competitive Price Index—U.K. Travellers to Canada

(British Pounds, Based on Seven-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2011 Index (Canada = 100)	Q1 2010 Index
Canada	£535	£798	£453	£399	£2,185	100.0	100.0
Atlantic	£550	£697	£419	£399	£2,065	94.5	96.4
Ontario/Quebec	£477	£809	£451	£399	£2,136	97.8	95.8
Manitoba/Sask.	£566	£747	£407	£399	£2,119	97.0	99.6
Alberta/B.C.	£618	£810	£486	£399	£2,313	105.8	107.9
United States	£388	£608	£245	£424	£1,664	76.2	81.9
China	£485	£832	£475	£107	£1,899	86.9	91.9
South Africa	£628	£800	£301	£104	£1,833	83.9	84.3
Sub-Saharan Africa (Kenya, Nigeria, Ghana)	£480	£936	£422	£202	£2,041	93.4	96.0
Latin America (Brazil and Mexico)	£614	£711	£304	£222	£1,851	84.7	86.3

Sources: The Conference Board of Canada; U.S. General Services Administration; World Bank (purchasing power parity estimates); FareCompare; SideStep.

France

France-to-Canada Air Capacity

Direct air capacity from France to Canada is expected to grow 3.9 per cent in the first quarter of 2011, year-over-year. This growth in air access could slightly improve the growth potential of French travel to Canada during the quarter.

Please note: the tables list the number of seats available as of early October 2010, but these numbers may change as airlines adjust their schedules.

Seats Available for Direct Travel From France to Canada (Q1—January to March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
Canada (overall)	159,866	166,053	3.9%
B.C.	349	0	-100.0%
Ontario	41,157	43,517	5.7%
Quebec	118,360	122,536	3.5%

Source: BACK Aviation Solutions.

Air Capacity from France to Competitive Destinations

A comparison of air services from France to travel destinations competing with Canada for the French travel market is an important measurement of Canada's relative performance as an international tourism destination. The table below illustrates changes in air services to competing long-haul travel destinations during the upcoming travel season.

Seats Available for Travel From France to Other International Destinations

(Q1—January To March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
to the United States	747,092	878,573	17.6%
to Brazil	152,495	167,106	9.6%
to mainland China	145,605	162,476	11.6%
to Nigeria/Ghana/Senegal	65,021	66,066	1.6%

Source: BACK Aviation Solutions.

All key competitive tourism destinations for the French market are expected to see an increase in direct air access during the first quarter of 2011. The number of direct seats available on routes to the United States, mainland China and Brazil is expected to rise significantly, while a marginal increase is expected for routes to key African destinations.

Competitive Price Index

Canada's key competitors for French long-haul travellers are the United States, China, sub-Saharan Africa (specifically, Nigeria, Ghana, and Senegal), and Brazil. For the French market, the competitive price analysis was based on a typical seven-night stay, priced in euros.

In the first quarter of 2011, Canada's competitive price index is expected to improve against all competitive destinations. The analysis suggests the average cost of a seven-night stay in Canada, including airfare, hotels, meals, and other items, will increase 11.5 per cent for French travellers, year-over-year. During this period, average airfares from France to Canada are expected to decline by 6.6 per cent.

Meanwhile, the average cost of a similar trip to competitive destinations (the United States, China, sub-Saharan Africa, and Brazil) is expected to increase 17.7 per cent during the quarter.

In terms of Canadian destinations, the index suggests that Atlantic Canada will be the most price-competitive region for French travellers during the first quarter of 2011.

Competitive Price Index—French Travellers to Canada

(Euros, Based on Seven-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2011 Index (Canada = 100)	Q1 2010 Index
Canada	€ 579	€ 917	€ 520	€ 458	€ 2,474	100.0	100.0
Atlantic	€ 536	€ 801	€ 482	€ 458	€ 2,277	92.0	95.2
Ontario/Quebec	€ 468	€ 929	€ 518	€ 458	€ 2,373	95.9	95.8
Manitoba/Sask.	€ 830	€ 857	€ 467	€ 458	€ 2,613	105.6	100.9
Alberta/B.C.	€ 695	€ 930	€ 558	€ 458	€ 2,642	106.8	107.9
United States	€ 582	€ 699	€ 281	€ 487	€ 2,049	82.8	82.0
China	€ 647	€ 955	€ 546	€ 123	€ 2,271	91.8	90.9
Sub-Saharan Africa *(Nigeria, Ghana, Senegal)*	€ 656	€ 1,064	€ 452	€ 164	€ 2,336	94.4	91.6
Brazil	€ 999	€ 870	€ 357	€ 91	€ 2,318	93.7	79.9

Sources: The Conference Board of Canada; U.S. General Services Administration; World Bank (purchasing power parity estimates); FareCompare; SideStep.

Germany

Germany-to-Canada Air Capacity

Direct air capacity from Germany to Canada is expected to increase 10.3 per cent in the first quarter from the previous year. The significant growth in direct air access could enhance the growth potential of German travel to Canada during the period.

Please note: the tables list the number of seats available as of early October 2010, but these numbers may change as airlines adjust their schedules.

Seats Available for Direct Travel From Germany to Canada (Q1—January to March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
Canada (overall)	184,194	203,242	10.3%
B.C.	21,597	20,535	-4.9%
Alberta	41,747	33,846	-18.9%
Ontario	96,116	104,178	8.4%
Quebec	24,734	44,683	80.7%

Source: BACK Aviation Solutions.

Air Capacity from Germany to Competitive Destinations

A comparison of air services from Germany to travel destinations competing with Canada for the German travel market is an important measurement of Canada's relative performance as an international tourism destination. The table below illustrates changes in air services to competing long-haul travel destinations during the upcoming travel season.

Seats Available for Travel From Germany to Other International Destinations

(Q1—January to March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
to the United States	1,236,763	1,282,956	3.7%
to South Africa	117,033	129,346	10.5%
to Brazil	83,941	93,119	10.9%
to Mexico	49,044	39,898	-18.6%
to mainland China	222,242	247,927	11.6%

Source: BACK Aviation Solutions.

Direct capacity is expected to increase on all routes during the first quarter of 2011, with the exception of Mexico, compared with a year earlier. The most significant growth is expected to serve mainland China, Brazil and South Africa.

Competitive Price Index

For potential German travellers to Canada, the key competitive destinations are the United States, China, South Africa, and Latin America (specifically, Brazil and Mexico). For this market, the competitive price analysis was based on a typical seven-night stay, priced in euros.

Year-over-year, Canada's competitive price index is expected to decrease against all competitive markets during the first quarter, excluding Latin America. The largest deterioration in price competitiveness is expected against South Africa.

The analysis suggests the average cost of a seven-night stay in Canada, including airfare, hotels, meals, and other items, will increase 19.9 per cent for German visitors during the third quarter. Average airfares from Germany to Canada are expected to increase 24.6 per cent, overall, which includes the new air passenger duty. The strong Canadian dollar will also likely result in accommodation, meals and other costs being significantly more than during the same time period in 2010.

Meanwhile, the average cost of a similar trip to competitive destinations (the United States, China, South Africa, Brazil, and Mexico) during the quarter will increase by 16.8 per cent.

In terms of Canadian destinations, the index suggests Atlantic Canada will be the most price-competitive region for German travellers in the first quarter of 2011. be the most price-competitive region for German travellers in the third quarter of 2010.

Competitive Price Index—German Travellers to Canada

(Euros, Based on Seven-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2011 Index (Canada = 100)	Q1 2010 Index
Canada	€ 614	€ 917	€ 520	€ 458	€ 2,509	100.0	100.0
Atlantic	€ 569	€ 801	€ 482	€ 458	€ 2,310	92.1	96.0
Ontario/Quebec	€ 551	€ 929	€ 518	€ 458	€ 2,457	97.9	98.1
Manitoba/Sask.	€ 820	€ 857	€ 467	€ 458	€ 2,603	103.8	97.7
Alberta/B.C.	€ 665	€ 930	€ 558	€ 458	€ 2,611	104.1	104.9
United States	€ 578	€ 699	€ 281	€ 487	€ 2,044	81.5	85.5
China	€ 631	€ 955	€ 546	€ 123	€ 2,255	89.9	92.7
South Africa	€ 667	€ 919	€ 346	€ 120	€ 2,052	81.8	88.2
Latin America *(Brazil and Mexico)*	€ 883	€ 816	€ 350	€ 255	€ 2,304	91.8	87.8

Sources: The Conference Board of Canada; U.S. General Services Administration; World Bank (purchasing power parity estimates); FareCompare; SideStep.

Japan

Japan-to-Canada Air Capacity

During the first quarter of 2011, direct air capacity from Japan to Canada is expected to decline 17.7 per cent over the previous year, due solely to the 55 per cent reduction in non-stop services to British Columbia provided by Japan Airlines. This reduction in direct capacity is likely to reduce Japanese travel to Canada over the first quarter.

Please note: the tables list the number of seats available as of early October 2010, but these numbers may change as airlines adjust their schedules.

Seats Available for Direct Travel From Japan to Canada (Q1—January to March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
Canada (overall)	95,305	78,422	-17.7%
B.C.	68,292	53,700	-21.4%
Alberta	422	422	0.0%
Ontario	26,591	24,300	-8.6%

Source: BACK Aviation Solutions.

Air Capacity from Japan to Competitive Destinations

A comparison of air services from Japan to travel destinations competing with Canada for the Japanese travel market is an important measurement of Canada's relative performance as an international tourism destination. The table below illustrates the growth or decline of air service to competing long-haul travel destinations for the upcoming travel season.

Seats Available for Travel From Japan to Other International Destinations

(Q1—January to March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
to the United States	1,889,659	1,782,702	-5.7%
to France	178,523	206,587	15.7%
to Germany	175,956	211,558	20.2%
to Italy	100,974	67,221	-33.4%
to Australia	159,655	161,672	1.3%

Source: BACK Aviation Solutions.

There is a mixed outlook for direct air capacity from Japan to key competitive destinations during the first quarter of 2011. Direct air access to the United States and Italy is expected to decrease during the quarter, year-over-year. However, a substantial increase in direct air access is expected for Germany and France during the period.

Competitive Price Index

For potential Japanese travellers to Canada, the key competitive destinations are the United States, France, Germany, Italy, and Australia. The competitive price analysis for the Japanese market was based on a typical 10-night stay, priced in Japanese yen.

Canada's competitive price index is expected to decline against all competitive markets during the first quarter of 2011. The most significant declines are expected against Germany, France and Italy.

Our analysis suggests the average cost of a 10-night stay in Canada during the quarter, including airfare, hotels, meals, and other items, will increase 6.5 per cent for Japanese travellers, year-over-year. Increases are anticipated for all categories of the index, particularly airfares, which are expected to rise by an average of 30.1 per cent.

Meanwhile, the average cost of travelling to key competitive destinations is expected to decrease 6.6 per cent during the quarter, year-over-year.

In terms of Canadian destinations, Atlantic Canada will be the most price-competitive region for Japanese travellers during the quarter.

Competitive Price Index—Japanese Travellers to Canada

(Yen, Based on 10-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2011 Index (Canada = 100)	Q1 2010 Index
Canada	¥86,678	¥150,107	¥85,122	¥75,053	¥396,960	100.0	100.0
Atlantic	¥103,317	¥131,126	¥78,875	¥75,053	¥388,371	97.8	102.1
Ontario/Quebec	¥99,371	¥152,133	¥84,862	¥75,053	¥411,419	103.6	99.7
Manitoba/Sask.	¥98,998	¥140,404	¥76,532	¥75,053	¥390,987	98.5	99.2
Alberta/B.C.	¥75,969	¥152,284	¥91,370	¥75,053	¥394,675	99.4	101.2
U.S.	¥78,962	¥114,393	¥46,068	¥79,674	¥319,097	80.4	87.4
France	¥86,776	¥165,606	¥84,317	¥58,346	¥395,045	99.5	123.1
Germany	¥89,384	¥189,288	¥91,629	¥59,869	¥430,170	108.4	125.2
Italy	¥97,043	¥214,684	¥98,840	¥58,696	¥469,264	118.2	136.1
Australia	¥104,278	¥178,037	¥104,154	¥77,043	¥463,512	116.8	126.5

Sources: The Conference Board of Canada; U.S. General Services Administration; World Bank (purchasing power parity estimates); FareCompare; SideStep.

South Korea

South-Korea-to-Canada Air Capacity

Direct air capacity from South Korea to Canada during the first quarter of 2011 is scheduled to increase by a slight 1.9 per cent over the previous year. Although Air Canada is planning on increasing direct air access to British Columbia by 4.7 per cent, Korean Air is only planning for a more modest increase of 0.5 per cent. Overall, the slight increase of direct air access could restrain the growth potential of Canada's Korean travel market during this period.

Please note: the tables list the number of seats available as of early October 2010, but these numbers may change as airlines adjust their schedules.

Seats Available for Direct Travel From South Korea to Canada (Q1—January to March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
Canada (overall)	65,005	66,247	1.9%
B.C.	38,216	39,157	2.5%
Ontario	26,789	27,090	1.1%

Source: BACK Aviation Solutions.

Air Capacity from South Korea to Competitive Destinations

A comparison of air services from South Korea to travel destinations competing with Canada for the South Korean travel market is an important measurement of Canada's relative performance as an international tourism destination. Below is a table illustrating changes in air services to competing long-haul travel destinations during the upcoming travel season.

Seats Available for Travel From South Korea to Other International Destinations (Q1—January to March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
to the United States	546,634	634,377	16.1%
to Australia	84,760	85,784	1.2%
to France	67,700	71,180	5.1%
to Germany	88,837	87,600	-1.4%
to the United Kingdom	45,756	46,270	1.1%

Source: BACK Aviation Solutions.

Aside from Germany, all other key competitive destinations are expected to see increases in direct air access from South Korea during the first quarter of 2011. In particular, the United States, led by a 90 per cent increase in capacity to Hawaii, is expected to benefit from a 16.1 per cent increase in direct seat capacity over the first quarter.

Competitive Price Index

Canada's key competitors for South Korean long-haul travellers are the United States, the United Kingdom, France, Germany, and Australia. For the Korean market, the competitive price analysis was based on a typical 10-night stay, priced in Korean won.

Compared with last year, Canada's competitive price index is expected to decline against all key competitive markets during the first quarter of 2011.

The analysis suggests the cost of a 10-night stay in Canada for Korean travellers during the quarter, including airfare, hotels, meals, and other items, will increase 8.8 per cent compared with a year earlier. While the cost of accommodation and other items is expected to increase between 3 per cent and 7 per cent, average airfares to Canada are expected to be about 20 per cent more than they were a year earlier.

Meanwhile, the average cost of a similar trip to competitive destinations (the United States, the U.K., France, Germany, and Australia) during the first quarter is expected to decrease 5.5 per cent, year-over-year.

In terms of Canadian destinations, Alberta/B.C. will be the most price-competitive region for Korean travellers during the period.

Competitive Price Index—Korean Travellers to Canada

(Korean Won, Based on 10-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2011 Index (Canada = 100)	Q1 2010 Index
Canada	1,240,090	2,036,055	1,154,601	1,018,028	5,448,774	100.0	100.0
Atlantic	1,420,182	1,778,606	1,069,860	1,018,028	5,286,675	97.0	97.8
Ontario/Quebec	1,346,291	2,063,542	1,151,070	1,018,028	5,578,931	102.4	102.2
Manitoba/Sask.	1,307,452	1,904,447	1,038,082	1,018,028	5,268,008	96.7	96.7
Alberta/B.C.	1,150,011	2,065,585	1,239,342	1,018,028	5,472,966	100.4	100.2
U.S.	1,537,278	1,551,635	624,865	1,080,706	4,794,484	88.0	91.4
France	1,048,835	2,246,284	1,143,688	791,403	5,230,210	96.0	124.7
Germany	1,099,674	2,567,521	1,242,863	812,069	5,722,127	105.0	128.0
U.K.	1,162,670	2,205,175	984,984	801,780	5,154,610	94.6	107.6
Australia	1,053,035	2,414,904	1,412,755	1,045,018	5,925,712	108.8	119.9

Sources: The Conference Board of Canada; U.S. General Services Administration; World Bank (purchasing power parity estimates); FareCompare; SideStep.

China

China-to-Canada Air Capacity

During the first quarter of 2011, direct air capacity from mainland China to Canada is scheduled to expand by 40.2 per cent over the previous year. This substantial growth in direct air access could help bolster the growth potential of Chinese travel to Canada during the period.

Please note: the tables list the number of seats available as of early October 2011, but these numbers may change as airlines adjust their schedules.

Seats Available for Direct Travel From China to Canada (Q1—January to March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
Canada (overall)	247,131	346,499	40.2%
B.C.	155,922	190,447	22.1%
Ontario	91,209	156,052	71.1%

Source: BACK Aviation Solutions.

Air Capacity from China to Competitive Destinations

A comparison of air services from China to travel destinations competing with Canada for the Chinese travel market is an important measurement of Canada's relative performance as an international tourism destination. Below is a table illustrating changes in air services to competing long-haul travel destinations during the upcoming travel season.

Seats Available for Travel From China to Other International Destinations

(Q1—January to March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
to the United States	332,845	410,210	23.2%
to Australia	161,140	212,073	31.6%
to France	147,404	162,098	10.0%
to Germany	222,262	246,939	11.1%
to the U.K.	78,367	102,899	31.3%

Source: BACK Aviation Solutions.

In the first quarter of 2011, growth in direct air access is expected for most key long-haul destinations competing for the Chinese market. Substantial increases are slated for routes to Australia, the U.K. and the United States. In the United States, the strongest growth is planned to Washington, Illinois and New York.

Competitive Price Index

Canada's key competitors for Chinese long-haul travellers are the United States, the United Kingdom, France, Germany, and Australia. For the Chinese market, the competitive price analysis was based on a typical 10-night stay, priced in Chinese yuan.

Compared with a year ago, Canada's competitive price index is expected to decline against all competitive markets during the quarter except Australia.

The analysis suggests the cost of a 10-night stay in Canada will increase 6.9 per cent for Chinese travellers during the first quarter. Average airfares to Canada are expected to increase by 2.6 per cent, while costs for hotels, meals and other items are expected to increase between 5 per cent and 10 per cent.

Meanwhile, the cost of a similar trip to competitive destinations (the United States, the U.K., France, Germany, and Australia) during the quarter is expected to decrease by an average of 3.2 per cent, year-over-year.

In terms of Canadian destinations, Atlantic Canada will be the most price-competitive region for Chinese travellers during the first quarter.

Competitive Price Index—Chinese Travellers to Canada

(Chinese Yuan, Based on 10-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2011 Index (Canada=100)	Q1 2010 Index
Canada	8,439	12,123	6,875	6,062	33,498	100.0	100.0
Atlantic	8,252	10,590	6,370	6,062	31,274	93.4	105.6
Ontario/Quebec	7,743	12,287	6,854	6,062	32,945	98.3	98.9
Manitoba/Sask.	8,515	11,339	6,181	6,062	32,097	95.8	96.3
Alberta/B.C.	8,892	12,299	7,379	6,062	34,632	103.4	101.6
U.S.	7,160	9,239	3,721	6,435	26,554	79.3	84.0
France	4,764	13,375	6,810	4,712	29,661	88.5	108.6
Germany	5,041	15,288	7,400	4,828	32,557	97.2	113.4
U.K.	5,370	13,130	5,865	4,774	29,139	87.0	99.0
Australia	9,363	14,379	8,412	6,232	38,385	114.6	111.1

Sources: The Conference Board of Canada; U.S. General Services Administration; World Bank (purchasing power parity estimates); FareCompare; SideStep.

Australia

Australia-to-Canada Air Capacity

Air capacity for direct (non-stop) flights between Australia and Canada during the first quarter of 2011 is expected to stay the same as it was in the same quarter of 2010. The lack of growth in air capacity may limit the growth potential of Australian travel to Canada during the period.

Please note: the tables list the number of seats available as of early October 2010, but these numbers may change as airlines adjust their schedules.

Seats Available for Travel From Australia to Canada (Q1—January to March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
Canada (overall)	24,300	24,300	0.0%
B.C.	24,300	24,300	0.0%

Source: BACK Aviation Solutions.

Air Capacity from Australia to Competitive Destinations

A comparison of air services from Australia to travel destinations competing with Canada for the Australian travel market is an important measurement of Canada's relative performance as an international tourism destination. The table below illustrates changes in air services to competing long-haul travel destinations during the upcoming travel season.

Seats Available for Travel From Australia to Other International Destinations (Q1—January to March)

Non-stop seats available	2010 (Direct)	2011 est. (Direct)	2011 vs. 2010 Change
to the United States	347,296	371,103	6.9%
to the U.K. (includes one stop)	197,562	222,377	12.6%
to mainland China	160,376	212,073	32.2%
to Hong Kong	399,464	414,271	3.7%
to Japan	159,655	161,443	1.1%
to India (includes one stop)	11,286	11,583	2.6%

Source: BACK Aviation Solutions.

All key competitive markets are expected to see an expansion in direct air services from Australia during the first quarter of 2011. The most significant increases are expected to mainland China and the U.K..

Competitive Price Index

The key competitive destinations for Australian long-haul travellers are the United States, the United Kingdom, Italy, Japan, China, Hong Kong, and India. The competitive price analysis for the Australian market was based on a typical 10-night stay, priced in Australian dollars.

Compared with last year, Canada's competitive price index is expected to improve against most competitive markets during the first quarter of 2011, excluding the U.K and Italy.

Our analysis suggests the cost of a 10-night stay in Canada for Australian travellers during the quarter, including airfare, hotels, meals, and other items, will decrease 3.7 per cent from the previous year.

Meanwhile, the average cost of a similar trip to competitive destinations during the first quarter is expected to decrease 2.8 per cent from last year.

In terms of Canadian destinations, Alberta/B.C. will be the most price-competitive region for Australian travellers during the quarter.

Competitive Price Index—Australian Travellers to Canada

(Australian Dollars, Based on 10-Night Stay)

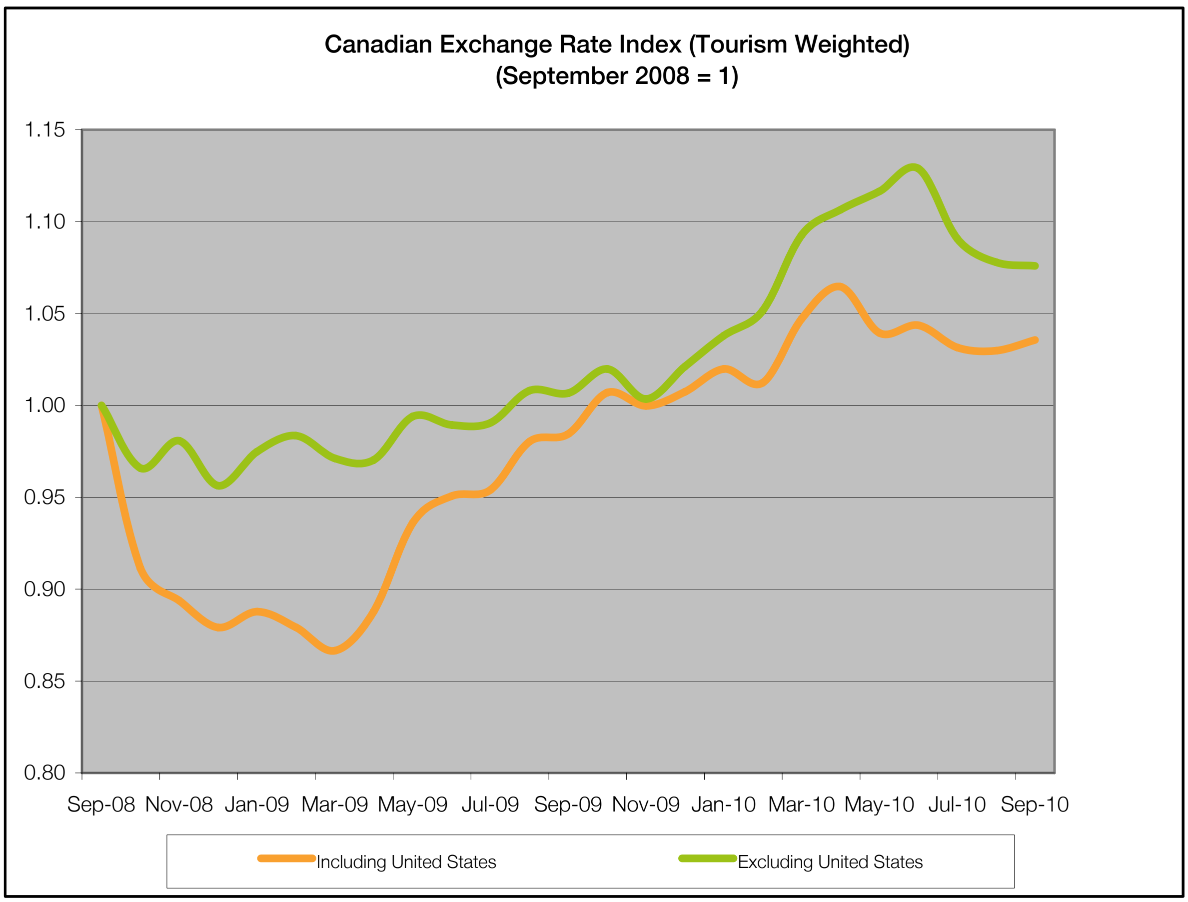
Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2011 Index (Canada=100)	Q1 2010 Index
Canada	$1,850	$1,858	$1,053	$929	$5,690	100.0	100.0
Atlantic	$2,619	$1,623	$976	$929	$6,147	108.0	96.9
Ontario/Quebec	$2,070	$1,883	$1,050	$929	$5,932	104.3	103.6
Manitoba/Sask.	$1,977	$1,738	$947	$929	$5,591	98.3	100.8
Alberta/B.C.	$1,628	$1,885	$1,131	$929	$5,572	97.9	98.8
U.S.	$1,375	$1,416	$570	$986	$4,347	76.4	73.6
U.K.	$1,719	$2,012	$899	$732	$5,362	94.2	96.3
Japan	$1,079	$2,322	$1,238	$1,401	$6,040	106.2	103.0
China	$1,086	$1,936	$1,106	$249	$4,376	76.9	75.1
Hong Kong	$1,078	$3,370	$1,159	$980	$6,587	115.8	115.0
Italy	$1,755	$2,657	$1,223	$726	$6,361	111.8	118.5
India	$1,329	$2,652	$775	$240	$4,996	87.8	84.5

Sources: The Conference Board of Canada; U.S. General Services Administration; World Bank (purchasing power parity estimates); FareCompare; SideStep.

Canadian Exchange Rate Index (Tourism Weighted)

The Canadian exchange rate index illustrates the movement of the average exchange rate (including and excluding the U.S. dollar) that foreign travellers face when travelling to Canada. When the index increases, international travellers face, on average, a less favourable exchange rate. Conversely, when the index decreases, international travellers to Canada face a more favourable exchange rate. The weights used for the exchange rate index are based on annual travel flows from 2008. The base value of the index is calculated using exchange rates from September 2008.

The most recent results of the Canadian exchange rate index suggest that for most of 2010, international travellers to Canada faced less favourable exchange rates than during 2009. Fortunately, since peaking in April, June for overseas travellers, the Canadian exchange rate index has trended downward. The recent downward trend suggests that exchange rates are becoming slightly less unfavourable, on the whole, for international travellers.



Appendix: Construction of the Competitive Price Index

Overview

One important aspect of Canada's global competitiveness as a tourism destination is the price of Canadian travel products relative to other key international competitors' products. As a regular feature of the *Short-Term Competitive Outlook*, the competitive price index serves as a valuable reference for tracking product pricing trends in key markets and monitoring Canada's relative competitiveness on an ongoing basis.

While the first competitive price index established certain pricing benchmarks, this feature now focuses on how Canada's price competitiveness is changing. The competitive price index is calculated based on a potential traveller's expected spending on airfares, hotels, meals, and other costs for travel to Canada, compared with those for competing destinations.

Viewed from the perspective of potential travellers from Canada's key international markets, the competitive price index produces a measure of the absolute and relative rate of change in Canada's price competitiveness against that of its closest competitors. In addition to the national perspective, Canada's price competitiveness is further disaggregated to show the relative position of four distinct regions within Canada: Atlantic Canada, Ontario/Quebec, Manitoba/Saskatchewan, and Alberta/B.C.

Since the launch of the competitive price index, we have made a few refinements to the methodology and data sources used to produce it. Further refinement in the development and presentation of the competitive price index may occur in upcoming issues as we continue to look for new sources and methods that will improve the index.

Methodology

While the theory behind calculating the competitive price index may appear straightforward, the ultimate calculation (and interpretation) of such an index depends on the various assumptions and parameters used in its construction. Although the levels reported by the competitive price index are interesting (and potentially quite subjective), the primary objective in ongoing monitoring is to understand how Canada's competitive price position might be changing compared with various destinations.

The following sections in this appendix indicate some of the important assumptions and data sources used to construct the competitive price index.

Average Length of Stay

The figures used to establish average length of stay for Canada's international travellers were determined by geography. Short-haul travellers (from the United States) were assumed to spend only four nights on average in Canada. Meanwhile, travellers from Europe and Mexico were assumed to spend an average of seven nights in Canada. Long-haul travellers from Asia-Pacific were assumed to spend an average of 10 nights in Canada. For the most part, the average length of stay was close to the average reported in the last full year of international arrivals data from Statistics Canada's International Travel Survey in 2008. For competing destinations, the same average length of stay was assumed to apply.

Table A1: Length of Stay Estimates

International visitor market origin	Average nights spent in Canada (and competing destinations)
U.S.	4
Mexico	7
U.K.	7
France	7
Germany	7
Japan	10
Korea	10
China	10
Australia	10

Canada's Competitive Destinations

The list of destinations deemed to be competing with Canada for travellers from the international markets covered in the *Short-Term Competitive Outlook* was provided by the Canadian Tourism Commission. The following table shows the competitive destinations for each international travel market monitored in the *Short-Term Competitive Outlook*.

Table A2: Canada's Competitive Destinations

International travel market	Competitive destinations (to Canada)
U.S.	Domestic U.S.
Mexico	U.S., Spain, Italy
U.K.	U.S., China, South Africa, sub-Saharan Africa (Kenya, Nigeria, Ghana), Latin America (Brazil, Mexico)
France	U.S., Latin America (Brazil), China, sub-Saharan Africa (Nigeria, Ghana, Senegal)
Germany	U.S., South Africa, Latin America (Brazil, Mexico), China
Japan	U.S., France, Germany, Italy, Australia
Korea	U.S., Australia, Germany, U.K., France
China	U.S., Australia, Germany, France, U.K.
Australia	U.K., U.S., China, Hong Kong, Japan, Italy, India

Cost Components of the Competitive Price Index

The competitive price index comprises the estimated travel costs of airfares, hotels, and meals, as well as other costs that are expected to be incurred by potential visitors to Canada, compared with the costs of other competing destinations. The following table indicates the data used to establish the various cost elements.

Table A3: Competitive Price Index Components

Index component	Data sources/proxy values used
International airfares to Canada and other destinations (excluding airfare from the U.S. to Canada)	Lowest price obtained through web queries using travel search engines FareCompare and SideStep. The period examined was for travel between February 8, 2011 and February 15, 2011—the midpoint of the period under analysis. Various specific destinations within each country were used, and results were weighted based on estimated travel flows. All taxes and charges were included.
Airfare from the U.S. to Canada	The top 10 inbound transborder journeys (for Halifax, Montréal, Toronto, Winnipeg, Calgary, and Vancouver) were probed using FareCompare and SideStep for the lowest prices on travel between February 8, 2011 and February 15, 2011—the midpoint of the period under analysis. Last year's rates for the same segments were taken from the price analysis used to produce the Short-Term Competitive Outlook for the first quarter of 2010. The recent transition in this report to a lowest fare reporting on transborder flights was a departure from our original approach, which used average fares paid (including business and economy flights as well as discount flights). To accommodate the significantly lower costs reported by lowest fare reporting into the competitive price calculation, average airfares were multiplied by 2 (assuming an average travel party size of two adults).
Domestic U.S. average airfares	FareCompare and SideStep were used to probe 20 of the top 25 domestic U.S. journeys for the lowest prices on travel between February 8, 2011 and February 15, 2011—the midpoint of the period under analysis. The 5 domestic journeys excluded from the top 25 were short-haul segments that depend heavily on commuter travel. Last year's rates for the same segments were taken from the price analysis used to produce the Short-Term Competitive Outlook for the first quarter of 2010. The recent transition in this report to a lowest fare average for domestic flights also represented a significant departure from our original approach of reporting average domestic fares. Once again, we multiplied the lowest average airfares by 2 (assuming an average travel party size of two adults).
U.S. hotel rates	The latest monthly published per diem from the U.S. Department of State, Office of Allowances. Since taxes and charges were not included, an additional 12.4% was added (the average rate according to the American Hotel & Lodging Association).
International hotel rates (including Canada)	U.S. Department of Defense. The maximum rates of per diem allowances for hotels outside the United States are established by the Secretary of State and updated every month. All taxes are included.
U.S. meal rates	Monthly published per diems from the U.S. Department of State, Office of Allowances. The amount allocated for incidentals was not used.
International meal rates (including Canada)	U.S. Department of Defense. The maximum rates of per diem allowances for meals outside the United States are provided by the Secretary of State and updated every month. The amount allocated for incidentals was not included.
Other items	This category includes all other travel-related spending at the destination aside from accommodation and meals. Specifically, this includes other intercity public transportation, private transportation, local transportation, retail, recreation and entertainment, and other miscellaneous purchases. For Canada, this figure was calculated to be equal to 50% of the allocated hotel spending at the national level. To estimate the cost in competing destinations, this figure was converted using the relative purchasing power parity (PPP) of the competing market to that of Canada. The PPP estimates were produced by the World Bank (2004).

Overall Construction of the Competitive Price Index

The competitive price index provides an aggregate assessment of the total cost of airfare, hotels, meals, and other costs for visitors to Canada, compared with competing destinations. While the final figure used for airfares in the competitive price index is simply the cost of one round-trip ticket, the cost attributed to hotels, meals, and other items is derived by multiplying daily spending by the travellers' estimated length of stay. After summing up the various cost components, the index is normalized such that Canada (at the national level) equals 100. Index figures representing the price competitiveness of other competing destinations, as well as the various regions within Canada, are calculated by dividing their estimated total cost for visitors by the cost calculated for Canada (at the national level) and multiplying by 100.