



Canadian Tourism
Commission

Commission canadienne
du tourisme

U.S. and Overseas Travel to Canada

Short-Term Competitive Outlook First Quarter 2009

Prepared for:
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By:

The Conference Board of Canada
Insights You Can Count On



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WHAT'S INSIDE

This report provides competitive intelligence on Canada's U.S. and key international markets, for the first quarter of 2009 (January to March).

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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 December 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 December 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.

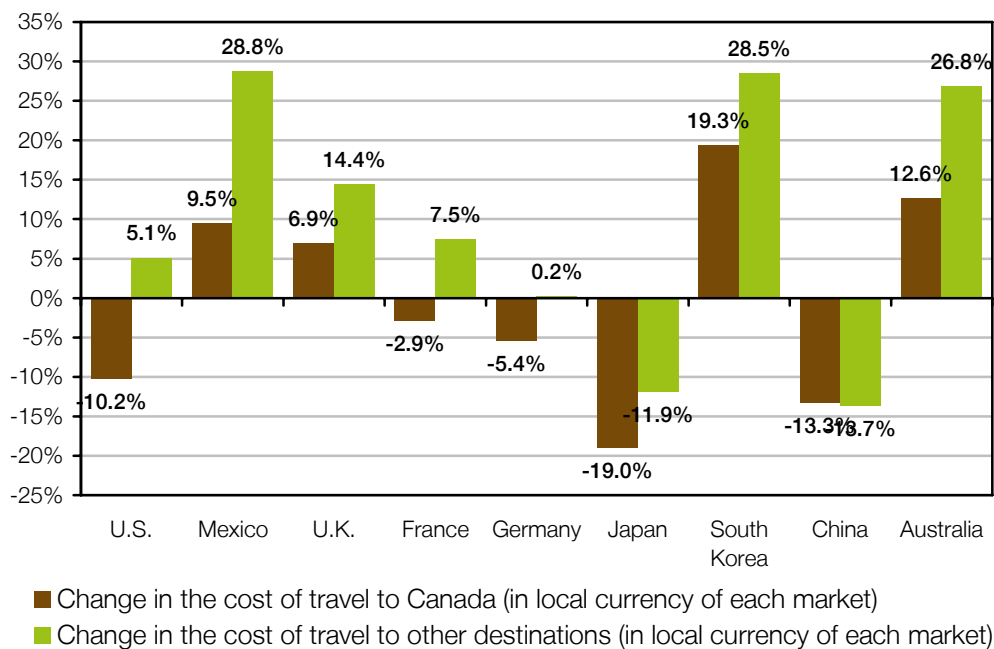
Competitive Price Index—Summary Table

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 first quarter of 2009. 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 (Q1 2009 vs. Q1 2008)



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

Canada's price competitiveness is expected to improve in the first quarter of 2009 for nearly all key inbound travel markets, largely because of the weakening Canadian dollar. Although average airfares to Canada are expected to increase slightly from many key markets, broader increases in airfares to competitive destinations will contribute to Canada's improved price competitiveness during the quarter. 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 December 2008, but these numbers may change as airlines adjust their schedules.

The number of seats available (as of December 2008) on non-stop flights from the United States to Canada is scheduled to decrease 1.4 per cent during the first quarter of 2009 over the same quarter of 2008.

**Seats Available for Direct Travel From the U.S. to Canada
(Q1 – January to March)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to Canada (overall)	4,048,341	3,990,083	-1.4%
B.C.	821,855	726,957	-11.5%
Alberta	531,943	607,976	14.3%
Saskatchewan	20,618	36,456	76.8%
Manitoba	83,803	91,179	8.8%
Ontario	1,869,286	1,858,720	-0.6%
Quebec	647,995	602,010	-7.1%
New Brunswick	3,997	4,500	12.6%
Newfoundland & Labrador	3,350	4,500	34.3%
Nova Scotia	63,934	57,785	-9.6%
Prince Edward Island	0	0	n/a
Yukon	1,560	0	-100.0%

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 first quarter of 2009, air capacity is expected to decrease by 9.9 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
(Q1 – January to March)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
U.S. domestic destinations	229,917,717	207,077,548	-9.9%

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 increase by a dramatic 11.6 points in the first quarter of 2009, compared with a year earlier. The continuing depreciation of the Canadian dollar and declines in average airfares to Canada during the quarter are contributing to the expected improvement 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 10.2 per cent less in the first quarter of 2009 than it did a year earlier. Average airfares during the quarter are expected to decrease 7.7 per cent.

Meanwhile, a similar trip within the United States is expected to cost 5.5 per cent more during the first 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	Q1 2009 Index (Canada = 100)	Q1 2008 Index
Canada	\$941	\$643	\$344	\$321	\$2,249	100.0	100.0
Atlantic Canada	\$1,023	\$555	\$318	\$321	\$2,218	98.6	86.6
Ontario/Quebec	\$862	\$669	\$343	\$321	\$2,195	97.6	102.2
Manitoba/Sask.	\$1,128	\$546	\$309	\$321	\$2,304	102.4	97.1
Alberta/B.C.	\$984	\$640	\$369	\$321	\$2,315	102.9	101.7
U.S. (domestic)	\$503	\$639	\$220	\$443	\$1,805	80.2	68.6

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 26.3 per cent in the first quarter of 2009, 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 (Q1 – January to March)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	171,372	216,478	26.3%
B.C.	36,714	41,288	12.5%
Alberta	18,668	44,581	138.8%
Manitoba	1,820	5,220	186.8%
Ontario	79,115	83,869	6.0%
Quebec	29,688	38,064	28.2%
Nova Scotia	5,367	3,456	-35.6%

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 (Q1 – January to March)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	3,728,502	3,519,347	-5.6%
to Italy	17,826	20,883	17.1%
to Spain	93,350	103,438	10.8%

Source: BACK Aviation Solutions.

Direct air capacity from Mexico to the United States is expected to decrease 5.6 per cent in the first quarter of 2009 from the previous year. On the other hand, substantial increases in seat capacity are anticipated on routes to Spain and Italy.

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 increase against all competitive destinations during the first quarter of 2009.

Our competitive price analysis suggests that the cost of a seven-night stay in Canada during the first quarter, including airfare, hotels, meals, and other items, will increase 9.5 per cent for Mexican travellers, year-over-year. This increase will be mainly driven by a 39.4 per cent jump in average airfares to Canada from Mexico. Costs in other categories of the index are expected to increase by approximately 3 per cent.

Meanwhile, the cost of a similar trip to other competitive destinations is expected to increase by an average of 28.8 per cent. While the index suggests that Ontario/Quebec will be the most price-competitive region in Canada for Mexican travellers during the first 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 (Roundtrip)	Hotel	Meals	Other Items	Total	Q1 2009 Index (Canada = 100)	Q1 2008 Index
Canada	\$8,529	\$14,236	\$7,609	\$7,118	\$37,492	100.0	100.0
Atlantic	\$10,780	\$12,293	\$7,051	\$7,118	\$37,241	99.3	98.2
Ontario/Quebec	\$7,561	\$14,814	\$7,586	\$7,118	\$37,079	98.9	100.8
Manitoba/Sask.	\$12,564	\$12,084	\$6,841	\$7,118	\$38,608	103.0	99.1
Alberta/B.C.	\$8,047	\$14,179	\$8,168	\$7,118	\$37,512	100.1	99.4
U.S.	\$6,606	\$14,155	\$4,870	\$9,800	\$35,432	94.5	80.4
Spain	\$12,425	\$18,876	\$9,312	\$6,170	\$46,783	124.8	100.4
Italy	\$11,464	\$23,972	\$11,671	\$6,557	\$53,663	143.1	128.9

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 December 2008, the number of direct seats available from the United Kingdom to Canada during the first quarter is expected to decline by 9.1 per cent, year-over-year. This reduction in direct air access may hinder the growth potential of U.K. visits to Canada during the quarter.

**Seats Available for Direct Travel From the U.K. to Canada
(Q1 – January to March)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	391,304	355,556	-9.1%
B.C.	68,293	55,373	-18.9%
Alberta	67,207	66,730	-0.7%
Ontario	180,367	178,986	-0.8%
Quebec	55,561	43,443	-21.8%
Nova Scotia	17,952	11,024	-38.6%
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 changes in air services to competing long-haul travel destinations during the upcoming travel season.

**Seats Available for Travel From the U.K. to Other International
Destinations (Q1 – January to March)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	2,685,214	2,464,709	-8.2%
to China	96,221	95,307	-0.9%
to South Africa	252,784	244,943	-3.1%
to Kenya/Nigeria/Ghana	210,866	195,598	-7.2%
to Brazil	70,351	54,816	-22.1%
to Mexico	26,070	17,698	-32.1%

Source: BACK Aviation Solutions.

In the first quarter of 2009, direct air access is expected to decline from the U.K. to all key competitive destinations. Routes to China and South Africa are expected to see modest cuts in capacity, while more substantial reductions are expected on routes to the United States, sub-Saharan Africa (Kenya, Nigeria and Ghana), 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 first quarter of 2009, Canada's competitive price index is expected to improve against all competitive markets except South Africa. The greatest improvements are expected against Sub-Saharan Africa, the United States and China.

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 6.9 per cent, year-over-year. This large increase is due to higher costs in all categories, including airfares, hotels, meals, and other items. Airfares from the U.K. to Canada are expected to increase by an average of 6.6 per cent over the previous year.

Meanwhile, 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 significantly (14.4%).

In terms of Canadian destinations, the index shows that Atlantic Canada will be the most price-competitive region for U.K. travellers during the first quarter of 2009.

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	Q1 2009 Index (Canada = 100)	Q1 2008 Index
Canada	£374	£668	£357	£334	£1,734	100.0	100.0
Atlantic	£372	£577	£331	£334	£1,614	93.1	90.5
Ontario/Quebec	£312	£695	£356	£334	£1,697	97.9	98.2
Manitoba/Sask.	£543	£567	£321	£334	£1,766	101.9	102.0
Alberta/B.C.	£422	£666	£383	£334	£1,805	104.1	105.5
United States	£265	£664	£229	£460	£1,618	93.4	81.9
China	£353	£761	£449	£98	£1,661	95.8	84.6
South Africa	£510	£470	£201	£61	£1,242	71.6	82.5
Sub-Saharan Africa (Kenya, Nigeria, Ghana)	£362	£826	£393	£179	£1,760	101.5	89.5
Latin America (Brazil and Mexico)	£490	£625	£279	£196	£1,590	91.7	85.1

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 first quarter of 2009 is expected to decrease by 5.6 per cent from the previous year. This reduction may hamper the growth potential of French travel to Canada during the quarter.

**Seats Available for Direct Travel From France to Canada
(Q1 – January to March)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	161,023	151,972	-5.6%
Ontario	41,571	41,355	-0.5%
Quebec	119,452	110,617	-7.4%

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 changes in air services to competing long-haul travel destinations during the upcoming travel season.

**Seats Available for Travel From France to Other International
Destinations (Q1 – January to March)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
TO THE UNITED STATES	849,110	813,189	-4.2%
TO BRAZIL	189,446	156,281	-17.5%
TO CHINA	156,533	147,789	-5.6%
TO NIGERIA/GHANA/SENEGAL	66,968	80,865	20.8%

Source: BACK Aviation Solutions.

Most competitive tourism destinations are expected to see year-over-year reductions in direct air access from France during the first quarter of 2009. However, direct air services to sub-Saharan Africa (Nigeria/Ghana/Senegal) are expected to increase 20.8 per cent during the period.

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 first quarter of 2009, Canada's competitive price index is expected to increase against all competitive destinations. The analysis suggests that the average cost of a seven-night stay in Canada, including airfare, hotels, meals, and other items, will decrease 2.9 per cent for French travellers, year-over-year. Average airfares from France to Canada are expected to rise by 5.5 per cent, but average costs for 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) during the period is expected to increase 7.5 per cent.

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

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2009 Index (Canada = 100)	Q1 2008 Index
Canada	€ 572	€ 849	€ 454	€ 425	€ 2,299	100.0	100.0
Atlantic	€ 604	€ 733	€ 421	€ 425	€ 2,182	94.9	94.9
Ontario/Quebec	€ 449	€ 884	€ 452	€ 425	€ 2,209	96.1	98.7
Manitoba/Sask.	€ 771	€ 721	€ 408	€ 425	€ 2,325	101.1	94.4
Alberta/B.C.	€ 700	€ 846	€ 487	€ 425	€ 2,457	106.9	105.6
United States	€ 453	€ 844	€ 291	€ 585	€ 2,172	94.5	84.2
China	€ 594	€ 967	€ 570	€ 125	€ 2,256	98.1	85.4
Sub-Saharan Africa (Nigeria, Ghana, Senegal)	€ 663	€ 990	€ 455	€ 153	€ 2,261	98.3	88.9
Brazil	€ 690	€ 806	€ 349	€ 84	€ 1,930	83.9	79.8

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 to Canada is scheduled to expand 9.1 per cent in the first quarter of 2009, year-over-year. This should ensure there continues to be sufficient air access for German travel to Canada during the quarter.

**Seats Available for Direct Travel From Germany to Canada
(Q1 – January to March)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	157,073	171,368	9.1%
B.C.	19,364	20,548	6.1%
Alberta	24,934	28,288	13.5%
Ontario	87,841	96,177	9.5%
Quebec	24,934	26,355	5.7%

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 changes in air services to competing long-haul travel destinations during the upcoming travel season.

**Seats Available for Travel From Germany to Other International
Destinations (Q1 – January to March)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	1,435,520	1,256,903	-12.4%
to South Africa	149,891	133,712	-10.8%
to Brazil	121,697	89,287	-26.6%
to Mexico	54,379	60,582	11.4%
to China	262,720	243,652	-7.3%

Source: BACK Aviation Solutions.

In the first quarter of 2009, direct air access is expected to decline substantially between Germany and most key competitive destinations, compared with a year earlier. The one exception is Mexico, which is expected to see an 11.4 per cent rise in direct air access from Germany during the quarter.

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 this 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 increase against all competitive markets except South Africa during the first quarter of 2009. The largest improvement is expected against China. The analysis suggests that the average cost of a seven-night stay in Canada, including airfare, hotels, meals, and other items, will decline 5.4 per cent for German visitors during the first quarter. While average airfares to Canada are expected to decrease by 5.5 per cent overall, airfares to Ontario/Quebec are expected to be an average of 18 per cent lower. Other items in the index are also expected to cost less than they did last year.

Meanwhile, the average cost of a similar trip to competitive destinations (U.S., China, South Africa, Brazil, and Mexico) during the quarter will increase a slight 0.2 per cent.

In terms of Canadian destinations, the index suggests that Ontario/Quebec will be the most price-competitive region for German travellers in the first quarter of 2009.

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2009 Index (Canada = 100)	Q1 2008 Index
Canada	€ 519	€ 849	€ 454	€ 425	€ 2,246	100.0	100.0
Atlantic	€ 674	€ 733	€ 421	€ 425	€ 2,252	100.3	98.2
Ontario/Quebec	€ 394	€ 884	€ 452	€ 425	€ 2,155	95.9	99.7
Manitoba/Sask.	€ 762	€ 721	€ 408	€ 425	€ 2,316	103.1	96.4
Alberta/B.C.	€ 593	€ 846	€ 487	€ 425	€ 2,351	104.7	102.3
United States	€ 379	€ 844	€ 291	€ 585	€ 2,098	93.4	83.1
China	€ 480	€ 967	€ 570	€ 125	€ 2,143	95.4	80.6
South Africa	€ 630	€ 597	€ 255	€ 78	€ 1,560	69.5	76.7
Latin America (Brazil and Mexico)	€ 532	€ 795	€ 355	€ 249	€ 1,930	85.9	83.7

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 first quarter of 2009, direct air capacity from Japan to Canada is expected to plunge nearly 30 per cent from the same quarter of 2008. This large reduction is mainly because of a severe cutback in direct seats to Ontario during the period. As a result, insufficient air access could be a hindrance for the Japanese travel market during the quarter.

**Seats Available for Direct Travel From Japan to Canada
(Q1 – January to March)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	87,597	61,386	-29.9%
B.C.	68,426	60,339	-11.8%
Ontario	19,171	1,047	-94.5%

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 (Q1 – January to March)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	1,850,969	1,830,461	-1.1%
to France	213,999	211,850	-1.0%
to Germany	205,366	195,527	-4.8%
to Italy	86,120	81,429	-5.4%
to Australia	219,232	167,741	-23.5%

Source: BACK Aviation Solutions.

Direct air capacity from Japan is expected to decline on routes to all key competitive destinations during the first quarter of 2009, compared with a year earlier. The most substantial reduction is expected for Australia, which is slated for a 23.5 per cent decrease in direct air access during the period.

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 all competitive markets during the first quarter of 2009. The most significant increases are expected against the United States and Italy.

Our analysis suggests that the average cost of a 10-night stay in Canada during the first quarter, including airfare, hotels, meals, and other items, will decrease 19 per cent for Japanese travellers, year-over-year. Cost reductions are expected in all categories of the index except airfares, which are expected to rise by a slight 0.1 per cent.

Meanwhile, the average cost of travelling to long-haul destinations competing for Japanese travellers is expected to decrease 11.9 per cent, year-over-year.

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

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2009 Index (Canada = 100)	Q1 2008 Index
Canada ¥	¥109,903	¥160,810	¥85,955	¥80,405	¥437,073	100.0	100.0
Atlantic	¥132,470	¥138,862	¥79,646	¥80,405	¥431,384	98.7	97.3
Ontario/Quebec	¥110,444	¥167,347	¥85,692	¥80,405	¥443,888	101.6	104.7
Manitoba/Sask.	¥120,664	¥136,508	¥77,280	¥80,405	¥414,857	94.9	93.7
Alberta/B.C.	¥106,529	¥160,172	¥92,263	¥80,405	¥439,370	100.5	98.7
U.S.	¥106,672	¥159,900	¥55,018	¥110,706	¥432,295	98.9	86.4
France	¥ 96,151	¥214,837	¥109,724	¥75,705	¥496,417	113.6	106.3
Germany	¥ 94,750	¥236,782	¥114,826	¥74,846	¥521,205	119.2	108.5
Italy	¥ 93,249	¥270,794	¥131,840	¥74,069	¥569,952	130.4	118.7
Australia	¥146,057	¥141,428	¥86,815	¥61,217	¥435,518	99.6	96.7

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 first quarter of 2009 is scheduled to decline 1.7 per cent compared with the previous year. Although this is a relatively small reduction, insufficient air capacity has been an issue for the Korean market for quite some time.

**Seats Available for Direct Travel From South Korea to Canada
(Q1 – January to March)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	53,733	52,796	-1.7%
B.C.	44,353	43,416	-2.1%
Ontario	9,380	9,380	0.0%

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 changes in air services to competing long-haul travel destinations during the upcoming travel season.

Seats Available for Travel From South Korea to Other International Destinations (Q1 – January to March)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	541,577	579,621	7.0%
to Australia	87,589	84,328	-3.7%
to Germany	99,068	108,694	9.7%
to the United Kingdom	46,605	46,270	-0.7%
to France	55,655	67,710	21.7%

Source: BACK Aviation Solutions.

There is a mixed outlook for direct air access from South Korea to key competitive destinations during the first quarter of 2009. Solid growth is expected on routes to the United States and Germany, and a significant increase is anticipated for France. On the other hand, air access is expected to decline on routes to Australia and the U.K.

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 in the first quarter of 2009. The most significant gains are expected against the United States and France.

However, the analysis suggests that the cost of a 10-night stay in Canada for Korean travellers during the quarter, including airfare, hotels, meals, and other items, will still increase 19.3 per cent over last year. Although average airfares to Canada are expected to rise by a modest 1 per cent, other categories in the index are expected to soar by approximately 27 per cent.

Meanwhile, the average cost of a similar trip to competitive destinations (U.S., U.K., France, Germany, and Australia) during the first quarter is expected to increase 28.5 per cent, year-over-year.

In terms of Canadian destinations, Manitoba/Saskatchewan 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	Q1 2009 Index (Canada = 100)	Q1 2008 Index
Canada	1,583,842	2,132,646	1,139,918	1,066,323	5,922,728	100.0	100.0
Atlantic	2,103,121	1,841,576	1,056,254	1,066,323	6,067,274	102.4	99.2
Ontario/Quebec	1,787,700	2,219,339	1,136,432	1,066,323	6,209,793	104.8	105.4
Manitoba/Sask.	1,459,579	1,810,345	1,024,880	1,066,323	5,361,127	90.5	96.2
Alberta/B.C.	1,418,204	2,124,186	1,223,581	1,066,323	5,832,295	98.5	97.7
U.S.	1,376,914	2,120,578	729,636	1,468,169	5,695,297	96.2	82.9
France	1,292,391	2,849,146	1,455,141	1,003,985	6,600,662	111.4	96.7
Germany	1,096,011	3,140,171	1,522,812	992,600	6,751,595	114.0	112.2
U.K.	1,174,298	3,158,289	1,382,020	1,148,219	6,862,825	115.9	113.1
Australia	1,680,373	1,875,605	1,151,334	811,850	5,519,163	93.2	90.3

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

Direct air capacity from China to Canada is expected to decrease 22.9 per cent in the first quarter of 2009 compared with the previous year. This reduction could pose a challenge for the Chinese travel market during the quarter.

**Seats Available for Direct Travel From China to Canada
(Q1 – January to March)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	101,935	78,593	-22.9%
B.C.	70,255	51,133	-27.2%
Ontario	31,680	27,460	-13.3%

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 changes in air services to competing long-haul travel destinations during the upcoming travel season.

**Seats Available for Travel From China to Other International Destinations
(Q1 – January to March)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	345,496	325,219	-5.9%
to Australia	134,211	144,994	8.0%
to Germany	365,655	352,811	-3.5%
to France	243,349	238,651	-1.9%
to the U.K.	439,312	422,023	-3.9%

Source: BACK Aviation Solutions.

Direct air access is expected to decrease to most key competitive destinations during the first quarter of 2009. The one exception is Australia, which is expected to see an 8 per cent rise in direct air capacity from China during the quarter.

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 increase against most key competitive markets in the first quarter of 2009, except the U.K. and Australia.

The analysis suggests that the cost of a 10-night stay in Canada for Chinese travellers will decrease 13.3 per cent in the first quarter compared with a year earlier. Although average airfares to Canada are expected to increase by 4.3 per cent, significant cost reductions are anticipated for hotels, meals and other items.

Meanwhile, the cost of a similar trip to competitive destinations (U.S., U.K., France, Germany, and Australia) is expected to decrease by an average of 13.7 per cent, year-over-year.

In terms of Canadian destinations, Manitoba/Saskatchewan will be the most price-competitive region for Chinese travellers during the first 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	Q1 2009 Index (Canada=100)	Q1 2008 Index
Canada	10,602	10,986	5,872	5,493	32,954	100.0	100.0
Atlantic	10,684	9,487	5,441	5,493	31,105	94.4	106.8
Ontario/Quebec	8,436	11,433	5,854	5,493	31,216	94.7	104.5
Manitoba/Sask.	10,609	9,326	5,280	5,493	30,707	93.2	106.1
Alberta/B.C.	11,973	10,943	6,303	5,493	34,712	105.3	96.8
U.S.	9,630	10,924	3,759	7,563	31,876	96.7	83.0
France	6,220	14,677	7,496	5,172	33,566	101.9	98.8
Germany	5,837	16,176	7,845	5,109	34,968	106.1	102.0
U.K.	6,159	16,270	7,119	5,914	35,462	107.6	112.6
Australia	10,394	9,662	5,931	4,184	30,171	91.6	116.9

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 is expected to decline nearly 18 per cent during the first quarter, year-over-year. This reduction in air access could dampen the growth potential of Australian visits to Canada during the quarter.

**Seats Available for Travel From Australia to Canada
(Q1 – January to March)**

Seats available (includes one stop)	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	58,902	48,600	-17.5%
B.C.	31,725	24,300	-23.4%
Ontario	27,177	24,300	-10.6%

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 changes in air services to competing long-haul travel destinations during the upcoming travel season.

**Seats Available for Travel From Australia to Other International
Destinations (Q1 – January to March)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	272,408	315,356	15.8%
to the U.K. (includes one stop)	213,198	215,058	0.9%
to China	133,647	145,179	8.6%
to Hong Kong	378,693	422,178	11.5%
to Japan	219,232	167,667	-23.5%
to Italy	0	0	n/a
to India	9,971	8,930	-10.4%

Source: BACK Aviation Solutions.

Outbound air capacity from Australia is expected to increase to many key competitive destinations during the first quarter. In fact, large increases are expected for Hong Kong and the United States. However, significant cutbacks in direct air access are expected for Japan and India during the period.

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.

Compared with last year, Canada's competitive price index is expected to improve against all competitive markets during the first quarter of 2009, except the U.K.

Our analysis suggests that during the quarter, the cost of a 10-night stay in Canada, including airfare, hotels, meals, and other items, will increase 12.6 per cent over the previous year for Australian travellers.

Meanwhile, the average cost of a similar trip to competitive destinations during the first quarter is expected to increase 26.8 per cent over last year.

In terms of Canadian destinations, Manitoba/Saskatchewan 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)

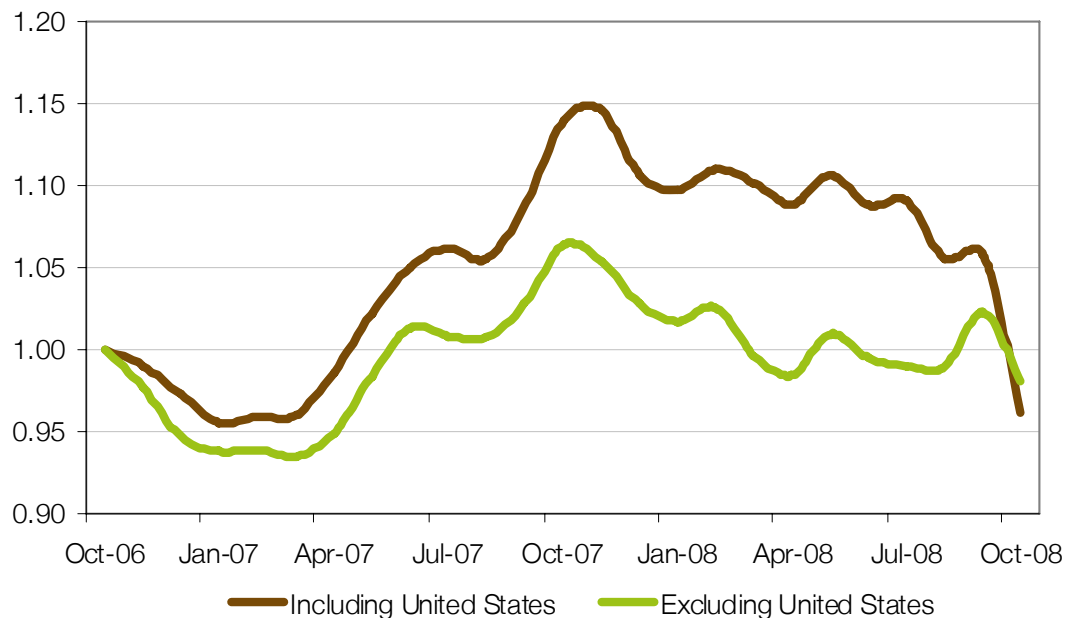
Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2009 Index (Canada=100)	Q1 2008 Index
Canada	\$2,600	\$2,350	\$1,256	\$1,175	\$7,381	100.0	100.0
Atlantic	\$3,037	\$2,029	\$1,164	\$1,175	\$7,404	100.3	96.6
Ontario/Quebec	\$2,786	\$2,445	\$1,252	\$1,175	\$7,658	103.8	105.4
Manitoba/Sask.	\$2,906	\$1,995	\$1,129	\$1,175	\$7,205	97.6	96.8
Alberta/B.C.	\$2,414	\$2,340	\$1,348	\$1,175	\$7,278	98.6	97.8
U.S.	\$2,284	\$2,337	\$804	\$1,618	\$7,042	95.4	87.9
U.K.	\$1,816	\$3,480	\$1,523	\$1,265	\$8,084	109.5	111.6
Japan	\$1,713	\$2,729	\$1,474	\$1,647	\$7,564	102.5	82.1
China	\$1,537	\$2,677	\$1,578	\$345	\$6,137	83.1	73.3
Hong Kong	\$1,113	\$4,886	\$1,681	\$1,421	\$9,100	123.3	103.4
Italy	\$1,776	\$3,957	\$1,926	\$1,082	\$8,742	118.4	108.9
India	\$1,759	\$3,837	\$1,122	\$348	\$7,066	95.7	82.7

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 October 2006.

Canadian Exchange Rate Index (Tourism Weighted)
(October 2006 = 1)



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 February 10, 2009, and February 17, 2009—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 February 10, 2009, and February 17, 2009—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 the first quarter of 2008. 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 February 10, 2009, and February 17, 2009—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 the first quarter of 2008. 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.