

# U.S. and Overseas Travel to Canada

## Short-Term Competitive Outlook

### Second Quarter 2008

#### WHAT'S INSIDE

This report provides competitive intelligence on Canada's U.S. and key international markets, for the second quarter of 2008 (April to June).

Prepared for:  
The Canadian Tourism Commission (CTC)

By:

The Conference Board of Canada  
Insights You Can Count On





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## 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 the growth of specific travel segments is linked to improvements in air access.

**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.

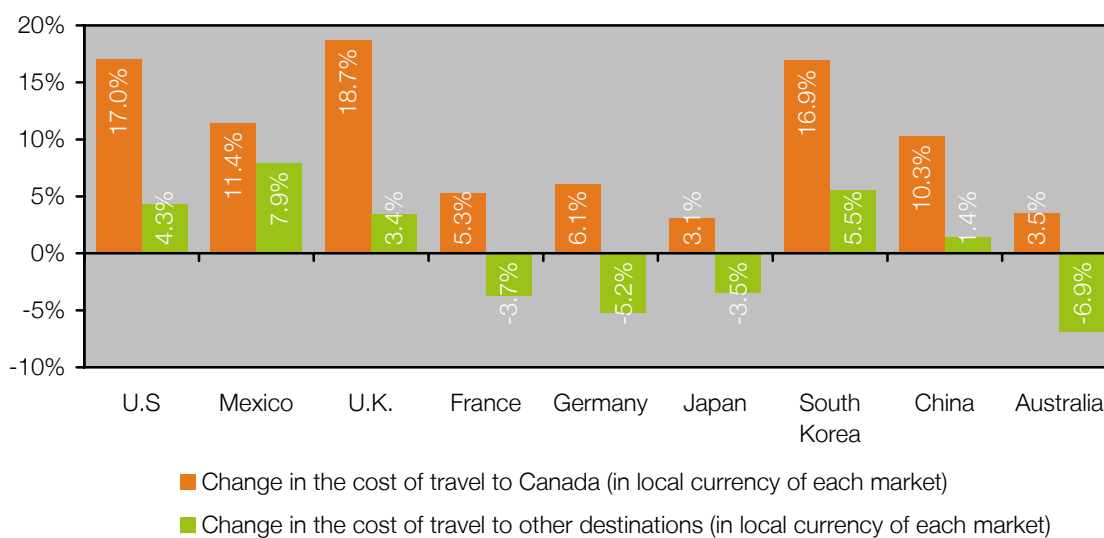
## Competitive Price Index—Summary Table

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 second quarter of 2008. 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 (Q2 2008 vs. Q2 2007)**



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

Canada's price competitiveness is expected to decline against most competitive destinations in the second quarter of 2008, in large part because of the strengthening Canadian dollar. The latest competitive price analysis suggests the overall cost of travelling to Canada will increase substantially, year-over-year, for most markets. 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 the growth of specific travel segments is linked to improvements in air access.

The number of seats available (as of February 2008) for direct air travel from the United States to Canada during the second quarter of 2008 is expected to increase 4.1 per cent from the same quarter of 2007. Air access should not be an issue for U.S. visits to Canada during this period.

<b>Seats Available for Direct Travel From the U.S. to Canada (Q2—April to June)</b>			
<b>Non-stop seats available</b>	<b>2007 (Direct)</b>	<b>2008 est. (Direct)</b>	<b>2007 vs. 2008 Change</b>
to Canada (overall)	3,780,289	3,934,097	4.1%
B.C.	819,595	844,180	3.0%
Alberta	517,516	513,272	-0.8%
Saskatchewan	20,050	25,308	26.2%
Manitoba	87,668	75,760	-13.6%
Ontario	1,690,854	1,788,318	5.8%
Quebec	562,910	604,440	7.4%
New Brunswick	8,356	4,550	-45.5%
Newfoundland & Labrador	3,850	4,550	18.2%
Nova Scotia	67,830	70,559	4.0%
Prince Edward Island	100	1,600	1500.0%
Yukon	1,560	1,560	0.0%

Source: BACK Aviation Solutions.

## Competitive Price Index

From the perspective of U.S. travellers to Canada, the 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. For the U.S. market, the competitive price analysis was based on a typical four-night stay in Canada, priced in U.S. dollars.

Our analysis suggests that Canada's competitive travel price index will decline 8.6 points in the second quarter of 2008, compared with the same quarter of 2007. The competitive price index has declined significantly since the third quarter of 2007, a period that coincides with the significant appreciation of the Canadian dollar vis-à-vis the U.S. dollar.

Overall, our competitive price analysis suggests that a four-night stay in Canada for U.S. travellers, including airfare, hotels, meals, and other items, will cost 17 per cent more in the second quarter than it did a year earlier. A similar trip within the U.S. is expected to cost 4.3 per cent more. In Canada, Atlantic Canada 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	Q2 2008 Index (Canada = 100)	Q2 2007 Index
Canada	\$839	\$772	\$423	\$386	\$2,419	100.0	100.0
Atlantic Canada	\$855	\$681	\$395	\$386	\$2,317	95.8	98.7
Ontario/Quebec	\$730	\$815	\$419	\$386	\$2,350	97.1	98.5
Manitoba/Sask.	\$983	\$679	\$410	\$386	\$2,458	101.6	103.7
Alberta/B.C.	\$967	\$749	\$443	\$386	\$2,545	105.2	101.6
U.S. (domestic)	\$434	\$615	\$214	\$447	\$1,711	70.7	79.3

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



# Mexico

## Mexico-to-Canada Air Capacity

Direct air capacity between Mexico and Canada is expected to jump by 10.9 per cent in the second quarter of 2008, compared with a year earlier. This substantial increase in scheduled air services should help facilitate growth in Mexican visits to Canada during this period.

Seats Available for Travel From Mexico to Canada (Q2—April to June)			
Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
Canada (overall)	100,138	111,069	10.9%
B.C.	24,924	30,876	23.9%
Alberta	4,504	6,432	42.8%
Manitoba	0	140	n.a.
Ontario	44,150	46,261	4.8%
Quebec	24,400	24,840	1.8%
Nova Scotia	2,160	2,520	16.7%

Source: BACK Aviation Solutions.

## 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.

Year-over-year, Canada's competitive price index is expected to decline against the United States and Italy during the second quarter of 2008.

Our competitive price analysis suggests that the cost of a seven-night stay in Canada during the second quarter, including airfare, hotels, meals, and other items, will increase 11.4 per cent for Mexican travellers, year-over-year. Unfortunately, overall travel costs are expected to increase despite a significant (16%) year-over-year drop in average airfares to Canada. Meanwhile, the cost of a similar trip to other competitive destinations is expected to increase by an average of 7.9 per cent.

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

**Competitive Price Index – Mexican Travellers to Canada  
(Mexican Pesos, Based on Seven-Night Stay)**

<b>Competitive Destinations</b>	<b>Airfare (Round-trip)</b>	<b>Hotel</b>	<b>Meals</b>	<b>Other Items</b>	<b>Total</b>	<b>Q2 2008 Index (Canada = 100)</b>	<b>Q2 2007 Index</b>
Canada	\$6,032	\$14,461	\$7,927	\$7,231	\$35,651	100.0	100.0
Atlantic	\$6,597	\$12,766	\$7,408	\$7,231	\$34,001	95.4	97.8
Ontario/Quebec	\$5,444	\$15,270	\$7,856	\$7,231	\$35,801	100.4	102.3
Manitoba/Sask.	\$7,957	\$12,722	\$7,691	\$7,231	\$35,600	99.9	100.2
Alberta/B.C.	\$6,183	\$14,036	\$8,304	\$7,231	\$35,754	100.3	96.6
U.S.	\$3,803	\$11,535	\$4,013	\$8,384	\$27,735	77.8	85.2
Spain	\$10,147	\$16,799	\$8,235	\$5,491	\$40,672	114.1	113.0
Italy	\$10,977	\$21,010	\$9,579	\$5,747	\$47,313	132.7	135.0

*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

As of February 2008, the number of direct seats available from the United Kingdom to Canada during the second quarter of 2008 was expected to decrease 5.1 per cent compared with the same quarter of 2007. This decrease in direct air capacity may hamper the growth of U.K. visits to Canada during the quarter.

Seats Available for Direct Travel From the U.K. to Canada (Q2—April to June)			
Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
Canada (overall)	619,661	588,016	-5.1%
B.C.	118,375	105,490	-10.9%
Alberta	97,945	105,306	7.5%
Manitoba	2,421	-	-100.0%
Ontario	308,645	293,295	-5.0%
Quebec	56,783	59,402	4.6%
Newfoundland	8,424	-	-100.0%
Nova Scotia	27,068	24,523	-9.4%

Source: *BACK Aviation Solutions*.

## 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.

In the second quarter of 2008, Canada's competitive price index is expected to decline against all competitive markets. The largest anticipated decline is against the United States. The analysis suggests that the cost of a seven-night stay in Canada for U.K. travellers, including airfare, hotels, meals, and other items, will increase 18.7 per cent, year-over-year. Airfares from the U.K. to Canada will be up by an average of 15.9 per cent compared with last year, primarily because of significant increases in airfares to Manitoba/Saskatchewan and Ontario/Quebec.

Meanwhile, the cost of a similar trip to competitive destinations (United States, China, South Africa, sub-Saharan Africa, Brazil, and Mexico) is expected to increase 3.4 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 second quarter of 2008.

### 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	Q2 2008 Index (Canada = 100)	Q2 2007 Index
Canada	£459	£680	£373	£340	£1,852	100.0	100.0
Atlantic	£352	£601	£348	£340	£1,641	88.6	94.9
Ontario/Quebec	£353	£718	£370	£340	£1,781	96.2	98.2
Manitoba/Sask.	£881	£598	£362	£340	£2,181	117.8	97.0
Alberta/B.C.	£530	£660	£391	£340	£1,921	103.7	105.4
United States	£350	£543	£189	£394	£1,475	79.7	95.5
China	£412	£593	£368	£77	£1,450	78.3	85.8
South Africa	£474	£506	£214	£66	£1,260	68.0	75.2
Sub-Saharan Africa (Kenya, Nigeria, Ghana)	£341	£649	£291	£140	£1,422	76.8	89.6
Latin America (Brazil and Mexico)	£517	£542	£242	£170	£1,470	79.4	93.6

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 in the second quarter of 2008 is expected to expand by 12.9 per cent over the previous year. This increase should help bolster the potential for growth in French visits to Canada during the quarter.

Seats Available for Direct Travel From France to Canada (Q2—April to June)			
Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
Canada (overall)	245,417	277,122	12.9%
BC	0	363	n.a.
Alberta	4,304	1,815	-57.8%
Ontario	53,494	60,294	12.7%
Quebec	186,935	214,650	14.8%
Nova Scotia	684	0	-100.0%

Source: BACK Aviation Solutions.

## 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 second quarter of 2008, Canada's competitive price index is expected to decline against all competitive markets. Our competitive price analysis suggests that the average cost of a seven-night stay in Canada, including airfare, hotels, meals, and other items, will increase 5.3 per cent for French travellers over the previous year. Meanwhile, the average cost of a similar trip to competitive destinations (United States, China, sub-Saharan Africa, and Brazil) is expected to drop by 3.7 per cent.

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

### Competitive Price Index—French Travellers to Canada (Euros, Based on Seven-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q2 2008 Index (Canada = 100)	Q2 2007 Index
Canada	€626	€888	€487	€444	€2,446	100.0	100.0
Atlantic	€651	€784	€455	€444	€2,335	95.5	98.2
Ontario/Quebec	€544	€938	€483	€444	€2,409	98.5	99.2
Manitoba/Sask.	€738	€781	€472	€444	€2,436	99.6	96.5
Alberta/B.C.	€718	€862	€510	€444	€2,535	103.6	102.8
United States	€532	€709	€247	€515	€2,003	81.9	88.4
China	€623	€775	€480	€100	€1,978	80.9	86.3
Sub-Saharan Africa (Nigeria, Ghana, Senegal)	€599	€850	€392	€131	€1,973	80.7	88.0
Brazil	€624	€738	€319	€77	€1,759	71.9	82.0

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 is expected to jump 14.4 per cent in the second quarter of 2008, year-over-year. This expansion should help ensure there is sufficient air access for German travel to Canada during the quarter.

**Seats Available for Direct Travel From Germany to Canada (Q2—April to June)**

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
Canada (overall)	236,545	270,662	14.4%
Alberta	34,333	43,932	28.0%
B.C.	41,217	42,937	4.2%
Ontario	103,543	125,296	21.0%
Quebec	49,980	47,807	-4.3%
Nova Scotia	3,437	6,924	101.5%
Yukon	4,035	3,766	-6.7%

Source: BACK Aviation Solutions.

## 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 the German 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 decline against all competitive markets during the second quarter of 2008. The largest declines are expected against the U.S. and Latin America.

Our competitive price analysis suggests that the average cost of a seven-night stay in Canada, including airfare, hotels, meals, and other items, will increase 6.1 per cent for German visitors during the second quarter. Airfares to Canada are expected to increase 9 per cent overall, but the cost of flights to Ontario/Quebec is expected to increase 15.3 per cent while flights to Alberta/B.C rise 2.6 per cent. Meanwhile, the average cost of a similar trip to competitive destinations (U.S., China, South Africa, Brazil, and Mexico) in the same quarter will decrease 5.2 per cent, year-over-year.

In terms of Canadian destinations, the index suggests that Atlantic Canada will be the most price-competitive region for German travellers in the second quarter of 2008.

**Competitive Price Index—German Travellers to Canada (Euros, Based on Seven-Night Stay)**

<b>Competitive Destinations</b>	<b>Airfare (Round-trip)</b>	<b>Hotel</b>	<b>Meals</b>	<b>Other Items</b>	<b>Total</b>	<b>Q2 2008 Index (Canada = 100)</b>	<b>Q2 2007 Index</b>
Canada	€605	€888	€487	€444	€2,424	100.0	100.0
Atlantic	€635	€784	€455	€444	€2,319	95.7	95.3
Ontario/Quebec	€540	€938	€483	€444	€2,405	99.2	99.1
Manitoba/Sask.	€747	€781	€472	€444	€2,445	100.9	101.7
Alberta/B.C.	€654	€862	€510	€444	€2,470	101.9	102.2
United States	€461	€709	€247	€515	€1,931	79.7	91.2
China	€617	€775	€480	€100	€1,972	81.3	86.4
South Africa	€583	€661	€280	€86	€1,609	66.4	73.2
Latin America (Brazil and Mexico)	€675	€708	€315	€221	€1,920	79.2	93.0

*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 second quarter of 2008, direct air capacity from Japan to Canada is slated to increase by 4.2 per cent compared with the same quarter of 2007. Consequently, air access should not be a significant problem for the Japanese travel market during this period.

Seats Available for Direct Travel From Japan to Canada (Q2—April to June)			
Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
Canada (overall)	101,394	105,651	4.2%
B.C.	73,604	73,892	0.4%
Ontario	27,790	31,759	14.3%

*Source: BACK Aviation Solutions.*

## Competitive Price Index

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

Year-over-year, Canada's competitive price index is expected to decline against all competitive markets except Australia during the second quarter of 2008. The most significant declines are expected against France and Italy.

Our competitive price analysis suggests that the cost of a 10-night stay in Canada, including airfare, hotels, meals, and other items, will increase 3.1 per cent over last year for Japanese travellers. Meanwhile, the average cost of travel to the five main long-haul destinations competing for Japanese travellers is expected to decrease 3.5 per cent, year-over-year.

In terms of Canadian destinations, Manitoba/Saskatchewan will be the most price-competitive region for Japanese travellers during the second quarter.

### Competitive Price Index—Japanese Travellers to Canada (Yen, Based on 10-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q2 2008 Index (Canada=100)	Q2 2007 Index
Canada	¥101,553	¥198,931	¥109,039	¥99,466	¥508,989	100.0	100.0
Atlantic	¥129,622	¥175,612	¥101,900	¥99,466	¥506,599	99.5	101.9
Ontario/Quebec	¥105,212	¥210,052	¥108,065	¥99,466	¥522,795	102.7	105.0
Manitoba/Sask.	¥110,235	¥175,006	¥105,794	¥99,466	¥490,501	96.4	96.3
Alberta/B.C.	¥ 95,883	¥193,084	¥114,231	¥99,466	¥502,663	98.8	96.4
U.S.	¥ 97,495	¥158,673	¥ 55,210	¥115,337	¥426,714	83.8	91.8
France	¥ 96,108	¥234,641	¥119,845	¥82,683	¥533,277	104.8	115.7
Germany	¥101,058	¥256,245	¥124,754	¥80,999	¥563,055	110.6	115.5
Italy	¥93,942	¥289,023	¥131,773	¥79,055	¥593,792	116.7	129.6
Australia	¥78,825	¥184,987	¥114,334	¥80,071	¥458,217	90.0	89.9

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 second quarter of 2008 is scheduled to decline 2.2 per cent compared with the previous year. This reduction in air access may hinder growth in Korean visits during the quarter.

**Seats Available for Direct Travel From South Korea to Canada  
(Q2—April to June)**

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
Canada (overall)	57,965	56,693	-2.2%
B.C.	44,230	43,628	-1.4%
Ontario	13,735	13,065	-4.9%

Source: BACK Aviation Solutions.

## Competitive Price Index

Canada's key competitors for 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.

Year-over-year, Canada's competitive price index is expected to decrease against all competitive markets in the second quarter of 2007. The most significant declines are expected against the U.K., France and Germany.

Our competitive price analysis suggests that the cost of a 10-night stay in Canada, including airfare, hotels, meals, and other items, will increase 16.9 per cent for South Korean travellers compared with last year. Meanwhile, the average cost of a similar trip to competitive destinations (U.S., U.K., France, Germany, and Australia) in the second quarter is expected to increase 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 second quarter.

### Competitive Price Index—Korean Travellers to Canada (Korean Won, Based on 10-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q2 2008 Index (Canada = 100)	Q2 2007 Index
Canada	1,297,259	1,827,363	1,001,622	913,682	5,039,926	100.0	100.0
Atlantic	1,468,238	1,613,153	936,039	913,682	4,931,112	97.8	98.6
Ontario/Quebec	1,433,460	1,929,519	992,679	913,682	5,269,339	104.6	105.9
Manitoba/Sask.	1,436,031	1,607,586	971,812	913,682	4,929,110	97.8	98.5
Alberta/B.C.	1,182,426	1,773,646	1,049,318	913,682	4,919,073	97.6	95.9
U.S.	1,293,233	1,457,555	507,150	1,059,473	4,317,411	85.7	92.2
France	1,284,471	2,155,388	1,100,887	759,518	5,300,263	105.2	117.9
Germany	1,295,838	2,353,845	1,145,973	744,045	5,539,702	109.9	118.0
U.K.	1,235,214	2,528,215	1,106,309	919,152	5,788,890	114.9	138.5
Australia	1,082,707	1,699,271	1,050,263	735,524	4,567,765	90.6	97.5

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

The number of non-stop seats between China and Canada in the second quarter of 2008 is scheduled to expand by 7.7 per cent compared with the previous year. Therefore, the level of direct air capacity between China and Canada should be sufficient to accommodate the growth in Chinese visits anticipated during this period.

Seats Available for Direct Travel From China to Canada (Q2—April to June)			
Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
Canada (overall)	101,266	109,096	7.7%
B.C.	74,954	74,056	-1.2%
Ontario	26,312	35,040	33.2%

Source: *BACK Aviation Solutions*.

## 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.

Year-over-year, Canada's competitive price index is expected to worsen against all key competitive markets except Australia in the second quarter of 2008. The most significant declines are expected against the U.K., France and Germany.

Our competitive price analysis suggests that for Chinese travellers, the cost of a 10-night stay in Canada, including airfare, hotels, meals, and other items, will increase 10.3 per cent in the second quarter compared with last year. Meanwhile, the cost of a similar trip to competitive destinations (U.S., U.K., France, Germany, and Australia) is expected to increase by an average of 1.4 per cent, year-over-year.

In terms of Canadian destinations, Ontario/Quebec will be the most price-competitive region for Chinese travellers in the second 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	Q2 2008 Index (Canada = 100)	Q2 2007 Index
Canada	10,864	13,709	7,514	6,854	38,941	100.0	100.0
Atlantic	13,040	12,102	7,022	6,854	39,018	100.2	102.0
Ontario/Quebec	8,678	14,475	7,447	6,854	37,454	96.2	104.5
Manitoba/Sask.	12,976	12,060	7,290	6,854	39,180	100.6	96.9
Alberta/B.C.	11,865	13,306	7,872	6,854	39,897	102.5	96.6
U.S.	10,403	10,934	3,805	7,948	33,089	85.0	93.6
France	6,701	16,169	8,259	5,698	36,827	94.6	104.9
Germany	6,580	17,658	8,597	5,577	38,412	98.6	107.9
U.K.	7,120	18,966	8,299	6,894	41,280	106.0	127.0
Australia	9,875	12,748	7,879	5,520	36,021	92.5	89.3

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 flights and flights with one stop between Australia and Canada during the second quarter is expected to increase by 118.9 per cent over the previous year. The reason for the large increase is the introduction of 24,570 seats on non-stop flights to British Columbia during this period. This level of air access should help accommodate the growth of Australian visits to Canada expected during the quarter.

<b>Seats Available for Travel From Australia to Canada (Q2—April to June)</b>			
<b>Seats available (includes one stop)</b>	<b>2007 (Direct)</b>	<b>2008 est. (Direct)</b>	<b>2007 vs. 2008 Change</b>
Canada (overall)	22,444	49,140	118.9%
B.C.	22,444	24,570	9.5%
Ontario	0	24,570	n.a.

Source: BACK Aviation Solutions.

## 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. For the Australian market, the competitive price analysis was based on a typical 10-night stay, priced in Australian dollars.

Canada's competitive price index is expected to decline against all competitive markets during the second quarter of 2008, compared with last year. Our competitive price analysis suggests that in the second quarter, the cost of a 10-night stay in Canada, including airfare, hotels, meals, and other items, will increase 3.5 per cent for Australian travellers compared with a year earlier. Meanwhile, the average cost of a similar trip to competitive destinations in the second quarter is expected to decline 6.9 per cent, year-over-year.

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

**Competitive Price Index—Australian Travellers to Canada  
(Australian Dollars, Based on 10-Night Stay)**

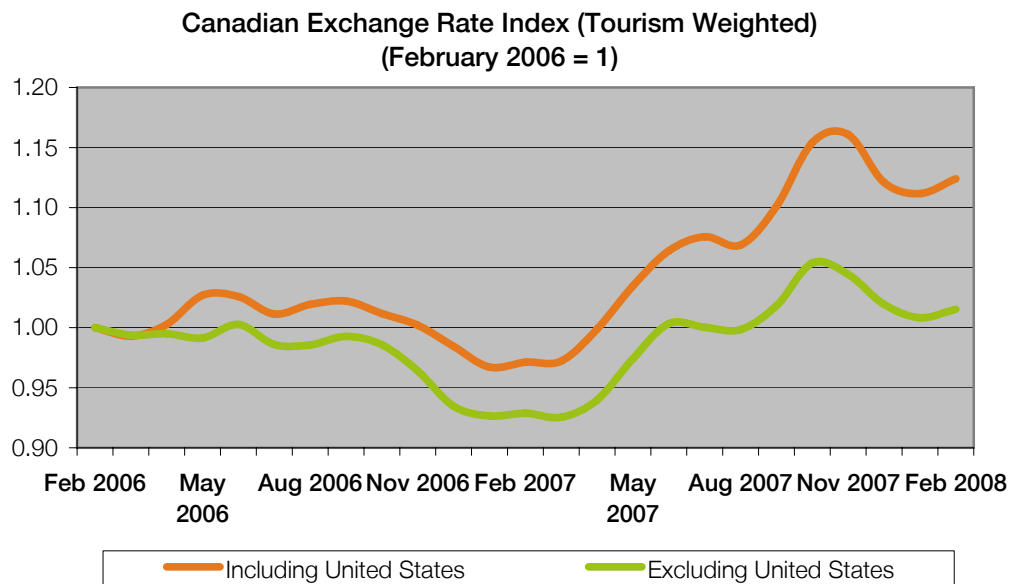
<b>Competitive Destinations</b>	<b>Airfare (Round-trip)</b>	<b>Hotel</b>	<b>Meals</b>	<b>Other Items</b>	<b>Total</b>	<b>Q2 2008 Index (Canada=100)</b>	<b>Q2 2007 Index</b>
Canada	\$2,526	\$2,071	\$1,135	\$1,035	\$6,767	100.0	100.0
Atlantic	\$2,826	\$1,828	\$1,061	\$1,035	\$6,750	99.8	97.6
Ontario/Quebec	\$2,857	\$2,186	\$1,125	\$1,035	\$7,204	106.5	105.7
Manitoba/Sask.	\$2,752	\$1,822	\$1,101	\$1,035	\$6,710	99.2	102.2
Alberta/B.C.	\$2,267	\$2,010	\$1,189	\$1,035	\$6,502	96.1	95.9
U.S.	\$2,045	\$1,652	\$575	\$1,201	\$5,472	80.9	90.4
U.K.	\$2,030	\$2,865	\$1,254	\$1,042	\$7,190	106.2	121.1
Japan	\$1,422	\$1,890	\$1,027	\$1,140	\$5,480	81.0	88.7
China	\$1,459	\$1,806	\$1,120	\$233	\$4,617	68.2	75.3
Hong Kong	\$1,122	\$3,587	\$1,234	\$1,044	\$6,986	103.2	115.0
Italy	\$2,111	\$3,009	\$1,372	\$823	\$7,314	108.1	116.1
India	\$1,495	\$2,845	\$832	\$258	\$5,431	80.3	91.5

*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 2005. The base value of the index is calculated using exchange rates from February 2006.



# Appendix 1: 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 2006. 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 from the perspective of the international travel markets covered by 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 May 13, 2008, and May 20, 2008—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 May 13, 2008, and May 20, 2008—the midpoint of the period under analysis. Last year's rates were estimated using the historical fare comparison of each flight segment from FareCompare.com. The transition in the last edition of 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	20 of the top 25 domestic U.S. journeys were probed using FareCompare and SideStep for the lowest prices on travel between May 13, 2008, and May 20, 2008—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 comparable rates for the same segments were estimated using the historical fare capability of FareCompare.com. The transition in the last edition of 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 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.