

U.S. and Overseas Travel to Canada

Short-Term Competitive Outlook Third Quarter 2008

WHAT'S INSIDE

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

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.

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

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

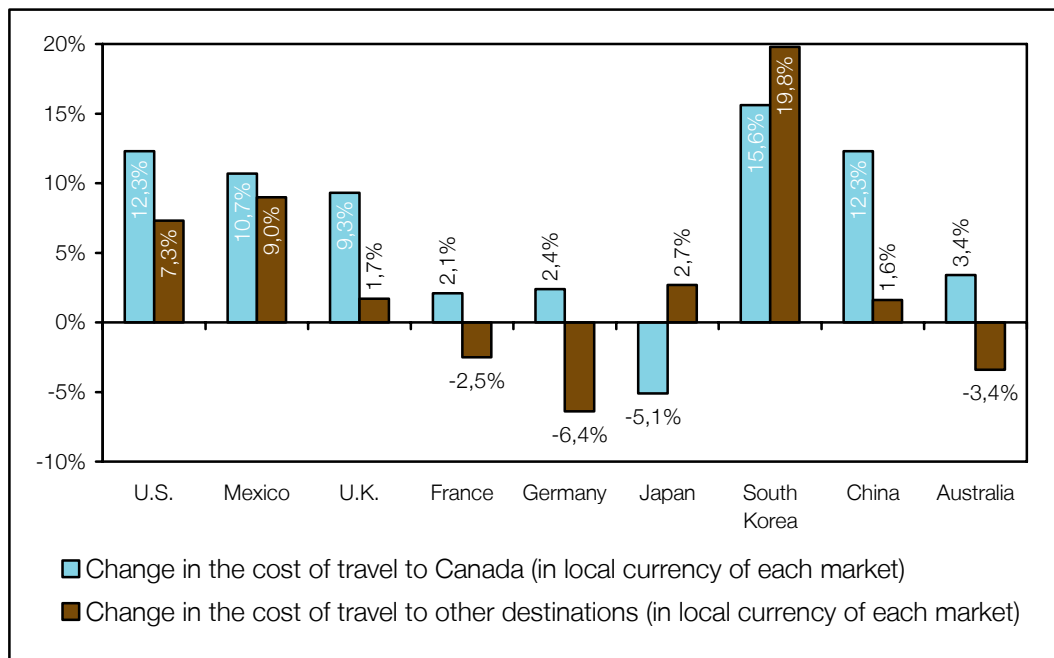
Competitive Price Index—Summary Table

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

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

The following summarizes the results of the competitive price index for the third 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 (Q3 2008 vs. Q3 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 third quarter of 2008, in large part because of the stronger Canadian dollar. The latest competitive price analysis suggests the overall cost of travelling to Canada will increase substantially, year-over-year, for many 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 growth in travel from specific travel markets is linked to improvements in air access.

The number of seats available (as of May 2008) for direct air travel from the United States to Canada during the third quarter of 2008 is expected to increase 5.3 per cent over the same quarter of 2007. Therefore, air access should not be an issue for U.S. visits to Canada during this period.

**Seats Available for Direct Travel From the U.S. to Canada
(Q3—July to September)**

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
to Canada (overall)	3,899,719	4,107,850	5.3%
B.C.	945,634	933,984	-1.2%
Alberta	505,609	530,098	4.8%
Saskatchewan	21,178	27,968	32.1%
Manitoba	82,677	82,995	0.4%
Ontario	1,670,294	1,816,074	8.7%
Quebec	562,984	621,083	10.3%
New Brunswick	7,780	4,600	-40.9%
Newfoundland & Labrador	7,800	11,408	46.3%
Nova Scotia	85,713	68,540	-20.0%
Prince Edward Island	8,450	9,500	12.4%
Yukon	1,600	1,600	0.0%

Source: BACK Aviation Solutions.

Air Capacity From the U.S. to Competitive Destinations

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

In the third quarter of 2008, air capacity will decline by 1.4 per cent on non-stop domestic routes within the United States, compared with a year earlier.

Seats Available for Domestic Travel Within the United States (Q3—July to September)

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
U.S. domestic destinations	237,834,613	234,455,431	-1.4%

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 3.3 points in the third quarter of 2008, compared with a year earlier. 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 12.3 per cent more in the third quarter of 2008 than it did a year earlier. All categories of the index, including airfares, hotels, meals, and other items registered year-over-year increases of between 11 per cent and 13 per cent.

Meanwhile, a similar trip within the U.S. is expected to cost 7.3 per cent more during the third quarter. In Canada, Ontario/Quebec will be the most price-competitive region for U.S. travellers during this period.

Competitive Price Index—U.S. Travellers to Canada (US\$, Based on Four-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2008 Index (Canada = 100)	Q3 2007 Index
Canada	\$1,124	\$721	\$388	\$361	\$2,594	100.0	100.0
Atlantic Canada	\$1,298	\$631	\$365	\$361	\$2,654	102.3	107.1
Ontario/Quebec	\$1,055	\$767	\$381	\$361	\$2,564	98.9	101.3
Manitoba/Sask.	\$1,229	\$623	\$379	\$361	\$2,593	100.0	99.6
Alberta/B.C.	\$1,147	\$683	\$409	\$361	\$2,599	100.2	95.4
U.S. (domestic)	\$562	\$628	\$214	\$451	\$1,855	71.5	74.8

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 surge by 20.3 per cent in the third 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 (Q3—July to September)

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs 2008 Change
Canada (overall)	101,216	121,738	20.3%
B.C.	25,156	30,658	21.9%
Alberta	3,380	14,420	326.6%
Manitoba	0	0	n.a.
Ontario	48,260	46,500	-3.6%
Quebec	24,420	30,160	23.5%
Nova Scotia	0	0	n.a.

Source: BACK Aviation Solutions.

Air Capacity From Mexico to Competitive Destinations

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

Seats Available for Travel From Mexico to Other International Destinations (Q3—July to September)

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
to the United States	3,128,628	2,925,097	-6.5%
to Italy	20,426	13,523	-33.8%
to Spain	110,424	119,261	8.0%

Source: BACK Aviation Solutions.

Direct air capacity from Mexico to the United States and Italy is expected to decrease in the third quarter of 2008 compared with the previous year. On the other hand, seat capacity to Spain is scheduled to increase by 8 per cent during the period

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 but increase against Spain during the third quarter of 2008. The index for Italy stayed the same.

Our competitive price analysis suggests that the cost of a seven-night stay in Canada during the third quarter, including airfare, hotels, meals, and other items, will increase 10.7 per cent for Mexican travellers, year-over-year. This increase will be mainly driven by a significant (21.4%) year-over-year increase in average airfares to Canada. Costs in other categories of the index are expected to increase around 8 per cent.

Meanwhile, the cost of a similar trip to other competitive destinations is expected to increase by an average of 9 per cent. In terms of Canadian destinations, the index shows that Alberta/B.C. will be the most price-competitive region for Mexican travellers during the third quarter.

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2008 Index (Canada = 100)	Q3 2007 Index
Canada	\$7,362	\$13,260	\$7,131	\$6,630	\$34,383	100.0	100.0
Atlantic	\$9,511	\$11,609	\$6,713	\$6,630	\$34,463	100.2	99.1
Ontario/Quebec	\$6,553	\$14,103	\$7,010	\$6,630	\$34,297	99.8	101.4
Manitoba/Sask.	\$10,183	\$11,465	\$6,976	\$6,630	\$35,254	102.5	100.7
Alberta/B.C.	\$7,052	\$12,563	\$7,522	\$6,630	\$33,766	98.2	97.5
U.S.	\$4,194	\$11,546	\$3,939	\$8,303	\$27,981	81.4	87.1
Spain	\$15,070	\$17,689	\$8,744	\$5,782	\$47,284	137.5	134.6
Italy	\$13,651	\$22,371	\$10,312	\$6,119	\$52,453	152.6	152.6

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 May 2008, the number of direct seats available from the United Kingdom to Canada during the third quarter of 2008 was expected to decrease 9.1 per cent compared with the same quarter of 2007. This drop in direct air capacity may curtail the growth of U.K. visits to Canada during the quarter.

Seats Available for Direct Travel From the U.K. to Canada (Q3—July to September)

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
Canada (overall)	823,518	748,856	-9.1%
B.C.	169,423	146,491	-13.5%
Alberta	133,419	139,040	4.2%
Manitoba	3,497	3,458	-1.1%
Ontario	394,130	358,136	-9.1%
Quebec	72,821	64,835	-11.0%
Nova Scotia	34,732	36,896	6.2%
Newfoundland	15,496	0	-100.0%

Source: BACK Aviation Solutions.

Air Capacity From the U.K. to Competitive Destinations

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

Seats Available for Travel From the U.K. to Other International Destinations (Q3—July to September)

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
to the United States	3,159,613	3,214,836	1.7%
to China	109,286	121,218	10.9%
to South Africa	223,770	225,042	0.6%
to Kenya/Nigeria/Ghana	254,725	242,600	-4.8%
to Brazil	56,294	53,228	-5.4%
to Mexico	53,648	43,585	-18.8%

Source: BACK Aviation Solutions.

The outlook is mixed for air access from the United Kingdom to competitive destinations during the third quarter of 2008. A substantial increase in direct air capacity is expected on routes to China (10.9%), and more modest growth is expected on routes to the United States and South Africa. Meanwhile, direct air capacity to other destinations is expected to decrease.

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 third 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 9.3 per cent, year-over-year. This increase can be attributed to significant increases in the cost of hotels, meals, and other items. Average airfares from the U.K. to Canada, on the other hand, are expected to increase only slightly overall (0.8%), because airfares to Alberta/B.C. have dropped significantly since last year.

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 by only 1.7 per cent. In terms of Canadian destinations, the index shows that Ontario/Quebec will be the most price-competitive region for U.K. travellers during the third 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	Q3 2008 Index (Canada = 100)	Q3 2007 Index
Canada	£559	£643	£346	£321	£1,869	100.0	100.0
Atlantic	£650	£563	£325	£321	£1,859	99.5	91.5
Ontario/Quebec	£476	£683	£340	£321	£1,821	97.4	95.4
Manitoba/Sask.	£759	£556	£338	£321	£1,974	105.6	105.6
Alberta/B.C.	£601	£609	£364	£321	£1,895	101.4	108.4
United States	£480	£559	£191	£402	£1,633	87.4	97.3
China	£605	£611	£376	£79	£1,671	89.4	91.3
South Africa	£595	£481	£204	£63	£1,342	71.8	82.4
Sub-Saharan Africa (Kenya, Nigeria, Ghana)	£649	£702	£314	£152	£1,817	97.2	96.7
Latin America (Brazil and Mexico)	£671	£549	£245	£172	£1,637	87.6	97.6

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 third quarter of 2008 is expected to expand by 15.1 per cent over the previous year. This increase should boost the growth potential of French travel to Canada—in particular to the West—during the quarter.

**Seats Available for Direct Travel From France to Canada
(Q3—July to September)**

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
Canada (overall)	362,542	417,139	15.1%
B.C.	0	3,993	n.a.
Alberta	6,994	11,713	67.5%
Ontario	71,075	76,094	7.1%
Quebec	281,509	325,339	15.6%
Nova Scotia	2,964	0	-100.0%

Source: *BACK Aviation Solutions.*

Air Capacity From France to Competitive Destinations

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

**Seats Available for Travel From France to Other International Destinations
(Q3—July to September)**

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
to the United States	1,103,255	1,172,058	6.2%
to Brazil	146,041	179,732	23.1%
to China	184,524	202,659	9.8%
to Nigeria/Ghana/Senegal	74,942	71,279	-4.9%

Source: *BACK Aviation Solutions.*

Most competitive tourism destinations are expected to see increases in direct air access from France during the third quarter of 2008. Substantial growth is anticipated for routes to Brazil (23.1%), and solid growth is expected for the United States and China. However, direct air services to popular sub-Saharan African destinations will be reduced.

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 third 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 2.1 per cent for French travellers over the previous year. Average airfares from France to Canada are expected to rise by more than 10 per cent compared with a year earlier, but other items in the index are expected to decline slightly.

Meanwhile, the average cost of a similar trip to competitive destinations (United States, China, sub-Saharan Africa, and Brazil) is expected to drop by 2.5 per cent. In terms of Canadian destinations, the index reveals that Ontario/Quebec will be the most price-competitive region for French travellers during the third quarter.

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2008 Index (Canada = 100)	Q3 2007 Index
Canada	€867	€817	€439	€408	€2,531	100.0	100.0
Atlantic	€1,034	€715	€413	€408	€2,571	101.6	96.3
Ontario/Quebec	€707	€869	€432	€408	€2,415	95.4	97.9
Manitoba/Sask.	€998	€706	€430	€408	€2,542	100.4	96.7
Alberta/B.C.	€1,035	€774	€463	€408	€2,680	105.9	105.6
United States	€813	€711	€243	€511	€2,278	90.0	95.5
China	€766	€777	€478	€100	€2,121	83.8	89.1
Sub-Saharan Africa (Nigeria, Ghana, Senegal)	€843	€885	€406	€137	€2,270	89.7	90.1
Brazil	€937	€726	€314	€76	€2,053	81.1	86.2

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 grow by a solid 6.1 per cent in the third quarter of 2008, year-over-year. This should ensure there is sufficient air access for German travel to Canada during the quarter.

Seats Available for Direct Travel From Germany to Canada (Q3—July to September)

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
Canada (overall)	321,562	341,123	6.1%
B.C.	59,765	59,278	-0.8%
Alberta	48,605	53,630	10.3%
Ontario	134,643	158,151	17.5%
Quebec	61,732	52,440	-15.1%
Nova Scotia	9,823	10,361	5.5%
Yukon	6,994	7,263	3.8%

Source: BACK Aviation Solutions.

Air Capacity From Germany to Competitive Destinations

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

Seats Available for Travel From Germany to Other International Destinations (Q3—July to September)

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
to the United States	1,753,645	1,781,280	1.6%
to South Africa	108,585	111,440	2.6%
to Brazil	107,343	93,165	-13.2%
to Mexico	55,092	55,038	-0.1%
to China	284,967	316,197	11.0%

Source: BACK Aviation Solutions

Direct air capacity is expected to increase between Germany and several competitive tourism destinations during the third quarter of 2008. Routes to China are slated for the largest increase (11%), while more modest growth is expected for routes to the United States and South Africa. Meanwhile, a slight decrease in air capacity is expected for Mexico, and a fairly substantial reduction is scheduled for Brazil.

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 third quarter of 2008. The largest decline is expected against China. 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 2.4 per cent for German visitors during the third quarter. Average airfares to Canada are expected to increase 11.2 per cent overall, driven mainly by double-digit increases in airfares to Ontario/Quebec, and Manitoba/Saskatchewan (16.8%). Other items in the index are expected to cost slightly less.

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 6.4 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 third quarter of 2008.

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2008 Index (Canada = 100)	Q3 2007 Index
Canada	€906	€817	€439	€408	€2,570	100.0	100.0
Atlantic	€915	€715	€413	€408	€2,452	95.4	96.9
Ontario/Quebec	€818	€869	€432	€408	€2,527	98.3	98.6
Manitoba/Sask.	€1,041	€706	€430	€408	€2,585	100.6	98.0
Alberta/B.C.	€1,005	€774	€463	€408	€2,650	103.1	103.9
United States	€790	€711	€243	€511	€2,255	87.8	93.5
China	€709	€777	€478	€100	€2,064	80.3	90.5
South Africa	€735	€611	€259	€80	€1,684	65.5	73.5
Latin America (Brazil and Mexico)	€953	€698	€312	€218	€2,180	84.8	90.3

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 third quarter of 2008, direct air capacity from Japan to Canada is scheduled for a 9.3 per cent reduction compared with the same quarter of 2007. Consequently, air access could be a hindrance for the Japanese travel market during this period.

Seats Available for Direct Travel From Japan to Canada (Q3—July to September)

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
Canada (overall)	117,705	106,812	-9.3%
B.C.	86,367	74,704	-13.5%
Ontario	31,338	32,108	2.5%

Source: *BACK Aviation Solutions.*

Air Capacity From Japan to Competitive Destinations

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

Seats Available for Travel From Japan to Other International Destinations (Q3—July to September)

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
to the United States	1,942,717	1,894,054	-2.5%
to France	244,375	248,916	1.9%
to Germany	209,502	211,416	0.9%
to Italy	87,028	83,536	-4.0%
to Australia	241,613	217,485	-10.0%

Source: *BACK Aviation Solutions.*

Direct air capacity from Japan to most competitive tourism destinations is expected to decline during the third quarter of 2008 compared with a year earlier. Reductions are expected on routes to the United States, Italy, and Australia, and only minimal growth is expected on routes to France and Germany.

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 improve during the third quarter of 2008 compared with all the markets it competes with for Japanese travellers. The most significant increases are expected against Germany and France.

Our competitive price analysis suggests that the cost of a 10-night stay in Canada, including airfare, hotels, meals, and other items, will decrease 5.1 per cent over last year for Japanese travellers. Decreases are expected in all categories of the index, in particular for average airfares to Canada (-10.5%).

Meanwhile, the average cost of travel to the five main long-haul destinations competing for Japanese travellers is expected to increase 2.7 per cent, year-over-year. In terms of Canadian destinations, Atlantic Canada will be the most price-competitive region for Japanese travellers during the third quarter.

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2008 Index (Canada = 100)	Q3 2007 Index
Canada	¥162,284	¥188,315	¥101,266	¥ 94,158	¥546,022	100.0	100.0
Atlantic	¥154,198	¥164,862	¥ 95,335	¥ 94,158	¥508,552	93.1	98.1
Ontario/Quebec	¥155,526	¥200,282	¥ 99,556	¥ 94,158	¥549,522	100.6	103.8
Manitoba/Sask.	¥177,703	¥162,814	¥ 99,074	¥ 94,158	¥533,750	97.8	97.8
Alberta/B.C.	¥165,917	¥178,409	¥106,822	¥ 94,158	¥545,306	99.9	97.3
U.S.	¥187,090	¥163,965	¥ 55,932	¥117,919	¥524,907	96.1	90.6
France	¥194,001	¥255,541	¥130,642	¥ 90,048	¥670,232	122.7	112.9
Germany	¥183,972	¥280,109	¥136,245	¥ 88,542	¥688,867	126.2	115.5
Italy	¥191,598	¥317,695	¥146,447	¥ 86,897	¥742,637	136.0	124.5
Australia	¥154,950	¥192,281	¥117,916	¥ 83,228	¥548,376	100.4	92.9

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 third quarter of 2008 is scheduled to decline 7.8 per cent compared with the previous year. This reduction in direct air access could hamper the growth potential of Korean visits during the quarter.

**Seats Available for Direct Travel From South Korea to Canada
(Q3—July to September)**

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
Canada (overall)	87,427	80,624	-7.8%
B.C.	53,056	52,608	-0.8%
Alberta	8,428	0	-100.0%
Ontario	25,943	28,016	8.0%

Source: *BACK Aviation Solutions.*

Air Capacity From South Korea to Competitive Destinations

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

**Seats Available for Travel From South Korea to Other International Destinations
(Q3—July to September)**

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
to the United States	562,373	602,051	7.1%
to Australia	75,128	85,810	14.2%
to Germany	98,233	122,332	24.5%
to the United Kingdom	49,110	47,250	-3.8%
to France	59,675	71,430	19.7%

Source: *BACK Aviation Solutions.*

Direct air access is expected to increase in the third quarter of 2008 to most competitive destinations, except the United Kingdom. Double-digit increases are scheduled for Australia, Germany, and France.

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 increase against all competitive markets except Australia in the third quarter of 2008. The most significant gains in competitiveness are expected against Germany and France.

Our competitive price analysis suggests that the cost of a 10-night stay in Canada, including airfare, hotels, meals, and other items, will increase 15.6 per cent for South Korean travellers compared with last year. Although average airfares to Canada are expected to rise only 3.3 per cent, other cost categories in the index are expected to increase by more than 23 per cent for South Koreans.

Meanwhile, the average cost of a similar trip to competitive destinations (U.S., U.K., France, Germany, and Australia) in the third quarter is expected to increase 19.8 per cent, year-over-year. In terms of Canadian destinations, Atlantic Canada will be the most price-competitive region for Korean travellers during the third 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	Q3 2008 Index (Canada = 100)	Q3 2007 Index
Canada	1,979,454	1,842,179	990,624	921,089	5,733,346	100.0	100.0
Atlantic	1,960,138	1,612,748	932,607	921,089	5,426,583	94.6	101.4
Ontario/Quebec	1,920,574	1,959,246	973,901	921,089	5,774,810	100.7	104.2
Manitoba/Sask.	2,636,683	1,592,720	969,186	921,089	6,119,677	106.7	106.6
Alberta/B.C.	1,958,931	1,745,269	1,044,981	921,089	5,670,270	98.9	96.1
U.S.	1,964,431	1,603,979	547,155	1,153,534	5,269,098	91.9	90.3
France	1,515,582	2,499,813	1,277,993	880,886	6,174,273	107.7	97.2
Germany	1,512,516	2,740,141	1,332,806	866,152	6,451,614	112.5	99.3
U.K.	1,590,185	2,727,643	1,193,576	991,655	6,503,060	113.4	110.7
Australia	1,342,869	1,880,977	1,153,505	814,175	5,191,525	90.5	100.5

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

After many quarters of substantial growth, direct air capacity from China to Canada is expected to decrease 4.6 per cent in the third quarter of 2008 compared with the previous year. This reduction may be an issue for the Chinese travel market during this period.

**Seats Available for Direct Travel From China to Canada
(Q3—July to September)**

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
Canada (overall)	149,912	142,950	-4.6%
B.C.	96,825	85,653	-11.5%
Ontario	53,087	57,297	7.9%

Source: BACK Aviation Solutions.

Air Capacity From China to Competitive Destinations

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

**Seats Available for Travel From China to Other International Destinations
(Q3—July to September)**

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
to the United States	678,776	791,381	16.6%
to Australia	151,739	166,182	9.5%
to Germany	310,664	346,221	11.4%
to France	184,025	229,083	24.5%
to the U.K.	110,938	121,442	9.5%

Source: BACK Aviation Solutions.

Direct air capacity to all key competitive destinations is slated for substantial growth in the third quarter of 2008 compared with the previous year. The most significant increases are scheduled for routes to the United States, France, and Germany.

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 in the third quarter of 2008. The most significant declines are expected against the U.K., Australia, and France.

Our competitive price analysis suggests that for Chinese travellers, the cost of a 10-night stay in Canada will increase 12.3 per cent in the third quarter compared with last year. Although modest increases are expected in hotels, meals and other costs, average airfares to Canada are expected to surge by more than 31 per cent.

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 just 1.6 per cent, year-over-year. In terms of Canadian destinations, Ontario/Quebec will be the most price-competitive region for Chinese travellers in the third 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	Q3 2008 Index (Canada=100)	Q3 2007 Index
Canada	18,453	12,601	6,776	6,300	44,130	100.0	100.0
Atlantic	32,582	11,031	6,379	6,300	56,292	127.6	103.9
Ontario/Quebec	16,192	13,401	6,662	6,300	42,555	96.4	106.5
Manitoba/Sask.	32,023	10,894	6,629	6,300	55,846	126.5	107.2
Alberta/B.C.	17,375	11,938	7,148	6,300	42,760	96.9	94.3
U.S.	14,616	10,971	3,743	7,890	37,220	84.3	90.1
France	7,221	17,099	8,742	6,025	39,087	88.6	95.1
Germany	7,074	18,743	9,116	5,920	40,853	92.6	97.2
U.K.	8,339	18,657	8,164	6,782	41,942	95.0	115.3
Australia	10,130	12,866	7,890	5,571	36,457	82.6	93.8

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 third quarter is expected to increase by 86 per cent over the previous year. The reason for the large increase is the introduction of non-stop flights to British Columbia during this period, accounting for 24,840 additional seats. This level of air access should bolster the growth potential of Australian visits to Canada during the quarter.

Seats Available for Travel From Australia to Canada (Q3—July to September)

Seats available (includes one stop)	2007	2008 est.	2007 vs. 2008 Change
Canada (overall)	26,705	49,680	86.0%
B.C.	26,705	24,840	-7.0%
Ontario	0	24,840	n.a.

Source: BACK Aviation Solutions.

Air Capacity From Australia to Competitive Destinations

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

Seats Available for Travel From Australia to Other International Destinations (Q3—July to September)

Non-stop seats available	2007 (Direct)	2008 est. (Direct)	2007 vs. 2008 Change
to the United States	296,091	289,113	-2.4%
to the U.K. (includes one stop)	219,041	219,420	0.2%
to China	96,719	130,720	35.2%
to Hong Kong	332,827	402,031	20.8%
to Japan	241,842	217,714	-10.0%
to Italy	0	0	n.a.
to India	11,880	11,817	-0.5%

Source: BACK Aviation Solutions.

The outlook is mixed for air capacity from Australia to other competitive destinations in the third quarter of 2008. Substantial increases are expected for China and Hong Kong, and slight growth is scheduled for the United Kingdom. However, decreases are expected on routes to the United States, Japan, and India.

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 third quarter of 2008, compared with last year. Our competitive price analysis suggests that in the third quarter, the cost of a 10-night stay in Canada, including airfare, hotels, meals, and other items, will increase 3.4 per cent for Australian travellers compared with a year earlier. This increase is mainly because of a significant rise (11.4%) in average airfares to Canada.

Meanwhile, the average cost of a similar trip to competitive destinations in the second quarter is expected to decline 3.4 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 third quarter.

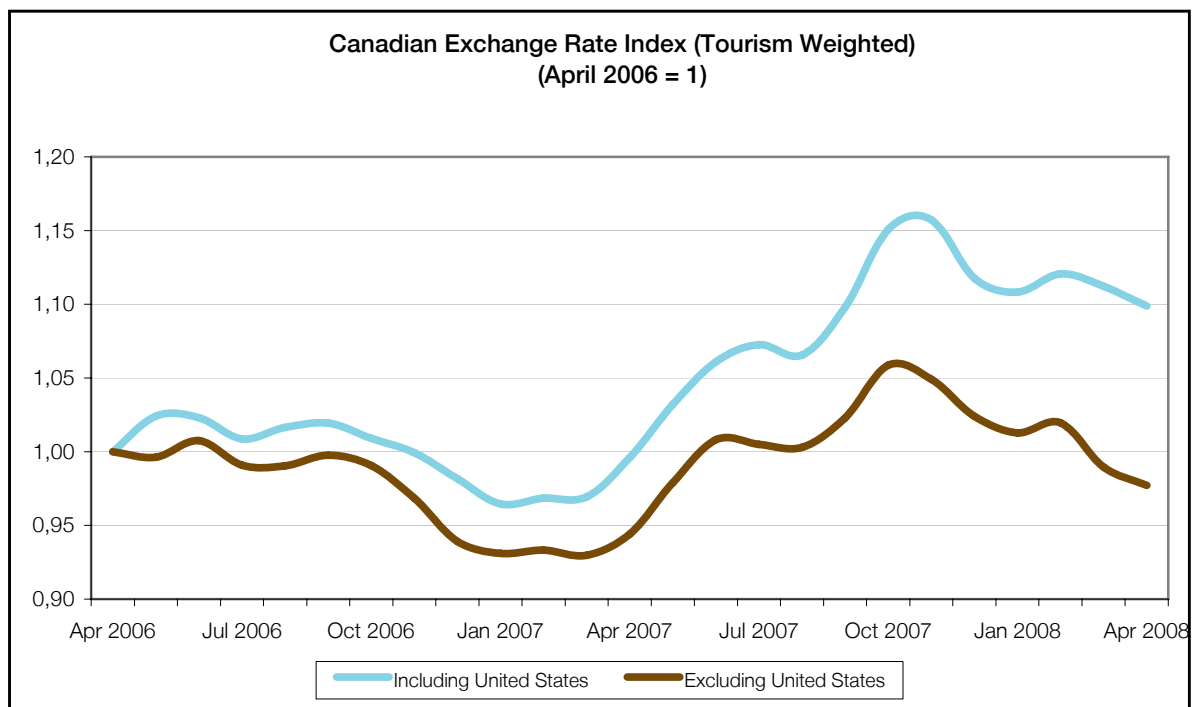
Competitive Price Index—Australian Travellers to Canada (Australian Dollars, Based on 10-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2008 Index (Canada=100)	Q3 2007 Index
Canada	\$2,811	\$1,915	\$1,030	\$957	\$6,713	100.0	100.0
Atlantic	\$3,040	\$1,676	\$969	\$957	\$6,643	99.0	97.6
Ontario/Quebec	\$3,006	\$2,036	\$1,012	\$957	\$7,012	104.5	103.4
Manitoba/Sask.	\$3,099	\$1,655	\$1,007	\$957	\$6,720	100.1	99.1
Alberta/B.C.	\$2,640	\$1,814	\$1,086	\$957	\$6,498	96.8	97.6
U.S.	\$2,412	\$1,667	\$569	\$1,199	\$5,846	87.1	89.9
U.K.	\$2,551	\$2,835	\$1,241	\$1,031	\$7,658	114.1	124.2
Japan	\$1,520	\$1,966	\$1,074	\$1,186	\$5,745	85.6	86.0
China	\$1,430	\$1,821	\$1,120	\$235	\$4,606	68.6	81.2
Hong Kong	\$1,282	\$3,550	\$1,221	\$1,033	\$7,085	105.5	110.9
Italy	\$2,060	\$3,230	\$1,489	\$884	\$7,662	114.1	120.4
India	\$1,530	\$2,816	\$823	\$256	\$5,424	80.8	88.4

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 April 2006.



Appendix: Construction of the Competitive Price Index

Overview

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

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

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

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

Methodology

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

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

Average Length of Stay

The figures used to establish average length of stay for Canada's international travellers were determined by geography. Short-haul travellers (from the United States) were assumed to spend only four nights on average in Canada. Meanwhile, travellers from Europe and Mexico were assumed to spend an average of seven nights in Canada. Long-haul travellers from Asia-Pacific were assumed to spend an average of 10 nights in Canada. For the most part, the average length of stay was close to the average reported in the last full year of international arrivals data from Statistics Canada's International Travel Survey in 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 in the *Short-Term Competitive Outlook* was provided by the Canadian Tourism Commission. The following table shows the competitive destinations for each international travel market monitored in the *Short-Term Competitive Outlook*.

Table A2: Canada's Competitive Destinations

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

Cost Components of the Competitive Price Index

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

Table A3: Competitive Price Index Components

Index component	Data sources/proxy values used
International airfares to Canada and other destinations (excluding airfare from the U.S. to Canada)	Lowest price obtained through web queries using travel search engines FareCompare and SideStep. The period examined was for travel between August 12, 2008, and August 19, 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 August 12, 2008, and August 19, 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 recent transition in this report to a lowest fare reporting on transborder flights was a departure from our original approach, which used average fares paid (including business and economy flights as well as discount flights). To accommodate the significantly lower costs reported by lowest fare reporting into the competitive price calculation, average airfares were multiplied by 2 (assuming an average travel party size of two adults).
Domestic U.S. average airfares	FareCompare and SideStep were used to probe 20 of the top 25 domestic U.S. journeys for the lowest prices on travel between August 12, 2008, and August 19, 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 recent transition in this report to a lowest fare average for domestic flights also represented a significant departure from our original approach of reporting average domestic fares. Once again, we multiplied the lowest average airfares by 2 (assuming an average travel party size of two adults).
U.S. hotel rates	The latest monthly published per diem from the U.S. Department of State, Office of Allowances. Since taxes and charges were not included, an additional 12.4% was added (the average rate according to the American Hotel & Lodging Association).
International hotel rates (including Canada)	U.S. Department of Defense. The maximum rates of per diem allowances for hotels outside the United States are established by the Secretary of State and updated every month. All taxes are included.
U.S. meal rates	Monthly published per diems from the U.S. Department of State, Office of Allowances. The amount allocated for incidentals was not used.
International meal rates (including Canada)	U.S. Department of Defense. The maximum rates of per diem allowances for meals outside the United States are provided by the Secretary of State and updated every month. The amount allocated for incidentals was not included.
Other items	This category includes all other travel-related spending at the destination aside from accommodation and meals. Specifically, this includes other intercity public transportation, private transportation, local transportation, retail, recreation and entertainment, and other miscellaneous purchases. For Canada, this figure was calculated to be equal to 50% of the allocated hotel spending at the national level. To estimate the cost in competing destinations, this figure was converted using the relative purchasing power parity (PPP) of the competing market to that of Canada. The PPP estimates were produced by the World Bank (2004).

Overall Construction of the Competitive Price Index

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