Service bulletin

Travel Arrangement Services

2006

Highlights

- Canada's travel arrangement and reservation services industry experienced moderate growth in 2006, according to the latest results of the Annual Travel Arrangement Services Survey.

- This industry comprises the tour operators, travel agencies and reservation services industries. Their combined operating revenues stood at $9.2 billion for 2006, up 4.4% from 2005. Their combined operating profit margins increased to 2.6%, following operating profit margins of 2.0% in 2005 and 2.6% in 2004.

- The tour operator industry continued to dominate the travel arrangement services industry, accounting for four-fifths of total operating revenues.

- Canadian tour operators earned $7.3 billion in operating revenues, up 4.2% over 2005. Operating expenses rose 4.0%. As a result, profit margins for tour operators improved slightly to 1.3%.

- The travel agency industry operating revenues increased to $1.7 billion, up 4.8% from 2005.

- Profit margins for travel agencies reached 7.1% in 2006.

Industry facts and figures

This survey collects detailed characteristics such as client base, revenue by type of service, detailed expenses items, and employment data from retail travel agencies, tour operators, wholesalers, and other miscellaneous service industries in Canada.

The data will help to profile the travel agencies and tour operators industry and measure their contribution to the Canadian economy.
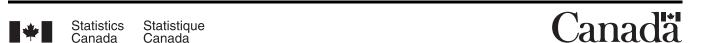

Travel agencies (NAICS 561510)

The travel agencies industry provides a wide range of services to travellers, such as reservation/selling of various transportation fares, providing travel information, acting as agents on behalf of tour operators, booking accommodation and transportation for travellers. In 2006, there were 4,738 establishments[1] in Canada.

Revenue structure

Total operating revenue increased to $1.7 billion in 2006, growing by 4.8% from the previous year. In 2006, the industry's profit margin was 7.1%. The travel agencies' activity, as measured by revenues, is concentrated primarily in central Canada. Ontario and Quebec generated 68% of the industry's total revenue. The provincial distribution has been relatively stable over the last several years.

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1. Establishment could account for more than one location.

Revenue sources

In 2006, travel agencies continued to rely heavily on commissions charged from suppliers. One-third (33%) of industry revenue came from selling and reserving transportation fares, the largest component of total industry revenue. Commissions obtained for selling tour packages (28%) followed in relative importance.

Operating Expenses

Nationally, the outlay for salaries and wages was the largest single operating expense for surveyed travel agencies. In 2006, wages, salaries and benefits accounted for 57% of their total operating costs; this was followed by rent and/or lease of premises, advertising at 8%.

Top 20 companies

The travel agencies industry is characterized by small operations. Business integration through mergers and acquisitions has had a relatively small effect on the concentration of the industry. In 2006, the top 20 firms accounted for 33% of total revenue generated by the industry.

Client base

Travel agencies drew about 56% of revenue from selling travel services and products to individuals or households for leisure purposes. Sales to business travellers accounted for 42%.

Tour Operators (NAICS 561520)

Tour operators are companies that buy a range of tourist products in bulk and package them for sale to travel agents or directly to individuals. These companies include wholesalers, receptive operators, receptive agents, motorcoach companies, tour wholesalers, inbound operators, outbound operators, and other transportation companies. The industry uses technology (such as reservation systems) extensively in their operation. In 2006, there were 1,152 establishments in the tour operators industry.

Revenue structure

Tour operators earned $7.3 billion in operating revenues in 2006, a 4.2% increase over the previous year. The industry is concentrated in three provinces: Ontario, Quebec and British Columbia. Together these provinces generated 94% of total revenue. As with the travel agencies industry, the provincial distribution has been relatively stable over the past five years. The industry's profit margin was 1.3% in 2006.

Revenue sources

The largest revenue source of the tour operating industry came from sales of tour packages, either directly to clients or to travel retailers (62%). Transportation fares ranked as the second most important (26%).

Operating Expenses

The direct costs (i.e. costs of tour package components) accounted for 83% of surveyed tour operators' expenses. The primary components of a tour package include transportation, accommodation, attractions and guide services. In 2006, commissions paid to travel agents represented 6% of total operating costs (including costs of tour package components). Wages, salaries and benefits accounted for 6% of total operating expenses.

Top 20 Operators

Unlike the travel agencies industry, the revenues of the largest tour operators companies provide further insight on the concentration of the industry. The tour operating industry is highly integrated, with the top 20 companies accounting for 75% of the industry's total revenue in 2006. This type of concentration is reflected across many industries and is seen as a way of adapting to the growing globalization of markets.

Client base

About 83% of revenue for tour operators came from sales to leisure travellers. In comparison, 8% of tour operator's revenue was made from foreign clients in 2006.

Statistical tables

Table 1
Summary statistics for travel arrangement services, 2004 to 2006

	Operating revenue	Operating expenses	Salaries, wages and benefits	Operating profit margin	Statistical establishments
	millions of dollars			percent	number
Travel agencies					
2006	1,668.7	1,551.0	844.2	7.1	4,738
2005	1,592.3	1,509.0	844.1	5.2	4,785
2004	1,501.1	1,414.7	771.1	5.8	4,997
Tour operators					
2006	7,266.6	7,172.5	396.6	1.3	1,152
2005	6,971.7	6,894.2	346.6	1.1	1,238
2004	6,288.0	6,188.6	309.1	1.6	1,238
Reservation services					
2006	279.0	257.1	98.4	7.8	332
2005	264.7	243.8	93.4	7.9	338
2004	240.7	221.7	84.9	7.9	306
Travel arrangement services					
2006	**9,214.3**	**8,980.6**	**1,339.2**	**2.6**	**6,222**
2005	**8,828.7**	**8,647.0**	**1,284.1**	**2.0**	**6,361**
2004	**8,029.8**	**7,825.0**	**1,165.1**	**2.6**	**6,541**

Note(s): According to the North American Industry Classification System (NAICS 561510, 561520 and 561590). See "Data sources, definitions and methodology" at the end of tables for definition of terms. Due to rounding, components may not add to total. The smallest firms, in terms of revenues earned, are not included in the estimates. These firms account for a relatively small portion of total industry revenues.

Table 2
Distribution of revenue by destination for travel arrangement services, 2004 to 2006

	Canadian destinations	US destinations	Foreign destinations (non-US)
	percent		
Travel agencies			
2006	22.0	21.9	56.1
2005	24.3	22.8	52.9
2004	26.3	24.6	49.2
Tour operators			
2006	10.3	11.6	77.9
2005	10.3	11.4	78.2
2004	8.0	11.2	80.8
Travel arrangement services			
2006	**12.2**	**13.3**	**74.5**
2005	**12.4**	**13.1**	**74.4**
2004	**10.7**	**13.2**	**76.0**

Note(s): According to the North American Industry Classification System (NAICS 561510 and 561520). See "Data sources, definitions and methodology" at the end of tables for definition of terms. Due to rounding, components may not add to total. The smallest firms, in terms of revenues earned, are not included in the estimates. These firms account for a relatively small portion of total industry revenues.

Table 3
Distribution of revenue by client base, for travel arrangement services, 2004 to 2006

	Individuals or households	Business or government	Foreign clients
	percent		
Travel agencies			
2006	55.9	42.2	1.8
2005	61.4	34.8	3.8
2004	58.7	38.8	2.5
Tour operators			
2006	82.6	9.6	7.7
2005	83.3	9.1	7.6
2004	82.5	10.8	6.6
Travel arrangement services			
2006	**78.3**	**14.6**	**7.0**
2005	**79.9**	**13.1**	**7.0**
2004	**78.9**	**15.1**	**6.0**

Note(s): According to the North American Industry Classification System (NAICS 561510 and 561520). See "Data sources, definitions and methodology" at the end of tables for definition of terms. Due to rounding, components may not add to total. The smallest firms, in terms of revenues earned, are not included in the estimates. These firms account for a relatively small portion of total industry revenues.

Table 4
Distribution of revenue by source for travel arrangement services, 2004 to 2006

	Transportation fares	Tour packages	Cruise packages	Accommodation	Vehicle rentals	Insurance products	Service fees	Other sources
	percent							
Travel agencies								
2006	32.6	27.6	8.1	5.1	1.4	5.8	15.4	4.0
2005	35.3	27.4	9.1	3.8	1.2	6.6	12.7	3.8
2004	41.8	25.4	6.9	4.1	2.3	5.3	10.6	3.6
Tour operators								
2006	25.9	61.8	3.4	5.9	0.9	0.3	0.4	1.3
2005	28.0	61.0	3.9	4.1	1.3	0.5	0.2	1.0
2004	27.6	62.3	2.4	4.9	1.6	0.5	0.4	0.2
Travel arrangement services								
2006	**27.0**	**56.0**	**4.1**	**5.7**	**1.0**	**1.2**	**2.8**	**2.0**
2005	**29.2**	**55.8**	**4.7**	**4.0**	**1.3**	**1.5**	**2.2**	**1.4**
2004	**29.8**	**56.7**	**3.1**	**4.8**	**1.7**	**1.2**	**2.0**	**0.8**

Note(s): According to the North American Industry Classification System (NAICS 561510 and 561520). See "Data sources, definitions and methodology" at the end of tables for definition of terms. Due to rounding, components may not add to total. The smallest firms, in terms of revenues earned, are not included in the estimates. These firms account for a relatively small portion of total industry revenues.

Data sources, definitions and methodology

The following information is to ensure a clear understanding of the basic concepts that are being measured, the underlying survey methodology (how the concepts are measured), and key aspects of data quality. This information will provide a better understanding of the strengths and limitations of the data, and of how they can be effectively analysed and used. The information may be of particular importance when making comparisons with data from other surveys or sources of information, and in drawing conclusions regarding changes over time.

Description

This annual sample survey collects the financial and operating data needed to produce statistics on Travel Arrangement Services in Canada. The survey also collects detailed information on the characteristics of the businesses, such as type of revenue and type of client. These data are aggregated with information from other sources to produce official estimates of the national and provincial economic production of the Travel Arrangement Services industry in Canada. The results from this survey provide data to businesses, governments, investors, and associations. These data allow these groups to monitor the growth of the industry, measure performance, allow comparison across similar businesses and to better understand this industry to react to trends and patterns.

Target population

The target population consists of all establishments classified to Travel Arrangement Services industry (NAICS 5615) according to the North American Industry Classification System (NAICS) during the reference year. This industry comprises establishments primarily engaged in Travel Arrangement and Reservation Services.

Sampling

This is a sample survey with a cross-sectional design.

The frame is the list of establishments from which the portion eligible for sampling is determined and the sample is taken. The frame provides basic information about each firm including address, industry classification, and information from administrative data sources. The frame is maintained by Statistics Canada's Business Register and is updated using administrative data.

The basic objective of the survey is to produce estimates for the whole industry - incorporated and unincorporated businesses. The data come from two different sources: a sample of all businesses with revenue above or equal to a certain threshold (note: the threshold varies between surveys and sometimes between industries and provinces in the same survey) for which either survey or administrative data may be used; and administrative data only for businesses with revenue below the specified threshold. It should be noted that only financial information is available from businesses below the threshold; e.g., revenue, and expenses such as depreciation and salaries, wages and benefits. Detailed characteristics are collected only for surveyed establishments.

Prior to the selection of a random sample, establishments are classified into homogeneous groups (i.e., groups with the same NAICS codes and same geography). Quality requirements are targeted, and then each group is divided into sub-groups called strata: take-all, must-take, and take-some.

The take-all stratum represents the largest firms in terms of performance (based on revenue) in an industry. The must-take stratum is comprised of units selected based on complex structural characteristics (multi-establishment, multi-legal, multi-NAICS, or multi-province enterprises). All take-all and must-take firms are selected to the sample. Units in the take-some strata are subject to simple random sampling.

The effective sample size for reference year 2006 was 592 collection entities.

Definitions

• **Operating revenue** excludes investment income, capital gains, extraordinary gains and other non-recurring items.

• **Operating expenses** exclude write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items.

• **Operating profit margin** is derived as follows: operating revenue minus operating expenses, expressed as a percentage of operating revenue. The derived figure excludes corporation income tax paid by incorporated businesses and individual income tax paid by unincorporated businesses. For unincorporated businesses, operating profit margin includes unpaid remuneration to partners and proprietors, which is not recorded as salaries, wages and benefits. Therefore the profit estimate will be higher in industries where unincorporated proprietorships and partnerships are significant contributors.

• **Salaries, wages and benefits** include vacation pay and commissions for all employees for whom a T4 slip was completed. This category also includes the employer portion of employee benefits for items such as Canada/Quebec Pension Plan or Employment Insurance premiums. Salaries and wages do not include working owners' dividends nor do they include the remuneration of owners of unincorporated business. Therefore the relative level of salaries, wages and benefits will be lower in industries where unincorporated businesses are significant contributors.

• An active **statistical establishment** is one production entity or the smallest grouping of production entities which produces as homogeneous a set of goods and/or services as possible; which does not cross provincial boundaries; and for which records provide data on the value of output together with the cost of principal intermediate inputs used and cost and quantity of labour resources used to produce the output.

Data quality

While considerable effort is made to ensure high standards throughout all stages of collection and processing, the resulting estimates are inevitably subject to a certain degree of error. These errors can be broken down into two major types: non-sampling and sampling.

Non-sampling error is not related to sampling and may occur for many reasons. For example, non-response is an important source of non-sampling error. Population coverage, differences in the interpretation of questions, incorrect information from respondents, and mistakes in recording, coding and processing data are other examples of non-sampling errors.

Sampling error occurs because population estimates are derived from a sample of the population rather than the entire population. Sampling error depends on factors such as sample size, sampling design, and the method of estimation. An important property of probability sampling is that sampling error can be computed from the sample itself by using a statistical measure called the coefficient of variation (CV). The assumption is that over repeated surveys, the relative difference between a sample estimate and the estimate that would have been obtained from an enumeration of all units in the universe would be less than twice the CV, 95 times out of 100. The range of acceptable data values yielded by a sample is called a confidence interval. Confidence intervals can be constructed around the estimate using the CV. First, we calculate the standard error by multiplying the sample estimate by the CV. The sample estimate plus or minus twice the standard error is then referred to as a 95% confidence interval.

For this survey, the CVs are excellent (less than 5%) for operating revenue and operating expenses and wages, salaries and benefits of employees variables.

Quality evaluation

Prior to dissemination, combined survey results are analyzed for overall quality; in general, this includes a detailed review of individual responses (especially for the largest companies), an assessment of the general economic conditions portrayed by the data, historic trends, and comparisons with other data sources.

Disclosure control

Statistics Canada is prohibited by law from releasing any data which would divulge information obtained under the Statistics Act that relates to any identifiable person, business or organization without the prior knowledge or the consent in writing of that person, business or organization. Various confidentiality rules are applied to all data that are released or published to prevent the publication or disclosure of any information deemed confidential. If necessary, data are suppressed to prevent direct or residual disclosure of identifiable data.

Data accuracy

Of the units contributing to the estimate, the weighted response rate was 74.7%. CVs were calculated for each estimate and are available upon request.

Related products

CANSIM

Available on CANSIM: table 351-0003 - Summary statistics for travel arrangement and reservation services (all establishments), by North American Industry Classification System (NAICS), annual (15 series)

Survey(s)

Definitions, data sources and methods: survey number 2423 - Annual Survey of Service Industries: Travel Arrangement Services

Publications

Service Industries Newsletter, Catalogue no. 63-018-X.

Analytical paper series - Service Industries Division, Catalogue no. 63F0002X.

Release date: November 2008

Symbols

The following standard symbols are used in Statistics Canada publications:

.	not available for any reference period
..	not available for a specific reference period
...	not applicable
0	true zero or a value rounded to zero
0s	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
p	preliminary
r	revised
x	suppressed to meet the confidentiality requirements of the *Statistics Act*
E	use with caution
F	too unreliable to be published

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