



Currency Gains Boost Global Outbound Travel

Issue 42: November 2007

The Tourism Intelligence Bulletin monitors the tourism industry around the world. This issue features tourism intelligence gathered in September and October 2007.

Bulletin Highlights

Tourism Overview: Canada & the United States

- **High Canadian dollar fuels outbound travel trends:** The high value of the Canadian dollar is fuelling outbound travel demand, according to the latest Travel Intentions Survey by The Conference Board of Canada. The strength of the loonie has boosted the appeal and affordability of this winter's sun destination packages, many of which were purchased by Canadian tour operators in U.S. dollars. In addition, the recent spike in passport possession among Canadians, driven by the changes to U.S. passport regulations, makes international travel even more accessible. (See page 4.)

Moreover, the rise in the value of the Canadian dollar has reduced the price competitiveness of domestic travel. The recent rise in gas prices may also curtail domestic auto travel during the late fall and early winter. Still, the Tourism Leading Indicator index suggests the domestic market will expand modestly over the near term. (See "Domestic Travel," page 14.)

However, Canada is not the only market experiencing a boom in outbound travel right now. Other currencies are also gaining strength, driving outbound travel growth in those markets. British, European, and Australian travellers, to name a few, are all taking advantage of the higher value of their currencies to travel to other parts of the world.

- **Growth in hotel rates and revenues is slowing:** Domestic travel demand continues to support growth in room rates and occupancy in Canada, but the rate of increase has slowed considerably from the brisk pace set earlier in the year. Average daily rates in Canada rose 1.7 per cent in August 2007, year-over-year, while occupancy edged up only 0.4 percentage points. As a result, revenues per available room rose 2.2 per cent over the previous year. (See page 9.)
- **Canadian airlines report robust domestic air travel demand:** Air Canada and WestJet reported solid growth in domestic passenger traffic for September 2007. Robust demand is allowing the airlines to retain their pricing power, keeping airfares steady. (See page 7.)

Contents

Bulletin Highlights.....	1
Tourism Overview: Canada & U.S.....	4
Tourism Overview: International	10
Tourism Leading Indicator Index	14



- **U.S. vacation intentions still soft:** The latest Consumer Confidence Survey report by the U.S. Conference Board, Inc. suggests that although U.S. travel intentions improved slightly in the last two months, they remain soft overall. The Conference Board's monthly consumer confidence index declined again in October 2007 for the third consecutive month. (See page 5.)
- **American travellers flocking to social media websites:** Two-thirds of U.S. leisure travellers are using social media, according to a recent report. The report suggests that the influence of social media on travel marketing cannot be overestimated, and that travel marketers should be plugged into the latest ways their customers are gathering and exchanging information. (See page 5.)
- **Solid growth expected for Canadian business travel next year:** Canadian business travel volumes and spending will continue to grow next year, rising by 4.2 per cent and 4.5 per cent, respectively, according to a recent survey. Supplier rates are also expected to increase, leading to tougher supplier negotiations. Although audio and video communication tools continue to be used to reduce travel expenses, the survey confirmed that organizations still recognize the critical role of face-to-face meetings in conducting their business. (See page 6.)

Tourism Overview: International

- **U.K. overseas travel at a record high:** Recent research reveals that the high value of the U.K. pound, the availability of low-cost flights, and a growing range of holiday options are fuelling British outbound travel demand. U.K. travel abroad reached a record high in the year leading up to August 2007. Europe remains the most popular outbound destination, although Brits are increasingly interested in seeing other parts of the world. (See page 11.)
- **TUI reports a turnaround in the French market and strong demand in Germany:** In its latest trading statement, TUI reported that its French bookings recovered significantly this past summer from their difficult summer the year before. Although bookings for winter 2007-2008 are behind (-6%), sales are ahead by 4 per cent. Unfortunately, a strike by Air France cabin crew in late October severely disrupted air travel for thousands of travellers attempting to take advantage of half-term school holidays. (See page 11.)

TUI's summer bookings in Germany this year jumped by 10 per cent, boosting sales by 6 per cent over 2006. TUI said consumer demand for summer travel was strong, although too much capacity in the market had weakened selling prices. For the upcoming winter season, TUI reported that its advance bookings and sales in Germany were each 9 per cent ahead of what they were the same time last year. (See page 11.)

Similarly, the German air industry is also reporting strong travel demand. Frankfurt Airport has upgraded its passenger forecast for the full year of 2007, and Lufthansa announced plans for significant capacity expansions over the winter travel season. (See page 11).
- **Traditional travel agencies still dominant in Asia:** The complexities and challenges of the Asian travel market will keep traditional travel agents as the region's main distribution channel over the long term, according to a recent presentation by Abacus International. About 80 per cent of travel bookings in Asia are made through travel agents. Nevertheless, as in other regions of the world, Asian travel agencies will have to focus on segments with the best prospects for profits and growth as Asian travellers increasingly turn to the Internet to book travel. Some emerging niche markets in the regions include medical tourism, "grey travel," and the SMERF market. (See page 12.)

- **Japanese and Korean women increasingly adventurous:** Young women from Japan and Korea are among the most adventurous and independent travellers in Asia, striking out on their own much more frequently than men, according to Contiki Holidays, a world leader in tours for travellers aged 18 to 35. Contiki has experienced an increase in female solo travellers for several years, and attributes the trend to a growing adventurousness among Asian women. (See page 13.)
- **Chinese travellers increasingly looking online for travel information:** The majority of Chinese leisure travellers go to destination websites and browse online travel discussion forums for information about potential travel destinations, according to recent research. Travel operators and tourism promotion offices are advised to have an effective online presence in China to capitalize on the potential offered by the Chinese outbound travel market. (See page 13.)
- **Strong Australian dollar spurring outbound travel:** The Australian dollar has risen in value by 14 per cent against the U.S. dollar since January, fuelling outbound travel demand. Many tourism destinations are becoming less expensive and are thus benefiting from this trend. (See page 13.)

Tourism Leading Indicator Index - Summary Table

The Tourism Leading Indicator Index provides insights into the near-term outlook for the tourism industry, by tracking the progress of the economic and non-economic factors that affect travel demand from Canada's key tourism markets, including the domestic market.

The rating for each component of the index indicates how that component is expected to affect travel from the source market over the near term. The overall rating indicates the expected performance of the source market in the near term, relative to the same time period in the previous year.

Travel Market	Economic Factors		Non-Economic Factors		Overall Tourism Leading Indicator
	General Economic Trends	Price Competitiveness	Traveller Trends (to/within Canada)	Supplier Trends (to/within Canada)	For travel to / within Canada
Domestic	↑	↓	↑	↑	+
U.S.	↔	↓	↔	↓	-
U.K.	↔	↑	↔	↑	+
France	↔	↓	↑	↑	+
Germany	↔	↓	↔	↑	0
Mexico	↑	↓	↑↑	↔	++
Japan	↔	↓	↓↓	↓↓	--
South Korea	↑	↓	↑	↔	+
China	↑↑↑	↑	↑↑	↑↑	++
Australia	↑↑	↑	↑↑	↑	++

Ratings Key:**Economic Factors and Non-Economic Factors:**

Range from **↑↑↑** (significantly adds to demand) to **↓↓↓** (significantly impedes demand).

↔ represents neutral effect on demand.

Overall Tourism Leading Indicator:

Ranges from **+++** (significantly improving) to **---** (significantly deteriorating). **0** represents no change.

Full details about the index for each market begin on page 15. For more information about the methodology used to construct the index, please refer to the Appendix of this report.

Tourism Overview - Canada and the United States

Leisure travellers

The high value of the Canadian dollar is fuelling outbound travel intentions for Canadians this winter, according to the latest Travel Intentions Survey by The Conference Board of Canada. While overall winter vacation intentions registered a modest year-over-year increase in the October 2007 survey, plans for international trips jumped 3.4 percentage points to 17.4 per cent of all Canadians polled. This jump appears to have come at the expense of domestic trip plans, which fell to 15 per cent in this year's survey, down from 20 per cent in 2006.

The strength of the Canadian dollar has enhanced the appeal and affordability of packages to sun destinations this winter, many of which were purchased by Canadian tour operators in U.S. dollars. Some tour operators have already started discounting warm-weather getaways to account for the strength of the Canadian dollar. In addition, the large increase in passport possession rates among Canadians this year, driven by the new passport rules associated with the Western Hemisphere Travel Initiative, makes international travel accessible to more Canadians than ever before.

Table 1: Winter (November-April) Vacation Intentions
(Per cent of Canadians surveyed)

	October 2006	October 2007
Winter Vacation Intentions (All Destinations)	46.7	47.5
Canada	20.0	15.3
United States	12.2	12.9
Other international	14.0	17.4
Do not know/refused	0.5	1.9

Source: The Conference Board of Canada.

Canadians and Americans flocking to social media websites: Canadians are participating in social media websites in droves, according to a recent study by Ipsos Reid. It revealed that 37 per cent of Canadians with Internet access have visited an online social network, such as MySpace or Facebook, and 29 per cent of online Canadians have created a profile for themselves on at least one of these types of websites. Ipsos Reid described these results as staggering, considering that these types of websites did not even exist four years ago.

Not surprisingly, younger Canadians are much more likely to participate in social media: 63 per cent of Canadians aged 18 to 34 have visited an online social network, and more than half (55%) have placed a personal profile on one. Yet nearly a third (29%) of Canadians aged 35 to 54 have visited an online social network, and one-fifth of those aged 55 and older have also done so.

In the United States, two-thirds of U.S. leisure travellers are using social media, according to *The Travel Marketer's Guide to Social Media and Social Networking* by the Travel Industry Association of America (TIA) and Hospitality Sales & Marketing Association International. The report suggests the magnitude of the influence of social media on travel marketing cannot be overestimated. As part of the report's release, TIA stated "savvy consumers are engaged with the Internet's social media tools and social network sites in ever increasing numbers. Travel marketers should be plugged into the latest ways their customers are gathering and exchanging information."

American credit card spending in Canada declines dramatically: Credit card spending by U.S. visitors in Canada declined precipitously this past summer, according to transaction figures from Moneris Solutions Corporation reported by the Canadian Press. In July and August, year-over-year declines were registered in every major Canadian city in nearly every sector of the tourism industry. For example, U.S. visitor spending on hotel reservations and general business travel in Canada was down by 13 per cent from 2006. Americans spent 14 per cent less at Canadian public golf courses and 8 per cent less in Canadian restaurants. Moneris attributed the decrease in U.S. visits and expenditures to the negative effects of the slowing U.S. economy, the less favourable exchange rate, and heightened security at the Canada-U.S. border.

U.S. vacation intentions still soft: U.S. travel intentions have improved somewhat in the last two months, although they remain slightly lower than they were a year ago, according to the latest Consumer Confidence Survey report by The Conference Board, Inc. in the United States. Preliminary results showed that in October 2007, 45.5 per cent of U.S. consumers polled said they planned to take a vacation within the next six months, up from 41.7 per cent in the August 2007 poll. Results are adjusted to account for seasonal fluctuations in travel demand.

However, the monthly U.S. consumer confidence index declined again in October, for the third consecutive month. The index fell 3.9 points in October to 95.6 (1985 = 100) and now hovers at a two-year low. The Conference Board reported that business conditions continue to weaken, further eroding consumers' assessment of present-day conditions. Consumers also appear to be growing more pessimistic about the short-term outlook for the U.S. economy.

U.S. domestic leisure travel forecast to keep growing through 2008: Despite the soft vacation intentions, demand for leisure travel continues to grow in the United States, according to the latest forecast by the TIA. Growth in U.S. domestic leisure travel is expected to reach 2.5 per cent in 2007, year-over-year, and advance a further 2 per cent in 2008. The TIA noted that spa getaways, the gaming industry, the cruise industry, and sports tourism are leisure travel sectors that are registering strong demand right now. National park visits and historical tourism, on the other hand, are not doing as well. Although Americans were interested in visiting familiar places after the terrorist attacks of September 11, 2001, U.S. travellers are now looking for new destinations.

U.S. passport wait times back to normal: In late September, the U.S. State Department announced that wait times for passport applications were back to normal (six to eight weeks) and that the massive backlog in passport processing had been cleared. The State Department said it was on track to process close to 17 million passports in the budget year ending September 30, 2007, up from 12 million the previous year.

Americans reluctant to pay higher prices for "green" travel products: Many U.S. consumers would select an airline, hotel, or car rental company with environmentally friendly practices; however, few would be willing to pay higher rates or fares for these services, according to the latest travel horizons survey by the TIA and Ypartnership. Half of the Americans polled (50%) said they would be influenced to choose an airline if it implemented environmental practices such as carbon emission offset programs, and 56 per cent would choose a car rental company that offered more fuel efficient or hybrid cars. Another 54 per cent said they would choose a hotel that practises environmental responsibility.

Yet only 13 per cent confirmed they would be willing to pay higher rates to use these suppliers, while many (56%) said they *might* be willing to pay more. According to the TIA, this suggests environmentally friendly practices may attract additional patronage, but not at a significantly higher price.

Business travellers

Solid growth expected for Canadian business travel next year: Canadian business travel volumes and spending will grow solidly next year, according to the *2008 Canadian Business Travel Outlook* by the Association of Corporate Travel Executives and The Conference Board of Canada. Canadian organizations are expected to increase their business travel by an average of 4.2 per cent, year-over-year, fuelling a 4.5 per cent expansion in corporate travel spending. The top three reasons for higher travel spending were a greater number of international trips to destinations other than the United States, rising travel prices, and growth in domestic travel, respectively.

Canadian corporate travel managers will also face an increase in supplier rates in 2008, leading to tougher supplier negotiations. The majority of survey respondents expect to pay higher prices for airfares and hotel rooms, although fewer anticipated higher car rental rates. Respondents expected corporate airfares for domestic and transborder airfares to edge up by an average of 1.2 per cent over 2007, while international airfares grow by 1.6 per cent. Domestic hotel room rates are expected to increase 2.5 per cent, on average, while corporate car rental rates rise only minimally (0.6%).

They study also revealed that many Canadian organizations continue to implement audio and video communication tools as a method of reducing their travel expenses. The majority of those polled intended to either increase (38.9%) or maintain (27.8%) their use of audio/video conferencing tools next year, compared with 2007. The top reason for increasing the use of A/V conferencing tools was to reduce travel costs; other reasons included the availability of better technology and quality of life issues. However, many of those who did not anticipate an increase in usage described these tools as an ineffective method of communication for their business. Although further advances in technology may allow these tools to gain further traction as a travel alternative, the study confirms that Canadian organizations still recognize the critical role of face-to-face meetings in conducting their business.

U.S. business travel spending also poised to rise: U.S. business travel spending is also on the rise, according to the latest forecast by the National Business Travel Association. Most of the association members polled (73%) said they expected their travel spending to increase by 5 to 10 per cent in 2008, year-over-year, driven by a 6 to 8 per cent increase in overall U.S. travel costs. Airfares are expected to rise 6 to 10 per cent, hotel rates by 5 to 7 per cent, and car rental rates by 1 to 5 per cent over 2007. Meal costs for corporate travel and entertainment next year are projected to rise even higher (7% to 9%).

Few respondents said they planned to reduce their non-essential travel (8%) next year to rein in travel costs, although the number who plan to restrict business class travel jumped to 16 per cent, up from 7 per cent in last year's survey. More than a third (36%) of those who have implemented an online booking tool said they planned to tighten company policies to increase the use of these tools.

As of October 1, 2007, the U.S. General Services Administration raised its standard per diem travel allowance to US\$109, up from US\$99, according to Management.travel. The increase was made to accommodate the increase in standard corporate lodging rates.

However, growing concerns about the U.S. economy are leading many analysts to expect a softening in U.S. business travel demand next year:

- In its latest business travel forecast, American Express projected a solid increase in North American business travel costs across all segments next year, but the firm expects growth in business travel demand to ease.
- Runzheimer International's Travel Management Network forecast a 4.5 per cent increase in overall travel costs. It suggested that airfare costs will remain high because of the diminishing price difference between low-cost and traditional airlines and because of rising fuel prices. However, it also expects business travel demand to be hampered next year by the unsettled political landscape leading up to the presidential elections combined with concerns over a possible economic recession.
- Signals that business travel demand has already begun to weaken prompted BCD Travel, a leading travel management company, to downgrade its airfare forecast for 2008. It now expects published airfares to increase 2 to 4 per cent next year, and corporate airfares to increase less than 2 per cent—a decrease of several percentage points from its July forecast. The firm believes corporate expansions into emerging markets will drive strong growth in business travel demand in the Middle East and Asia-Pacific regions, but anticipates a softening of business travel demand in North America and Europe next year.

U.S. corporate meeting spending to stay about the same next year: Despite rising travel prices, corporate meeting buyers have largely been able to keep their hotel discounts at the same level, according to a recent Meetings Monitor poll by *Business Travel News*. Of the meeting buyers polled, 70 per cent said their discounts remained the same in 2007 as they were last year. However, because overall hotel rates are rising, so are discounted rates. To mitigate increases, 20 per cent of respondents said they are using lower-tier properties, and 17 per cent are shortening meeting durations. As a result, meeting budgets are expected to be about the same in 2008 as they were in 2007.

Airlines - Canada

Healthy domestic demand continues to fuel air travel growth: Healthy demand for air travel in Canada is fuelling the continued expansion of the Canadian domestic air market. Both Air Canada and WestJet reported solid growth in domestic passenger traffic for September 2007. A number of media reports have indicated that robust demand is allowing the airlines to retain their pricing power, keeping airfares steady. As an added bonus, the strong value of the Canadian dollar is helping to offset the rising cost of jet fuel, which is purchased in U.S. dollars, according to a recent *National Post* news item.

Air Canada's system-wide passenger traffic (measured in revenue passenger miles) grew 3.3 per cent overall in September 2007 compared with the same month in 2006. Total capacity grew slightly higher (3.7%) during the month, resulting in a slight decrease (-0.2 points) in the airline's average load factor. Traffic on domestic routes grew 3.1 per cent, while traffic on transborder U.S. routes increased 2.7 per cent. International traffic rose 3.6 per cent, driven by a significant jump on Latin American and "other" routes. Transatlantic traffic was up by 3.4 per cent, while transpacific routes saw a minimal increase (0.1%) in passenger traffic.

Meanwhile, WestJet reported an 18 per cent rise in passenger traffic in September 2007, on top of a 13 per cent expansion in capacity compared with a year earlier. Looking ahead, the carrier anticipates strong growth in passenger traffic on its transborder U.S. routes to sun destinations. Bookings on these routes are already "exceeding expectations."

Looking further ahead, WestJet could be on track to increase its domestic market share to nearly 50 per cent of the Canadian air travel market over the next five years, according to *Air Transport World*. The airline plans to increase its fleet by 50 planes during that time to a total of 118, and to increase its market share by 2 to 3 percentage points per year. Currently, WestJet holds about 35 per cent of the domestic market, while Air Canada has about 65 per cent. Over the same period of time, the airline plans to double its share of the U.S. transborder market to 15 per cent, and to gain a substantial share of the Canada-Mexico/Caribbean market.

Table 2. Airline Revenue Passenger Miles (RPMs) and Capacity - September 2007

Airline	RPMs (in millions) September 2007	RPM change 2007 vs. 2006	Capacity 2007 vs. 2006
Air Canada mainline (includes Jetz & Tier 3)	4,125	+3.0%	+3.7%
Air Canada Regional (Jazz)	357	+6.3%	+3.6%
WestJet	963.4	+18%	+13%

Airlines - U.S.

U.S. air industry achieved robust profit growth in third quarter: U.S. air travel demand continues to rise, in particular for international destinations. In the first seven months of 2007, the number of passengers on U.S. airlines rose by 2.9 per cent over 2006, to a record-high level for that time period, according to the U.S. Bureau of Transportation Statistics. Domestic passengers increased 2.8 per cent, and international passengers rose 3.8 per cent over the previous year.

Solid growth in air travel demand and minimal growth in domestic capacity allowed average domestic airfares to record year-over-year growth in the third quarter, after declining in the first half of this year. Meanwhile, international airfares continued to rise steadily.

As a result, many U.S. airlines achieved their best financial results in years for the third quarter of 2007. American Airlines posted a net profit 10 times higher than the same quarter of 2006, and Northwest Airlines reported its highest pre-tax profit in 10 years. Delta Air Lines' pre-tax profit for the third quarter was its highest on record. Southwest Airlines, United Airlines, US Airways, Continental Airlines, JetBlue Airways, and Alaska Airlines all achieved strong growth in their quarterly profits as well.

Looking ahead, skyrocketing fuel prices will be a strong incentive for airlines to keep pushing up their domestic and international fares. However, the rising cost of jet fuel is expected to hurt the industry's profitability in the fourth quarter of this year.

There are also concerns that the slowing U.S. economy may dampen U.S. air travel demand, in particular for domestic travel. According to *Business Travel News*, U.S. domestic air ticket transactions processed through Airlines Reporting Corporation (ARC) declined 4.5 per cent in September 2007, year-over-year, while international transactions increased 3.3 per cent. ARC attributed the figures to airlines shifting domestic capacity to international flights, but *Business Travel News* suggested this is also a sign of weakening U.S. domestic air travel demand.

Hotels - Canada

Growth slowing for hotel rates and revenues: Although Canadian average room rates and occupancy levels continue to rise, supported by healthy domestic travel demand, the rate of growth slowed considerably over the summer of 2007 from the brisk pace set earlier in the year. The latest *National Market Report* by PKF Consulting reported that average daily rates in Canada rose 1.7 per cent in August 2007, year-over-year, while occupancy edged up slightly (0.4 percentage points) to 77.2 per cent. As a result, revenues per available room (RevPAR) rose 2.2 per cent over the previous year.

In the first eight months of 2007, average daily rates were up 3.3 per cent over 2006, while occupancy edged ahead by 0.6 percentage points. Consequently, average revenues per available room were 4.4 per cent higher.

Demand for Canadian accommodations increased 2.3 per cent between January and August 2007 over the same period in 2006, according to the latest *Canadian Lodging Outlook* by HVS International. Hotel room supply increased 0.9 per cent during the period.

Western and Atlantic markets to achieve solid growth this year: Looking ahead, lodging markets in Western Canada and the Atlantic region are expected to achieve solid growth in RevPAR for the full year of 2007, while growth in Central Canada remains modest, according to the latest accommodation industry outlook by PKF Consulting. PKF forecast RevPAR growth of 8.6 per cent in Western Canada and 6 per cent in Atlantic Canada for 2007 over 2006. RevPAR growth in Central Canada, on the other hand, is projected to climb 1.3 per cent. For 2008, the pace of RevPAR growth for Western and Atlantic markets is expected to slow, while Central Canadian markets pick up in pace.

Hotels - U.S.

U.S. hotel rates and revenues continue to rise: A pickup in U.S. travel demand over the summer allowed U.S. hotel chains to keep raising their daily rates, resulting in strong revenue gains for the U.S. lodging industry in the third quarter of 2007. Average daily rates in the United States rose 5.6 per cent in the third quarter compared with the previous year, according to Smith Travel Research, Inc. (STR). Although hotel occupancy edged up only 0.4 per cent during the quarter, RevPAR was 6 per cent ahead of the previous year.

Despite some reports that the slowing U.S. economy is stifling U.S. travel demand, average daily rates are expected to keep rising at a steady rate through 2007 and 2008, supporting continued growth in U.S. lodging revenues. STR recently upgraded its forecast for the full year of 2007, projecting a 6 per cent increase in average U.S. RevPAR over 2006. If this holds true, average RevPAR in the United States will have grown by 30 per cent over the past four years. PKF Hospitality Research recently forecast a similar rise in average RevPAR, predicting it would increase 5.5 per cent this year.

Travel agents and other suppliers

Transat reports strong growth in third-quarter profits: Transat A.T. Inc. reported a net profit of \$16.7 million for its third quarter ended July 31, 2007, a significant jump from the \$4.2 million profit it posted a year earlier. Overall revenues increased 21.4 per cent over the period, boosted by the acquisition of a major U.K. tour operator, which significantly expanded its European client base. The holiday travel company increased its European revenues by 62.3 per cent over the quarter, while its North American revenues grew 6.3 per cent. Passenger numbers for the two regions rose by 138 per cent and 9.3 per cent, respectively.

For its fourth quarter, the company expects demand to be higher than in the same quarter of 2006, although it expects a decline in its North American margins because of increasing competition on U.K.-bound routes. In Europe, the pace of fourth-quarter bookings is ahead of the previous year.

U.S. online travel spending still registering robust growth: U.S. online travel purchases continue to grow at a double-digit rate, according to comScore, Inc., an online market research firm. In the third quarter of 2007, online travel spending in the United States totalled US\$20.1 billion, an 11 per cent increase over the previous year. Non-travel related spending over the Internet grew 23 per cent to US\$28.4 billion.

Interestingly, although online travel spending continues to grow, the number of Americans booking travel online is decreasing. According to a recent survey by Forrester Research, the number of Americans who booked travel online this year dropped 9 per cent from 2005. However, respondents who booked a trip online this year are planning to spend an average of 50 per cent more than they did in 2005.

Car rental revenues are rising but rates remain stable: A competitive pricing environment is keeping a downward pressure on car rental rates, while rental revenues continue to grow, according to *Business Travel News*. Hertz, Avis Budget, and Dollar Thrifty Automotive Group all reported modest to flat growth in their average daily rental rates for the second quarter of 2007, and strong increases in car rental revenues. Climbing operating costs may trigger a modest rise in car rental rates in the near term, but Avis Budget and Dollar Thrifty said they would try to absorb higher operating costs by making internal operational adjustments.

Tourism Overview - International

Europe

Solid growth in air travel between the U.K. and North America in September: The British Airport Authority's seven U.K. airports handled 14 million passengers in September 2007, a 2.9 per cent increase over September 2006. Passenger numbers on North Atlantic routes climbed 4.1 per cent, while traffic on other long-haul routes grew 5.6 per cent. Passengers on scheduled routes to Europe rose 5.1 per cent, while domestic numbers fell 0.4 per cent.

British Airways reported that its overall passenger numbers declined 0.8 per cent in September compared with the previous year. The number of passengers on routes to North and South America slipped 0.5 per cent. The airline announced plans to increase its capacity between London and the United States when the new air services agreement between the United States and the European Union goes into effect in March 2008.

Table 3. Percentage change in passengers carried

Carrier	Sept. 2007 vs. Sept. 2006
British Airways	-0.8%
Ryanair	+23%
easyJet	+14.2%

U.K. overseas travel at a record high: U.K. visits to overseas destinations reached a record high in the 12 months leading up to August 31, 2007, according to the latest figures from the U.K. Office for National Statistics. Nearly 70 million British residents travelled overseas during that period, a 1.5 per cent increase over the previous year. Visits to Europe and to North America each increased by 1 per cent, while visits to other long-haul destinations soared by 7 per cent. According to the Association of British Travel Agents, Europe is still the most popular international destination for U.K. travellers, although Brits are increasingly interested in seeing other parts of the world.

The attraction of overseas travel is hurting the domestic travel market in Britain, according to the latest *Travel & Tourism Market Review* forecast from Key Note. The forecast suggests U.K. domestic travel volumes will decline by 6.2 per cent this year from 2006, and will keep dropping for several years. The report attributes the decline to the ongoing appeal of overseas holidays fuelled by low-cost flights, the high value of the U.K. pound, and the increasing range of foreign holiday options.

TUI reports positive trends for U.K. market: U.K. travel trends for winter 2007-2008 are looking positive so far, according to the latest report by TUI Travel. TUI has reduced its winter capacity by 10 per cent for trips under its First Choice Holidays brand, but advance bookings are tracking significantly ahead of this time last year. The company said demand for medium-haul winter sun destinations is driving its bookings growth.

TUI is trying to reposition its Thomson Holidays brand within the U.K. holiday market—a market that is turning away from traditionally packaged vacations, according to a recent article by *Marketing Week*. Thomson is trying to shed its image as a packaged-holiday brand by rolling out a range of more flexible travel products, such as separate flight, hotel, and car rental options.

Turnaround reported in French travel market: In its latest trading statement, TUI reported that its French bookings recovered significantly this past summer from their difficult summer the year before. Although bookings were down by 4 per cent, sales were up by 2 per cent, year-over-year. As of the end of September, bookings for winter 2007-2008 were behind (-6%), but sales were ahead by 4 per cent.

Unfortunately, a strike by Air France cabin crew severely disrupted air travel in France between October 25 and 29, 2007. Thousands of travellers attempting to take advantage of half-term school holidays and a public holiday on October 25 were affected. Air France estimated it lost 80 million euros in revenues over those five days.

German long-haul air travel still rising: Passenger numbers at Frankfurt Airport edged up 0.9 per cent in September 2007, year-over-year, to 5 million, a record high for the third consecutive month. Growth continued to be driven by intercontinental travel volumes, which grew 2.3 per cent during the month. The airport noted that passenger numbers during the month picked up on routes to the United States (up 4.1%), the Caribbean (2.4%), and South America (7.1%), while Middle East traffic continued to register strong growth (6.9%). The positive trends spurred the airport to increase its full-year forecast to 2 per cent growth for 2007, up from the 1.1 per cent growth originally expected.

Lufthansa announced plans to increase its overall capacity by 5.7 per cent for the winter 2007-2008 travel season compared with the previous winter. This includes a 4 per cent increase on European routes and a 6.5 per cent increase on international routes, with a focus on expanding services to North and South America, as well as Asia.

TUI reports strong holiday travel demand in Germany: TUI AG, Germany's largest tour operator, reported that by the end of September, its German summer bookings had been 10 per cent ahead of the previous year, and sales had been up by 6 per cent. TUI said that consumer demand for summer travel was strong this year, although too much capacity in the market had weakened selling prices.

Looking ahead to the winter season, TUI reported that its advance bookings and sales in Germany were each 9 per cent ahead of what they were the same time last year.

Mexico

New owners plan to revitalize AeroMexico: The Mexican government has sold its 62 per cent stake in AeroMexico, Mexico's second-largest airline, according to *Air Transport World*. The stake was sold to a group of investors led by Grupo Financiero Banamex, a subsidiary of U.S.-based Citigroup, for US\$249 million. The new owners said they planned to inject US\$240 million of "fresh capital" into the airline to expand its fleet and services. The remaining 38 per cent of the airline's stock is publicly traded.

Potential obstacles clouding outlook for Mexican market: Mexico is one of Canada's strongest inbound markets right now, but there are some obstacles on the horizon, according to Jamie Horwitz, a Toronto-based tour operator with a special interest in the Mexican market. He believes the continued strength of the Canadian dollar vis-à-vis the U.S. dollar, together with the possibility of future visa restrictions on Mexican visitors due to immigration concerns, may begin weighing on Mexican demand for travel to Canada. Mr. Horwitz suggests Canadian tour operators and suppliers should be more proactive in their marketing strategies for Mexico, and focus on positioning Canada as a "must-see" year-round tourism destination.

Mexican market enjoys skiing, golfing, and shopping: The Nevada Commission on Tourism announced plans to target the Mexican travel market for skiing, golfing, shopping, and entertainment, according to Travelmole.com. Research conducted by the commission revealed that these are some of the most popular travel activities among outbound Mexican travellers-activities that Nevada "offers in abundance." The commission reported that the typical Mexican visitor to Nevada earns between US\$80,000 and US\$99,000 a year, stays for an average of six nights per trip, and spends an average of \$1,333 per person.

Asia-Pacific

Traditional travel agencies still dominant in Asia: In a presentation at the Abacus International Conference in October, Don Birch, the travel company's president and CEO, stated that the complexities and challenges of the Asian travel market will keep traditional travel agents as the region's main distribution channel over the long term. Nevertheless, as in other regions of the world, Asian travel agencies will have to change with the times if they want to maintain their business, by increasingly focusing on sectors with the best prospects for profits and growth. Traditional travel agencies now handle 80 per cent of Asian travel purchases, although this is expected to drop to 60 per cent over the next five to ten years. Over that period, online travel agencies are expected to increase their share from 10 to 25 per cent, while direct airline purchases move from 10 to 15 per cent.

Mr. Birch reported a rise in demand for niche travel products, which he referred to as "outcome-based" travel. This includes medical tourism, "grey" travel, and the SMERF market-that is, trips for social, military, educational, religious, and fraternity meetings and reunions.

Asia-Pacific region seeing strong growth in air travel demand: Mr. Birch also predicted that the Asia-Pacific region will become the largest regional aviation market in the world over the next three years. Growth will be driven by rising incomes in the region, combined with the rapid expansion of the region's low-cost carrier market and robust growth in outbound leisure travel demand.

According to recent figures by OAG BACK Aviation Solutions, low-cost air capacity in the Asia-Pacific region has risen from 600,000 seats in September 2001 to 9.2 million seats in September 2006. The low-cost carrier market now accounts for 12 per cent of all air capacity in this region.

Women travellers from Japan and Korea increasingly adventurous: Young women from Japan and Korea are among the most adventurous and independent travellers in Asia, striking out on their own much more frequently than men, according to travelmole.com. Contiki Holidays, a world leader in tours for travellers aged 18 to 35, reported that in the first six months of 2007, 70 per cent of bookings were made by women, and the majority of them were from Japan, Korea, Taiwan, and Singapore. Of the four groups, Contiki said the most independent were Japanese and Korean women, many of whom travel alone. Contiki has experienced an increase in female solo travellers for several years, and attributes the trend to a growing adventurousness among Asian women.

The Canadian Tourism Commission recently launched a website in Japan aimed at female travellers in their 30s and 40s. The website features travel products tailored for this market.

Tourism Saskatchewan recently reported it has seen an increase in women-based tours such as mother-daughter trips in the Korean outbound market. Increasingly, Korean travellers, who have been venturing farther east than B.C. and Alberta, have been found to be more fluent in English, to have higher disposable incomes, and to be more interested in travelling independently. This market has also become more interested in experiential travel, with activities such as trekking and culinary experiences, as well as fly-drive packages.

Chinese travellers increasingly looking online for travel information: The majority of Chinese leisure travellers go to destination websites and browse online travel discussion forums to obtain information about potential travel destinations, according to the *China Outbound Travel Monitor 2007* by The Nielsen Company and the Pacific Asia Travel Association (PATA). Of those polled, nearly 70 per cent said they sourced travel information from destination sites, and another 60 per cent said they consulted websites featuring consumer travel discussions.

Moreover, while most Chinese travellers (61%) continue to make their travel bookings through traditional travel agents, online bookings are rising. Twenty-nine per cent of Chinese travellers book through online travel agents, while 16 per cent booked travel directly through supplier sites. The report advises that it is crucial for travel operators and tourism promotion offices to have an effective online presence in China to capitalize on the potential offered by the Chinese outbound travel market.

The *China Outbound Travel Monitor* also reported that Chinese travellers are becoming more and more sophisticated, with a fast-emerging affluent segment that prefers luxurious accommodations when travelling abroad. More than a third of Chinese overseas travellers choose to stay in four-star hotels, while another 10 per cent prefer five-star accommodations.

Strong Australian dollar spurring outbound travel: *The Australian* dollar has gained 14 per cent in value against the U.S. dollar since the beginning of this year, fuelling Australian outbound travel demand, according to a recent article by the Centre for Asia Pacific Aviation that appeared in *The Australian*. Many major tourism destinations, in particular those whose currency is pegged to the U.S. dollar, are becoming less expensive and, as a result, are benefiting from this trend. For example, the Aussie dollar has appreciated 12 per cent against the Japanese yen since January, boosting demand for ski trips to Japan.

Looking ahead, the centre anticipates strong growth in transpacific air travel over the long term. A major contributor to this growth will be an open skies agreement between the United States and Australia that is currently under negotiation. Growth on this route has been relatively stagnant over the past decade, but the anticipated liberalization of air services between the two countries will unlock competition and allow for a significant expansion of services. Boeing recently predicted that air traffic between Australia and North America could quadruple over the next 20 years if competition is opened up.

Tourism Leading Indicator Index

Because of the constantly evolving nature of today's travel environment, it is increasingly important to be able to anticipate fluctuations in travel demand, in order to make better business decisions. The Tourism Leading Indicator Index provides insights into the near-term outlook for the Canadian tourism industry, by tracking the progress of the economic and non-economic factors that affect travel demand.

The rating for each component of the index indicates how that component is expected to affect travel from the source market over the near term. Meanwhile, the overall rating indicates the expected performance of the source market in the near term, relative to the same time period in the previous year.

Ratings Key:

Economic Factors and Non-Economic Factors:

Range from $\uparrow\uparrow\uparrow$ (significantly adds to demand) to $\downarrow\downarrow\downarrow$ (significantly impedes demand).

\leftrightarrow represents neutral effect on demand.

Overall Tourism Leading Indicator:

Ranges from $+++$ (significantly improving) to $---$ (significantly deteriorating). 0 represents no change.

For more information on the specific weighting and methodology used to produce the index, please refer to the Tourism Leading Indicator Index - Methodology section at the end of this report.

Domestic travel

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends (Domestic)	Supplier Trends (Domestic)	
\uparrow (\uparrow)	\downarrow (\leftrightarrow)	\uparrow (\uparrow)	\uparrow (\uparrow)	+

Note: the bracketed figures are from the previous (September 2007) Tourism Intelligence Bulletin.

Economic Trends:

- Total employment gains of 51,000 in September helped push the unemployment rate down to 5.9 per cent-its lowest level since November 1974. Services-producing sectors were responsible for all the gain in total employment. Meanwhile, employment in goods-producing sectors continues to be held back by losses in manufacturing.
- The recent uptick in the value of the Canadian dollar, surpassing that of the U.S. dollar, reduces the price competitiveness of domestic travel while continuing to spur growth in outbound travel. In addition, the recent rise in gas prices might dampen domestic automobile travel during the late fall and early winter.

Traveller and Supplier Trends:

- Year-over-year, domestic air travel (as measured by the number of enplaned and deplaned passengers at Canada's top 30 airports) increased 5.2 per cent in August, according to Transport Canada. Meanwhile, average Canadian hotel occupancy rates increased by a modest 0.4 percentage points in August, according to PKF Consulting. The latest year-to-date hotel occupancy figures Canada are reported to be 0.6 percentage points ahead of last year.

- The latest outbound travel statistics (from August 2007) suggest growing interest in overnight travel to the United States (up 12.8% year-over-year). During that same month, growth in travel to other international countries also strengthened (up 10.7%).

Overall, the Tourism Leading Indicator for domestic travel suggests the market should continue to expand slightly over the near term.

United States (to Canada)

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends (to Canada)	Supplier Trends (U.S. to Canada)	
↔ (↔)	↓ (↓)	↔ (↓)	↓ (↔)	-

Note: the bracketed figures are from the previous (September 2007) Tourism Intelligence Bulletin.

Economic Trends:

- Recent indicators continue to present a somewhat mixed assessment of the U.S. economy. The Conference Board's leading economic index for the U.S. increased 0.3 per cent in September, the third increase in the last six months. However, the Conference Board's consumer confidence index, which has been declining since August, fell further in October.
- Unfortunately, recent analysis by the Canadian Tourism Research Institute indicated that Canada's price competitiveness for U.S. travellers will decrease during the fourth quarter of 2007.

Traveller and Supplier Trends:

- On a positive note, overnight trips from the United States to Canada increased slightly in August 2007, compared with August 2006, according to Statistics Canada. Still, the year-to-date figures indicated that overnight travel by automobile and other modes (primarily air travel) were down 4 and 2.9 per cent, respectively, compared with 2006. The recent run-up in the value of the Canadian dollar will likely dampen demand in the price-sensitive automobile travel segment during the late fall and early winter.
- Unfortunately, the number of direct seats available for air travel from the United States to Canada is expected to decrease 1.3 per cent during the fourth quarter of 2007, year-over-year.

Overall, the Tourism Leading Indicator for U.S. travel to Canada suggests U.S. visits will decline slightly over the near term.

United Kingdom

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↔ (↑)	↑ (↑)	↔ (↔)	↑ (↑)	+

Note: the bracketed figures are from the previous (September 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for the U.K. declined slightly (0.2%) in August for the second consecutive month, bringing down the six-month growth rate of the index to an annual rate of 2.4 per cent. The current behaviour of the leading economic index suggests economic growth is likely to continue in the near term, but possibly at a slower pace.
- While Canada's price competitiveness for U.K. travellers is still a challenge, it is expected to improve against most competitive travel markets during fourth quarter of 2007.

Traveller and Supplier Trends:

- Visits from the U.K. increased 6.2 per cent in August, according to Statistics Canada. Overall, January to August visits from the U.K. were 4.8 per cent ahead of the same period in 2006. The U.K. Office for National Statistics reported that U.K. travel abroad declined 2 per cent between June and August 2007 year-over-year, but travel to North America increased 6 per cent.
- Looking ahead, direct air capacity on scheduled flights from the U.K. to Canada is expected to increase 30.8 per cent during the fourth quarter of 2007, compared with last year.

Overall, slight gains in Canada's price competitiveness combined with solid growth in direct air capacity suggest slight growth potential for U.K. travel to Canada over the near term, despite some softness in overall travel trends.

France

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↔ (↔)	↓ (↔)	↑ (↑)	↑ (↑↑)	+

Note: the bracketed figures are from the previous (September 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for France increased only 0.1 per cent in August. With the latest increase, the six-month growth rate of the index rose to a 2.2 per cent annual rate. The recent behaviour of the leading index suggests slow to moderate economic growth will likely continue in the near term.
- Hampered by the 10 per cent depreciation in the euro vis-à-vis the Canadian dollar since the beginning of this year, Canada's price competitiveness is expected to decline against most competitive travel markets during the fourth quarter of 2007.

Traveller and Supplier Trends:

- Visits from France increased 2.2 per cent in August 2007, year-over-year, bringing down the growth in year-to-date arrivals to 3.4 per cent, according to Statistics Canada. Meanwhile, the U.S. Office of Travel and Tourism Industries (OTTI) reported that travel from France to the U.S. increased 27.2 per cent between January and July 2007.
- Looking ahead, French arrivals to Canada should receive a boost from the estimated 13.9 per cent increase in direct air capacity scheduled for the fourth quarter of 2007, compared with last year.

Despite some economic concerns and growing price competitiveness issues, the Tourism Leading Index suggests there is slight growth potential in French travel to Canada over the near term.

Germany

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↔ (↑)	↓ (↔)	↔ (↑)	↑ (↔)	0

Note: the bracketed figures are from the previous (September 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for Germany declined 0.8 per cent in August. As a result, the six-month growth rate of the index rose slowed to a 0.2 per cent annual rate, down from the 2 per cent rate achieved in May and June. The behaviour of the leading index suggests that slow to moderate economic growth should continue in the near term.
- Unfortunately, Canada's price competitiveness for German travellers is expected to decline against most competitive markets over the fourth quarter of 2007.

Traveller and Supplier Trends:

- Visits from Germany decreased 5.4 per cent in August, reducing the growth of year-to-date arrivals to 2 per cent, compared with the same period in 2006, according to Statistics Canada. Meanwhile, the OTTI reported that travel from Germany to the U.S. increased 7.9 per cent during the first seven months of 2007.
- Over the last quarter of 2007, the level of direct air capacity scheduled between Germany and Canada is expected to increase by a solid 5.9 per cent.

Overall, slowly weakening economic conditions and travel trends suggest there little growth potential for German travel to Canada over the near term.

Mexico

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↑ (↔)	↓ (↓)	↑↑ (↑↑)	↔ (↓)	++

Note: the bracketed figures are from the previous (September 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for Mexico decreased 0.3 per cent in August, following five consecutive monthly gains. With this decrease, the six-month growth rate of the index reached a robust 7.7 per cent annual pace. The behaviour of the leading index suggests moderate economic growth will likely continue in the near term.

- Despite cheaper airfares to Canada, the price competitiveness of Canadian destinations over the last half of 2007 remains under pressure from the continued depreciation of the Mexican peso vis-à-vis the Canadian dollar.

Traveller and Supplier Trends:

- Visits from Mexico increased 17.9 per cent in August and helped boost the growth of year-to-date arrivals to 16.9 per cent, year-over-year, according to Statistics Canada. Meanwhile, the OTTI reported that Mexican arrivals to the U.S. interior (beyond the 40 kilometre U.S. border zone) increased 18.5 per cent during the first seven months of 2007.
- Direct air capacity between Mexico and Canada is scheduled to increase by a modest 2.3 per cent over the last quarter of 2007, compared with a year earlier.

The Tourism Leading Indicator Index suggests strengthening economic trends should offset some of the concerns over price competitiveness. As a result, Mexican arrivals to Canada are expected to post solid growth over the near term.

Japan

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↔ (↔)	↓ (↓)	↓↓ (↓↓)	↓↓ (↓)	--

Note: the bracketed figures are from the previous (September 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's leading economic index for Japan decreased 0.7 per cent in August, but there were upward revisions to the leading index in the previous several months. The six-month index continued to decline at an annual rate of 1.8 per cent. The weaknesses among the leading indicators have become more widespread than the strengths in recent months. The current behaviour of the leading index suggests the economy is likely to grow slowly in the near term.
- Unfortunately, the cost of visiting Canada is increasing as the value of the Japanese yen continues to depreciate. As well, Canada's relative price competitiveness is expected to slip further against most competing markets during the fourth quarter of 2007.

Traveller and Supplier Trends:

- Over the first eight months of 2007, Japanese arrivals to Canada were down 16.2 per cent from 2006. Meanwhile, OTTI reported that travel from Japan to the U.S. declined 5.3 per cent during the first seven months of 2007.
- Looking ahead, direct air capacity from Japan to Canada in the last quarter of 2007 is expected to be 8.8 per cent lower than the previous year.

Overall, the Tourism Leading Indicator suggests Japanese arrivals to Canada will continue to decline over the near term.

South Korea

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↑ (↑)	↓ (↓)	↑ (↑)	↔ (↔)	+

Note: the bracketed figures are from the previous (September 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's overall leading economic index for South Korea declined 0.1 per cent in August, after increasing for three consecutive months. Despite this decline, the six-month index reached an annual growth rate of 2.6 per cent, and the strengths and weaknesses among the leading indicators remain somewhat balanced. The recent behaviour of the leading index suggests economic growth will continue at a moderate rate over the near term.
- Unfortunately, the cost of travel to Canada continues to climb as the Korean won depreciates against the Canadian dollar. As well, Canada's price competitiveness for Korean travellers is expected to weaken against most competitive markets during the fourth quarter of 2007.

Traveller and Supplier Trends:

- Korean arrivals to Canada surged 12.8 per cent during August, boosting year-to-date arrivals by 6 per cent compared with the previous year, according to Statistics Canada. Similarly, the OTTI reported that travel from South Korea to the U.S. increased 7.9 per cent during the first seven months of 2007.
- Direct air capacity from South Korea to Canada is scheduled to increase 5.7 per cent during the fourth quarter of 2007, compared with last year.

Overall, the Tourism Leading Indicator Index suggests Korean arrivals to Canada will increase moderately over the near term.

China

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↑↑↑ (↑↑↑)	↑ (↑)	↑↑ (↑↑)	↑↑ (↑↑)	++

Note: the bracketed figures are from the previous (September 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The most recent indicators suggest that economic growth in China is slowing in the second half of 2007. As well, inflation reached a 10-year high in July, driven mainly by increases in food prices. Still, the latest Consensus Forecasts report (September 2007) projects an 11.3 per cent increase in China's real GDP this year, followed by a 10.6 per cent increase in 2008.
- Despite the strength of the Canadian dollar, Canada's price competitiveness for Chinese travellers is expected to improve during the fourth quarter of 2007.

Traveller and Supplier Trends:

- In August, Chinese arrivals to Canada increased 6.9 per cent, according to Statistics Canada. Year-to-date arrivals were up 7.9 per cent over 2006. Meanwhile, the OTTI reported that travel from China (including Hong Kong) to the U.S. increased 17.2 per cent in the first seven months of 2007.
- Looking ahead, direct air capacity to Canada is scheduled to expand by 20.7 per cent in the fourth quarter of 2007, compared with the previous year.

The Tourism Leading Indicator Index suggests continued strength in economic and travel trends will help fuel solid growth in Chinese travel to Canada over the near term.

Australia

Economic		Non-Economic		Overall
General Economic Trend	Price Competitiveness	Traveller Trends	Supplier Trends	
↑↑ (↑↑)	↑ (↑)	↑↑ (↑)	↑ (↑)	++

Note: the bracketed figures are from the previous (September 2007) Tourism Intelligence Bulletin.

Economic Trends:

- The Conference Board's overall leading economic index for Australia increased 0.7 per cent in August. However, even with this gain, the six-month index slowed to an annual rate of 4.4 per cent. In addition, the strengths among the leading indicators are becoming less widespread. Still, behaviour of the leading index suggests moderate to strong economic growth will likely continue in the near term.
- Aided by the relative strength of the Australian dollar, Canada's price competitiveness for Australian travellers is expected to improve against many competitive markets in the fourth quarter of 2007.

Traveller and Supplier Trends:

- Australian arrivals to Canada increased 9.5 per cent during the first eight months of 2007 compared with a year earlier, according to Statistics Canada. Similarly, the OTTI reported that travel from Australia to the U.S. increased 9.2 per cent during the first seven months of 2007.
- For the last quarter of 2007, air capacity to Canada (with one stop) is expected to expand 17.5 per cent over 2006.

Overall, the Tourism Leading Indicator suggests there is potential for moderate to strong growth in Australian arrivals over the near term.

Appendix: Tourism Leading Indicator Index - Methodology

The Tourism Leading Indicator Index provides tourism stakeholders with insights into the near-term outlook for the Canadian tourism industry, by tracking the progress of the economic and non-economic factors that affect travel demand.

To derive the overall Tourism Leading Indicator Index, the various component indexes representing economic and non-economic motivating factors are weighted to reflect their relative importance in the travel decision-making process. The ratings used to assess the component indexes of the overall index identify the degree to which each component provides added stimulus or, alternatively, provides an added impediment to visiting Canada over the near term. The specific rating gradients used to assess the various component indexes of the Tourism Leading Indicator are as follows:

Ratings Used for the Component Indexes of the Tourism Leading Indicator

Symbol	Interpretation
↑↑↑	Significant stimulus to demand
↑↑	Moderate stimulus to demand
↑	Slight stimulus to demand
↔	No (or little) added stimulus to demand
↓	Slight impediment to demand
↓↓	Moderate impediment to demand
↓↓↓	Significant impediment to demand

Meanwhile, the overall index rating for each source market indicates the expected performance of the source market in the near term, relative to the same time period in the previous year. The specific rating gradients used to assess the Tourism Leading Indicator Index are as follows:

Ratings Used for the Tourism Leading Indicator Index

Symbol	Interpretation
+++	Significant improvement
++	Moderate improvement
+	Slight improvement
0	No change (or little change)
-	Slight deterioration
--	Moderate deterioration
---	Significant deterioration

Leading indicators have been established for Canada's domestic travel market and for each of Canada's key international markets: United States, United Kingdom, France, Germany, Mexico, Japan, South Korea, China, and Australia.

Methodology Used to Develop the Tourism Leading Indicator for Each Source Market:

Economic Factors

- A) General Economic Trend:** The specific assessment of the general economic conditions for each source travel market is derived from the degree to which economic conditions are changing (becoming more favourable or less favourable) as well as a general assessment of economic conditions. Ultimately, the rating provided represents the degree of positive push (stimulus) or negative pull (impediment) affecting decisions to visit Canada over the near term due to economic conditions in each source market.
- B) Price Competitiveness:** Exchange rates between markets play a significant role in price competitiveness. Other factors used to assess overall price competitiveness include how gas prices, fuel surcharges, security-related charges, or other costs are making Canada either more or less price competitive than other competing destinations.

Non-Economic Factors

- A) Traveller Trends:** The assessment of traveller trends to and within Canada considers the source market's level of consumer confidence, regulations, current travel trends, and travel intentions.
- B) Supplier Trends:** Supplier trends indicate the degree to which suppliers are increasing (or decreasing) their product offerings to facilitate travel from the source market to and within Canada. The result of changes in supply can increase (or decrease) growth potential.

The following table identifies the weighting used for each component of the Tourism Leading Indicator for each source market.

Travel Market	Economic		Non-Economic	
	General Economic Trend	Price Competitiveness	Traveller Trends (to/within Canada)	Supplier Trends (to/within Canada)
Domestic & U.S.	40%	10%	40%	10%
All others	30%	10%	50%	10%

A higher weight on economic factors is given to domestic and U.S. travel because a higher percentage of the travel that occurs in these markets is for non-leisure purposes, which tend to be more closely linked to economic motivations. In addition, the prevalence of shorter, more frequent automobile travel also tends to be more highly correlated with economic factors. On the other hand, the longer average distance and trip duration of overseas trips suggests that non-economic factors tend to play a bigger part in the decision-making process for these trips.