

U.S. and Overseas Travel to Canada

Short-Term Competitive Outlook Fourth Quarter 2008

WHAT'S INSIDE

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

Prepared for:
The Canadian Tourism Commission (CTC)

By:

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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 growth in travel from specific markets is linked to improvements in air access.

Please note: the air capacity tables list the number of seats available as of July 2008, but these numbers may change as airlines adjust their schedules.

Air capacity to competitive destinations: A comparison of air services from key international markets to travel destinations competing with Canada for those markets is an important measurement of Canada's relative performance as an international tourism destination. A table for each travel market country illustrates the level and rate of change in direct air service from that country to competing long-haul travel destinations for the upcoming travel season. The data represents the number of seats available from each market as of July 2008, but these numbers may change as airlines adjust their schedules.

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.

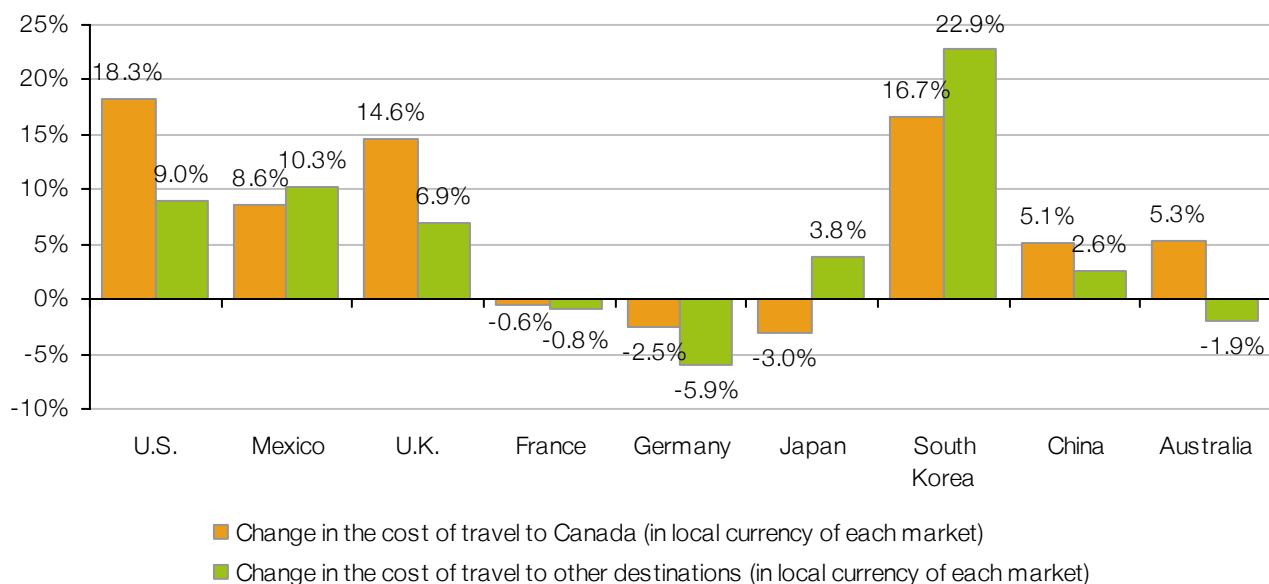
Competitive Price Index—Summary Table

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 fourth 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
(Q4 2008 vs. Q4 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 six key competitive destinations in the fourth quarter of 2008, in large part because of the strong Canadian dollar. In addition, substantial increases in airfares are boosting the overall cost of travelling to Canada from many international markets, and contributing to the reduction in price competitiveness. For details, please see the competitive price index found in each country section of this report.

United States

U.S.-to-Canada Air Capacity

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

It is important to note that the tables list the number of seats available as of July 2008, but these numbers may change as airlines adjust their schedules.

The number of seats available (as of July 2008) on non-stop flights from the United States to Canada is scheduled to increase 3.1 per cent during the fourth quarter of 2008 over the same quarter of 2007. However, in light of recent announcements by U.S. and Canadian airlines about plans to reduce capacity later this year, it is possible that growth may be less.

**Seats Available for Direct Travel From the U.S. to Canada
(Q4—October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|---------------------------------|--------------------------|-------------------------------|---------------------------------|
| to Canada (overall) | 3,757,265 | 3,875,170 | 3.1% |
| B.C. | 756,938 | 704,151 | -7.0% |
| Alberta | 499,911 | 575,474 | 15.1% |
| Saskatchewan | 28,150 | 44,620 | 58.5% |
| Manitoba | 76,110 | 84,532 | 11.1% |
| Ontario | 1,739,597 | 1,780,455 | 2.3% |
| Quebec | 578,490 | 609,748 | 5.4% |
| New Brunswick | 7,146 | 4,600 | -35.6% |
| Newfoundland & Labrador | 3,950 | 6,968 | 76.4% |
| Nova Scotia | 65,413 | 63,062 | -3.6% |
| Prince Edward Island | 0 | 0 | n.a. |
| Yukon | 1,560 | 1,560 | 0.0% |

Source: BACK Aviation Solutions.

Air Capacity From the U.S. to Competitive Destinations

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

In the fourth quarter of 2008, air capacity is expected to decline by 8.6 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
(Q4—October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|----------------------------|------------------|-----------------------|-------------------------|
| U.S. domestic destinations | 233,978,154 | 213,877,281 | -8.6% |

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 5.9 points in the fourth quarter of 2008, compared with a year earlier. While the strong value of the Canadian dollar continues to be an issue, a significant increase in average airfares to Canada during the fourth quarter will also contribute to the expected reduction in price competitiveness.

Overall, the analysis suggests that a four-night stay in Canada for U.S. travellers, including airfare, hotels, meals, and other items, will cost 18.3 per cent more in the fourth quarter of 2008 than it did a year earlier. Average airfares during the quarter are expected to increase 35.2 per cent.

Meanwhile, a similar trip within the United States is expected to cost 9 per cent more during the fourth 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 | Q4 2008 Index (Canada = 100) | Q4 2007 Index |
|---------------------------------|-----------------------------|--------------|--------------|--------------------|--------------|-------------------------------------|----------------------|
| Canada | \$1,140 | \$738 | \$396 | \$369 | \$2,642 | 100.0 | 100.0 |
| Atlantic Canada | \$1,348 | \$636 | \$368 | \$369 | \$2,722 | 103.0 | 90.0 |
| Ontario/Quebec | \$1,032 | \$765 | \$386 | \$369 | \$2,553 | 96.6 | 99.4 |
| Manitoba/Sask. | \$1,317 | \$627 | \$381 | \$369 | \$2,693 | 101.9 | 103.3 |
| Alberta/B.C. | \$1,189 | \$732 | \$427 | \$369 | \$2,717 | 102.8 | 102.7 |
| U.S. (domestic) | \$524 | \$627 | \$218 | \$451 | \$1,820 | 68.9 | 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 scheduled to expand by 13.7 per cent in the fourth 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
(Q4—October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|---------------------------------|--------------------------|-------------------------------|---------------------------------|
| Canada (overall) | 114,770 | 130,522 | 13.7% |
| B.C. | 28,348 | 30,832 | 8.8% |
| Alberta | 5,684 | 14,869 | 161.6% |
| Manitoba | 280 | 140 | -50.0% |
| Ontario | 54,404 | 55,641 | 2.3% |
| Quebec | 25,178 | 29,040 | 15.3% |
| Nova Scotia | 876 | 0 | -100.0% |

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
(Q4—October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|---------------------------------|--------------------------|-------------------------------|---------------------------------|
| to the United States | 3,200,427 | 2,888,666 | -9.7% |
| to Italy | 19,456 | 14,410 | -25.9% |
| to Spain | 99,429 | 122,423 | 23.1% |

Source: BACK Aviation Solutions.

Direct air capacity from Mexico to the United States and Italy is expected to decrease substantially in the fourth quarter of 2008 compared with the previous year. On the other hand, seat capacity to Spain is scheduled to expand by 23.1 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 fourth quarter of 2008. The index for Italy is expected to remain about the same.

Our competitive price analysis suggests that the cost of a seven-night stay in Canada during the fourth quarter, including airfare, hotels, meals, and other items, will increase 8.6 per cent for Mexican travellers, year-over-year. This increase will be mainly driven by a 31.9 per cent jump in average airfares to Canada from Mexico. Costs in other categories of the index are expected to increase by approximately 8 per cent.

Meanwhile, the cost of a similar trip to other competitive destinations is expected to increase by an average of 10.3 per cent. While the index suggests that Atlantic Canada will be the most price-competitive region in Canada for Mexican travellers during the fourth quarter, the difference between the regions is fairly small.

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

| Competitive Destinations | Airfare (Round-trip) | Hotel | Meals | Other Items | Total | Q4 2008 Index (Canada = 100) | Q4 2007 Index |
|--------------------------|----------------------|----------|----------|-------------|----------|------------------------------|---------------|
| Canada | \$7,378 | \$13,336 | \$7,161 | \$6,668 | \$34,542 | 100.0 | 100.0 |
| Atlantic | \$9,306 | \$11,502 | \$6,657 | \$6,668 | \$34,132 | 98.8 | 96.4 |
| Ontario/Quebec | \$6,697 | \$13,824 | \$6,983 | \$6,668 | \$34,172 | 98.9 | 100.3 |
| Manitoba/Sask. | \$9,388 | \$11,324 | \$6,887 | \$6,668 | \$34,267 | 99.2 | 100.2 |
| Alberta/B.C. | \$7,202 | \$13,237 | \$7,715 | \$6,668 | \$34,822 | 100.8 | 99.9 |
| U.S. | \$4,828 | \$11,334 | \$3,936 | \$8,155 | \$28,252 | 81.8 | 85.3 |
| Spain | \$11,201 | \$17,489 | \$8,627 | \$5,716 | \$43,033 | 124.6 | 115.9 |
| Italy | \$9,626 | \$21,985 | \$10,135 | \$6,014 | \$47,759 | 138.3 | 136.4 |

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 July 2008, the number of direct seats available from the United Kingdom to Canada during the fourth quarter of 2008 was expected to grow by 6.7 per cent compared with the same quarter of 2007. This expansion in direct air access may help facilitate the growth of U.K. visits to Canada during the quarter.

**Seats Available for Direct Travel From the U.K. to Canada
(Q4 – October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|--------------------------|------------------|-----------------------|-------------------------|
| Canada (overall) | 464,529 | 495,805 | 6.7% |
| B.C. | 70,667 | 84,223 | 19.2% |
| Alberta | 79,913 | 80,936 | 1.3% |
| Manitoba | 1,345 | 3,458 | 157.1% |
| Ontario | 237,071 | 243,983 | 2.9% |
| Quebec | 51,536 | 49,343 | -4.3% |
| Nova Scotia | 22,073 | 33,862 | 53.4% |
| Newfoundland | 1,924 | 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
(Q4 – October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|--------------------------|------------------|-----------------------|-------------------------|
| to the United States | 2,861,895 | 2,846,210 | -0.5% |
| to China | 97,793 | 104,911 | 7.3% |
| to South Africa | 262,362 | 256,951 | -2.1% |
| to Kenya/Nigeria/Ghana | 231,293 | 221,171 | -4.4% |
| to Brazil | 71,689 | 58,191 | -18.8% |
| to Mexico | 35,089 | 23,588 | -32.8% |

Source: BACK Aviation Solutions.

Direct air access from the U.K. is expected to decrease on routes to most competitive destinations during the fourth quarter of 2008, except China. Direct air capacity to China is expected to grow 7.3 per cent during the period. Meanwhile, routes to the United States and sub-Saharan African destinations are expected to see modest cuts in capacity, while more substantial reductions are expected on routes to Brazil and Mexico.

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 fourth quarter of 2008, Canada's competitive price index is expected to decline against all competitive markets excluding Latin America. The largest declines are expected against South Africa, China and 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 14.6 per cent, year-over-year. This large increase can be attributed to rising costs in all categories, including airfares, hotels, meals, and other items. In particular, airfares from the U.K. to Canada are expected to increase by an average of 23.9 per cent over the previous year.

Overall, the average cost of a similar trip to competitive destinations (United States, China, South Africa, sub-Saharan Africa, Brazil, and Mexico) is expected to increase more modestly (6.9%). In terms of Canadian destinations, the index shows that Atlantic Canada will be the most price-competitive region for U.K. travellers during the fourth 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 | Q4 2008 Index (Canada = 100) | Q4 2007 Index |
|--|----------------------|-------|-------|-------------|--------|------------------------------|---------------|
| Canada | £427 | £657 | £353 | £328 | £1,765 | 100.0 | 100.0 |
| Atlantic | £453 | £566 | £328 | £328 | £1,675 | 94.9 | 89.8 |
| Ontario/Quebec | £374 | £681 | £344 | £328 | £1,727 | 97.8 | 97.4 |
| Manitoba/Sask. | £535 | £558 | £339 | £328 | £1,760 | 99.7 | 112.4 |
| Alberta/B.C. | £472 | £652 | £380 | £328 | £1,832 | 103.8 | 102.9 |
| United States | £275 | £558 | £194 | £402 | £1,429 | 81.0 | 88.1 |
| China | £378 | £612 | £377 | £79 | £1,446 | 81.9 | 89.7 |
| South Africa | £460 | £485 | £210 | £63 | £1,217 | 69.0 | 81.7 |
| Sub-Saharan Africa (Kenya, Nigeria, Ghana) | £387 | £708 | £343 | £153 | £1,590 | 90.1 | 93.0 |
| Latin America (Brazil and Mexico) | £585 | £552 | £246 | £173 | £1,556 | 88.2 | 86.7 |

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 fourth quarter of 2008 is expected to expand by 6.5 per cent over the previous year. This increase should continue to boost the growth potential of French travel to Canada during the quarter, particularly to Alberta.

**Seats Available for Direct Travel From France to Canada
(Q4 – October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|---------------------------------|----------------------|---------------------------|-----------------------------|
| Canada (overall) | 197,934 | 210,898 | 6.5% |
| Alberta | 2,421 | 7,605 | 214.1% |
| Ontario | 50,066 | 48,488 | -3.2% |
| Quebec | 144,763 | 154,805 | 6.9% |
| Nova Scotia | 684 | 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
(Q4 – October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|---------------------------------|----------------------|---------------------------|-----------------------------|
| to the United States | 935,287 | 1,002,421 | 7.2% |
| to Brazil | 181,963 | 165,136 | -9.2% |
| to China | 170,558 | 180,723 | 6.0% |
| to Nigeria/Ghana/Senegal | 73,856 | 80,417 | 8.9% |

Source: BACK Aviation Solutions.

Most competitive tourism destinations are expected to see solid increases in direct air access from France during the fourth quarter of 2008. However, direct air services to Brazil during the quarter are expected to decline by 9.2 per cent from the previous year.

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 fourth quarter of 2008, Canada's competitive price index is expected to decline against the United States and China, but improve against Brazil and sub-Saharan Africa. Our competitive price analysis suggests that the average cost of a seven-night stay in Canada, including airfare, hotels, meals, and other items, will decrease 0.6 per cent for French travellers over the previous year. While average airfares from France to Canada are expected to rise by more than 12 per cent over a year earlier, other items in the index are expected to decline moderately.

Meanwhile, the average cost of a similar trip to competitive destinations (United States, China, sub-Saharan Africa, and Brazil) is expected to decline by 0.8 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 fourth quarter.

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

| Competitive Destinations | Airfare (Round-trip) | Hotel | Meals | Other Items | Total | Q4 2008 Index (Canada = 100) | Q4 2007 Index |
|--|----------------------|-------|-------|-------------|---------|------------------------------|---------------|
| Canada | € 609 | € 830 | € 446 | € 415 | € 2,299 | 100.0 | 100.0 |
| Atlantic | € 688 | € 716 | € 414 | € 415 | € 2,233 | 97.1 | 95.6 |
| Ontario/Quebec | € 485 | € 860 | € 435 | € 415 | € 2,195 | 95.5 | 97.8 |
| Manitoba/Sask. | € 744 | € 705 | € 429 | € 415 | € 2,292 | 99.7 | 95.3 |
| Alberta/B.C. | € 744 | € 824 | € 480 | € 415 | € 2,462 | 107.1 | 106.0 |
| United States | € 502 | € 705 | € 245 | € 507 | € 1,960 | 85.2 | 88.4 |
| China | € 659 | € 774 | € 476 | € 100 | € 2,009 | 87.4 | 90.6 |
| Sub-Saharan Africa (Nigeria, Ghana, Senegal) | € 682 | € 878 | € 403 | € 136 | € 2,099 | 91.3 | 90.0 |
| Brazil | € 850 | € 730 | € 316 | € 76 | € 1,973 | 85.8 | 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 surge by nearly 16 per cent in the fourth 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
(Q4 – October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|---------------------------------|--------------------------|-------------------------------|---------------------------------|
| Canada (overall) | 183,285 | 212,444 | 15.9% |
| Alberta | 27,485 | 27,124 | -1.3% |
| B.C. | 28,316 | 34,847 | 23.1% |
| Ontario | 89,081 | 111,391 | 25.0% |
| Quebec | 35,680 | 36,970 | 3.6% |
| Nova Scotia | 1,109 | 1,574 | 41.9% |
| Yukon | 1,614 | 538 | -66.7% |

Source: BACK Aviation Solutions.

Air Capacity From Germany to Competitive Destinations

A comparison of air services from Germany to travel destinations competing with Canada for the German travel market is an important measurement of Canada's relative performance as an international tourism destination. The table below illustrates 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
(Q4 – October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|---------------------------------|--------------------------|-------------------------------|---------------------------------|
| to the United States | 1,487,380 | 1,453,744 | -2.3% |
| to South Africa | 142,886 | 133,102 | -6.8% |
| to Brazil | 107,629 | 86,434 | -19.7% |
| to Mexico | 54,379 | 60,030 | 10.4% |
| to China | 263,563 | 282,850 | 7.3% |

Source: BACK Aviation Solutions.

The outlook for direct air capacity between Germany and key competitive tourism destinations for the fourth quarter is mixed. Routes to Mexico and China are slated for solid increases in direct air access during the period. On the other hand, reductions are expected on routes to the United States, South Africa and 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 fourth quarter of 2008. The largest decline is expected against China. The competitive price analysis suggests that the average cost of a seven-night stay in Canada, including airfare, hotels, meals, and other items, will decline 2.5 per cent for German visitors during the fourth quarter. While average airfares to Canada are expected to increase by a modest 3.7 per cent overall, airfares to Atlantic Canada are expected to increase 22.7 per cent. Other items in the index are expected to cost less than last year.

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 5.9 per cent, year-over-year. In terms of Canadian destinations, the index suggests that Ontario/Quebec will be the most price-competitive region for German travellers in the fourth 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 | Q4 2008 Index (Canada = 100) | Q4 2007 Index |
|-----------------------------------|----------------------|-------|-------|-------------|---------|------------------------------|---------------|
| Canada | € 605 | € 830 | € 446 | € 415 | € 2,295 | 100.0 | 100.0 |
| Atlantic | € 696 | € 716 | € 414 | € 415 | € 2,241 | 97.6 | 93.1 |
| Ontario/Quebec | € 501 | € 860 | € 435 | € 415 | € 2,210 | 96.3 | 99.1 |
| Manitoba/Sask. | € 719 | € 705 | € 429 | € 415 | € 2,267 | 98.7 | 97.8 |
| Alberta/B.C. | € 711 | € 824 | € 480 | € 415 | € 2,429 | 105.8 | 103.8 |
| United States | € 489 | € 705 | € 245 | € 507 | € 1,946 | 84.8 | 87.1 |
| China | € 503 | € 774 | € 476 | € 100 | € 1,852 | 80.7 | 86.4 |
| South Africa | € 706 | € 613 | € 265 | € 80 | € 1,663 | 72.5 | 74.8 |
| Latin America (Brazil and Mexico) | € 713 | € 698 | € 311 | € 218 | € 1,941 | 84.5 | 86.0 |

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 fourth quarter of 2008, direct air capacity from Japan to Canada is scheduled for a 7.3 per cent reduction compared with the same quarter of 2007. The overall reduction is due to a 19 per cent decline in air capacity to British Columbia, although direct air access to Ontario is expected to increase by 33 per cent during the period. Consequently, the overall reduction in non-stop seats to Canada could be a hindrance for the Japanese travel market during this period.

**Seats Available for Direct Travel From Japan to Canada
(Q4 – October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|--------------------------|------------------|-----------------------|-------------------------|
| Canada (overall) | 89,920 | 83,373 | -7.3% |
| B.C. | 69,784 | 56,558 | -19.0% |
| Ontario | 20,136 | 26,815 | 33.2% |

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
(Q4 – October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|--------------------------|------------------|-----------------------|-------------------------|
| to the United States | 1,875,504 | 1,877,663 | 0.1% |
| to France | 220,569 | 227,976 | 3.4% |
| to Germany | 205,138 | 206,331 | 0.6% |
| to Italy | 86,446 | 83,536 | -3.4% |
| to Australia | 229,071 | 191,148 | -16.6% |

Source: BACK Aviation Solutions.

The outlook is mixed for direct air capacity from Japan to key competitive destinations during the fourth quarter. Modest increases are expected on routes to the United States, France and Germany, while reductions are expected on routes Italy and Australia.

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 against nearly all competitive markets during the fourth quarter of 2008, except the United States. 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 3 per cent from last year for Japanese travellers. Decreases are expected in all categories of the index, except airfares, which are expected to rise by an average of 5.5 per cent.

Meanwhile, the average cost of travel to the long-haul destinations competing for Japanese travellers is expected to increase 3.8 per cent, year-over-year. In terms of Canadian destinations, Manitoba/Saskatchewan will be the most price-competitive region for Japanese travellers during the fourth quarter.

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

| Competitive Destinations | Airfare (Round-trip) | Hotel | Meals | Other Items | Total | Q4 2008 Index (Canada = 100) | Q4 2007 Index |
|--------------------------|----------------------|----------|----------|-------------|-----------|------------------------------|---------------|
| Canada | ¥118,115 | ¥197,225 | ¥105,899 | ¥ 98,612 | ¥ 519,850 | 100.0 | 100.0 |
| Atlantic | ¥147,122 | ¥170,107 | ¥ 98,446 | ¥ 98,612 | ¥ 514,287 | 98.9 | 96.5 |
| Ontario/Quebec | ¥121,919 | ¥204,446 | ¥103,274 | ¥ 98,612 | ¥ 528,251 | 101.6 | 104.4 |
| Manitoba/Sask. | ¥121,889 | ¥167,468 | ¥101,856 | ¥ 98,612 | ¥ 489,825 | 94.2 | 99.8 |
| Alberta/B.C. | ¥112,713 | ¥195,761 | ¥114,106 | ¥ 98,612 | ¥ 521,192 | 100.3 | 98.0 |
| U.S. | ¥117,029 | ¥167,614 | ¥ 58,206 | ¥120,604 | ¥ 463,453 | 89.2 | 89.6 |
| France | ¥ 98,366 | ¥263,888 | ¥134,775 | ¥ 92,989 | ¥ 590,018 | 113.5 | 105.2 |
| Germany | ¥110,769 | ¥287,538 | ¥139,440 | ¥ 90,890 | ¥ 628,637 | 120.9 | 106.5 |
| Italy | ¥ 95,800 | ¥325,145 | ¥149,882 | ¥ 88,935 | ¥ 659,762 | 126.9 | 117.9 |
| Australia | ¥223,334 | ¥201,514 | ¥123,698 | ¥ 87,224 | ¥ 635,771 | 122.3 | 114.7 |

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 fourth quarter of 2008 is scheduled to decline 9.9 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
(Q4 – October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|---------------------------------|--------------------------|-------------------------------|---------------------------------|
| Canada (overall) | 59,791 | 53,856 | -9.9% |
| B.C. | 47,641 | 44,141 | -7.3% |
| Ontario | 12,150 | 9,715 | -20.0% |

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
(Q4 – October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|---------------------------------|--------------------------|-------------------------------|---------------------------------|
| to the United States | 532,485 | 586,849 | 10.2% |
| to Australia | 85,464 | 88,346 | 3.4% |
| to Germany | 100,270 | 119,818 | 19.5% |
| to the United Kingdom | 47,560 | 46,940 | -1.3% |
| to France | 57,125 | 70,220 | 22.9% |

Source: BACK Aviation Solutions.

Direct air access is expected to increase to most competitive destinations during the fourth quarter of 2008, except the United Kingdom. Double-digit increases are scheduled for the United States, 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 the U.K., in the fourth quarter of 2008. The most significant gains are expected against Germany and France.

However, the competitive price analysis suggests that the cost of a 10-night stay in Canada, including airfare, hotels, meals, and other items, will increase 16.7 per cent over last year for South Korean travellers. Although average airfares to Canada are expected to rise by a modest 5.9 per cent, other categories in the index are expected to increase by more than 21 per cent.

Meanwhile, the average cost of a similar trip to competitive destinations (U.S., U.K., France, Germany, and Australia) in the fourth quarter is expected to increase 22.9 per cent, year-over-year. In terms of Canadian destinations, Alberta/B.C. will be the most price-competitive region for Korean travellers during the period.

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

| Competitive Destinations | Airfare (Round-trip) | Hotel | Meals | Other Items | Total | Q4 2008 Index (Canada = 100) | Q4 2007 Index |
|--------------------------|----------------------|-----------|-----------|-------------|-----------|------------------------------|---------------|
| Canada | 1,546,683 | 1,903,276 | 1,021,955 | 951,638 | 5,423,552 | 100.0 | 100.0 |
| Atlantic | 1,827,336 | 1,641,585 | 950,034 | 951,638 | 5,370,592 | 99.0 | 103.9 |
| Ontario/Quebec | 1,790,485 | 1,972,962 | 996,624 | 951,638 | 5,711,709 | 105.3 | 109.2 |
| Manitoba/Sask. | 1,933,612 | 1,616,118 | 982,937 | 951,638 | 5,484,304 | 101.1 | 96.2 |
| Alberta/B.C. | 1,330,847 | 1,889,150 | 1,101,153 | 951,638 | 5,272,788 | 97.2 | 94.6 |
| U.S. | 1,557,053 | 1,617,528 | 561,702 | 1,163,866 | 4,900,150 | 90.3 | 86.1 |
| France | 1,553,906 | 2,546,597 | 1,300,620 | 897,372 | 6,298,495 | 116.1 | 106.5 |
| Germany | 1,436,280 | 2,774,824 | 1,345,639 | 877,115 | 6,433,857 | 118.6 | 108.9 |
| U.K. | 1,423,898 | 2,698,828 | 1,180,967 | 981,179 | 6,284,872 | 115.9 | 116.3 |
| Australia | 1,244,363 | 1,944,666 | 1,193,727 | 841,742 | 5,224,498 | 96.3 | 92.4 |

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 13.3 per cent in the fourth quarter of 2008 compared with the previous year. This reduction could be an issue for the Chinese travel market during this period.

**Seats Available for Direct Travel From China to Canada
(Q4 – October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|---------------------------------|----------------------|---------------------------|-----------------------------|
| Canada (overall) | 107,800 | 93,425 | -13.3% |
| B.C. | 72,753 | 56,536 | -22.3% |
| Ontario | 35,047 | 36,889 | 5.3% |

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
(Q4 – October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|---------------------------------|----------------------|---------------------------|-----------------------------|
| to the United States | 360,661 | 394,481 | 9.4% |
| to Australia | 122,020 | 136,618 | 12.0% |
| to Germany | 264,200 | 281,818 | 6.7% |
| to France | 171,160 | 180,683 | 5.6% |
| to the U.K. | 97,504 | 104,687 | 7.4% |

Source: BACK Aviation Solutions.

Direct air capacity to all key competitive destinations is scheduled to expand during the fourth quarter of 2008 compared with the previous year. The most significant increases are scheduled for routes to the United States and Australia.

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 slide against many key competitive markets in the fourth quarter of 2008. However, gains are expected against France and Germany.

Our competitive price analysis suggests that for Chinese travellers, the cost of a 10-night stay in Canada during the fourth quarter will increase 5.1 per cent over last year. Although slight declines are expected in hotels, meals and other costs, average airfares to Canada are expected to surge by nearly 25 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 2.6 per cent, year-over-year. In terms of Canadian destinations, Manitoba/Saskatchewan will be the most price-competitive region for Chinese travellers in the fourth 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 | Q4 2008 Index (Canada=100) | Q4 2007 Index |
|--------------------------|----------------------|--------|-------|-------------|--------|----------------------------|---------------|
| Canada | 11,024 | 12,726 | 6,833 | 6,363 | 36,945 | 100.0 | 100.0 |
| Atlantic | 12,100 | 10,976 | 6,352 | 6,363 | 35,791 | 96.9 | 101.1 |
| Ontario/Quebec | 10,557 | 13,191 | 6,664 | 6,363 | 36,775 | 99.5 | 103.8 |
| Manitoba/Sask. | 10,755 | 10,806 | 6,572 | 6,363 | 34,496 | 93.4 | 95.9 |
| Alberta/B.C. | 11,248 | 12,631 | 7,362 | 6,363 | 37,604 | 101.8 | 98.4 |
| U.S. | 9,824 | 10,815 | 3,756 | 7,782 | 32,176 | 87.1 | 90.9 |
| France | 7,368 | 17,027 | 8,696 | 6,000 | 39,091 | 105.8 | 101.3 |
| Germany | 7,202 | 18,553 | 8,997 | 5,860 | 40,612 | 109.9 | 104.7 |
| U.K. | 7,734 | 18,045 | 7,896 | 6,559 | 40,233 | 108.9 | 119.6 |
| Australia | 10,334 | 13,002 | 7,981 | 5,630 | 36,948 | 100.0 | 109.0 |

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

Australia

Australia-to-Canada Air Capacity

Air capacity for direct (non-stop) flights and flights with one stop between Australia and Canada during the fourth quarter is expected to increase by 64.2 per cent over the previous year. This level of air access should enhance the growth potential of Australian visits to Canada during the quarter.

**Seats Available for Travel From Australia to Canada
(Q4—October to December)**

| Seats available (includes one stop) | 2007 | 2008 est. | 2007 vs. 2008 Change |
|--|--------|-----------|-------------------------|
| Canada (overall) | 29,933 | 49,140 | 64.2% |
| B.C. | 24,349 | 24,570 | 0.9% |
| Ontario | 5,584 | 24,570 | 340.0% |

Source: BACK Aviation Solutions.

Air Capacity From Australia to Competitive Destinations

A comparison of air services from Australia to travel destinations competing with Canada for the Australian travel market is an important measurement of Canada's relative performance as an international tourism destination. The table below illustrates 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
(Q4—October to December)**

| Non-stop seats available | 2007 (Direct) | 2008 est. (Direct) | 2007 vs. 2008 Change |
|------------------------------------|------------------|-----------------------|-------------------------|
| to the United States | 290,208 | 316,089 | 8.9% |
| to the U.K. (includes one stop) | 219,041 | 219,420 | 0.2% |
| to China | 121,595 | 139,048 | 14.4% |
| to Hong Kong | 364,353 | 400,332 | 9.9% |
| to Japan | 228,842 | 190,925 | -16.6% |
| to Italy | 0 | 0 | n.a. |
| to India | 11,583 | 12,120 | 4.6% |

Source: BACK Aviation Solutions.

Air capacity from Australia is expected to increase to most key competitive destinations during the fourth quarter. Substantial increases are expected for China, Hong Kong, and the United States. However, direct air capacity to Japan is expected to decrease by 16.6 per cent from the previous year.

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 fourth quarter of 2008, compared with last year. Our competitive price analysis suggests that in the fourth quarter, the cost of a 10-night stay in Canada, including airfare, hotels, meals, and other items, will increase 5.3 per cent for Australian travellers. This increase is mainly because of a significant spike (16.5%) in average airfares to Canada.

Meanwhile, the average cost of a similar trip to competitive destinations in the fourth quarter is expected to decline 1.9 per cent from last year. In terms of Canadian destinations, Alberta/B.C. will be the most price-competitive region for Australian travellers during the quarter.

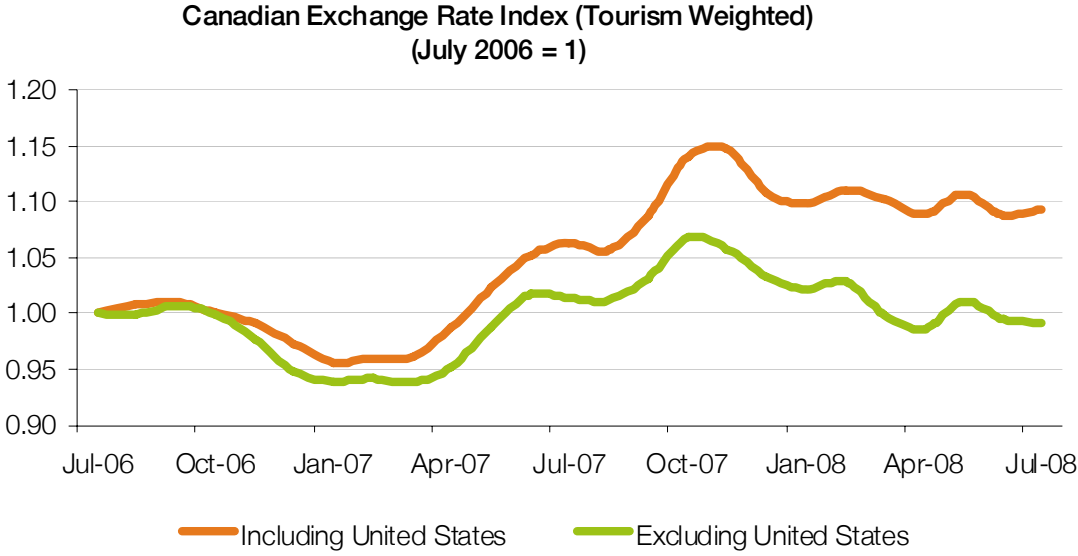
**Competitive Price Index—Australian Travellers to Canada
(Australian Dollars, Based on 10-Night Stay)**

| Competitive Destinations | Airfare (Round-trip) | Hotel | Meals | Other Items | Total | Q4 2008 Index (Canada=100) | Q4 2007 Index |
|--------------------------|----------------------|---------|---------|-------------|---------|----------------------------|---------------|
| Canada | \$2,714 | \$1,940 | \$1,041 | \$970 | \$6,665 | 100.0 | 100.0 |
| Atlantic | \$3,160 | \$1,673 | \$968 | \$970 | \$6,771 | 101.6 | 98.5 |
| Ontario/Quebec | \$2,969 | \$2,011 | \$1,016 | \$970 | \$6,965 | 104.5 | 104.5 |
| Manitoba/Sask. | \$2,927 | \$1,647 | \$1,002 | \$970 | \$6,546 | 98.2 | 99.6 |
| Alberta/B.C. | \$2,491 | \$1,925 | \$1,122 | \$970 | \$6,509 | 97.7 | 97.8 |
| U.S. | \$2,255 | \$1,648 | \$572 | \$1,186 | \$5,661 | 84.9 | 91.4 |
| U.K. | \$1,747 | \$2,750 | \$1,204 | \$1,000 | \$6,700 | 100.5 | 116.5 |
| Japan | \$1,558 | \$1,887 | \$1,010 | \$1,139 | \$5,594 | 83.9 | 84.8 |
| China | \$1,399 | \$1,808 | \$1,112 | \$233 | \$4,552 | 68.3 | 80.3 |
| Hong Kong | \$1,334 | \$3,514 | \$1,209 | \$1,022 | \$7,079 | 106.2 | 109.7 |
| Italy | \$1,762 | \$3,198 | \$1,474 | \$875 | \$7,309 | 109.7 | 115.8 |
| India | \$1,798 | \$2,787 | \$815 | \$253 | \$5,653 | 84.8 | 87.2 |

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 July 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 2007. For competing destinations, the same average length of stay was assumed to apply.

Table A1: Length of Stay Estimates

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

Canada's Competitive Destinations

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

Table A2: Canada's Competitive Destinations

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

Cost Components of the Competitive Price Index

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

Table A3: Competitive Price Index Components

| Index component | Data sources/proxy values used |
|---|---|
| International airfares to Canada and other destinations (excluding airfare from the U.S. to Canada) | Lowest price obtained through web queries using travel search engines FareCompare and SideStep. The period examined was for travel between November 11, 2008, and November 18, 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 November 11, 2008, and November 18, 2008—the midpoint of the period under analysis. Last year's rates for the same segments were taken from the price analysis used to produce the Short-Term Competitive Outlook for Fourth Quarter 2007. 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 November 11, 2008, and November 18, 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 rates for the same segments were taken from the price analysis used to produce the Short-Term Competitive Outlook for Fourth Quarter 2007. 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.