



Canadian Tourism  
Commission

Commission canadienne  
du tourisme

# U.S. and Overseas Travel to Canada

## Short-Term Competitive Outlook Second Quarter 2009

Prepared for:  
The Canadian Tourism Commission (CTC)

By:  
The Conference Board of Canada

WHAT'S INSIDE

This report provides competitive intelligence on Canada's U.S. and key international markets for the second quarter of 2009 (April to June).



# Table of Contents

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Introduction .....	<b>1</b>
Competitive Price Index—Summary Table .....	<b>2</b>
United States .....	<b>3</b>
U.S.-to-Canada Air Capacity .....	3
Air Capacity from the U.S. to Competitive Destinations.....	3
Competitive Price Index.....	4
Mexico .....	<b>5</b>
Mexico-to-Canada Air Capacity .....	5
Air Capacity from Mexico to Competitive Destinations .....	5
Competitive Price Index.....	6
United Kingdom.....	<b>7</b>
U.K.-to-Canada Air Capacity .....	7
Air Capacity from the U.K. to Competitive Destinations.....	7
Competitive Price Index.....	8
France .....	<b>9</b>
France-to-Canada Air Capacity .....	9
Air Capacity from France to Competitive Destinations.....	9
Competitive Price Index.....	10
Germany.....	<b>11</b>
Germany-to-Canada Air Capacity .....	11
Air Capacity from Germany to Competitive Destinations .....	11
Competitive Price Index.....	12
Japan .....	<b>13</b>
Japan-to-Canada Air Capacity .....	13
Air Capacity from Japan to Competitive Destinations.....	13
Competitive Price Index.....	14

South Korea.....	<b>15</b>
South-Korea-to-Canada Air Capacity .....	15
Air Capacity from South Korea to Competitive Destinations.....	15
Competitive Price Index .....	16
China .....	<b>17</b>
China-to-Canada Air Capacity .....	17
Air Capacity from China to Competitive Destinations .....	17
Competitive Price Index .....	18
Australia .....	<b>19</b>
Australia-to-Canada Air Capacity .....	19
Air Capacity from Australia to Competitive Destinations.....	19
Competitive Price Index .....	20
Canadian Exchange Rate Index (Tourism Weighted).....	<b>21</b>
Appendix: Construction of the Competitive Price Index .....	<b>22</b>
Overview .....	22
Methodology .....	22





## 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 February 2009, but these numbers may change as airlines adjust their schedules.

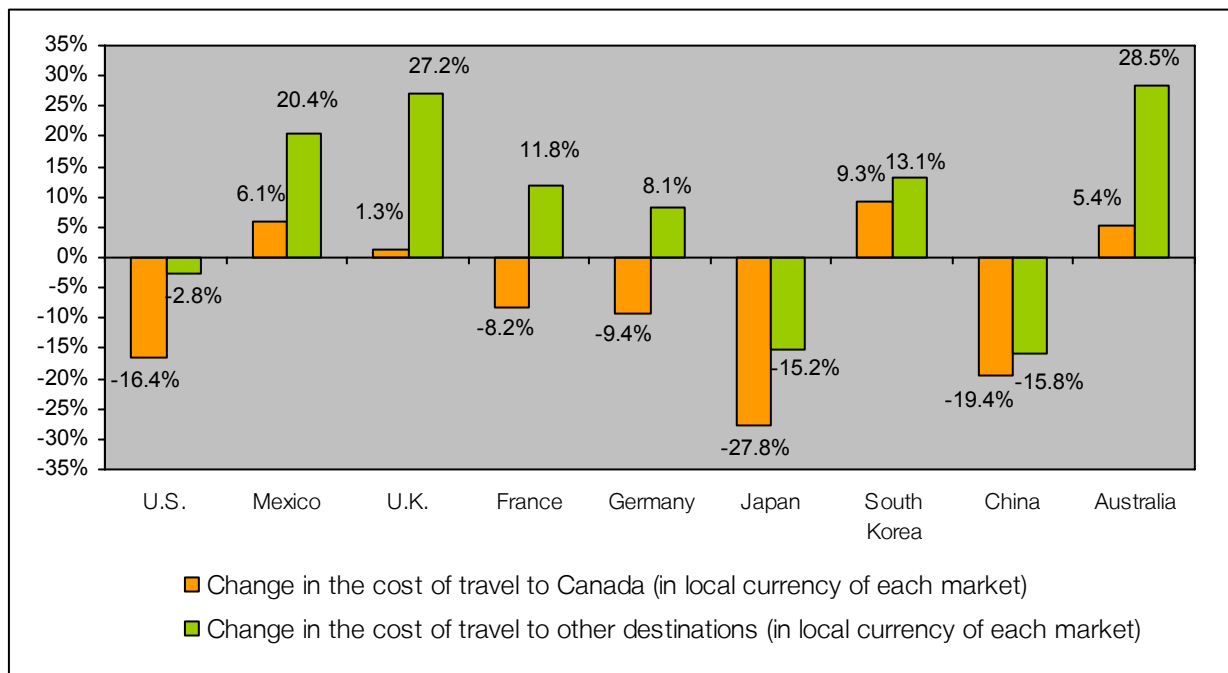
**Air capacity to competitive destinations:** A comparison of air services from key international markets to travel destinations competing with Canada for those markets is an important measurement of Canada's relative performance as an international tourism destination. A table for each travel market 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 February 2009, 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 second 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**  
(Q2 2009 vs. Q2 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 second quarter of 2009, compared with a year earlier, for all inbound travel markets included in this analysis. The improvement is largely due to the weaker Canadian dollar. In addition, average airfares to Canada are expected to decrease from many key markets compared with a year earlier. 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 February 2009, but these numbers may change as airlines adjust their schedules.

The number of seats available on non-stop flights from the United States to Canada is scheduled to decrease 2.5 per cent during the second quarter of 2009 over the same quarter of 2008.

### Seats Available for Direct Travel From the U.S. to Canada (Q2—April to June)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to Canada (overall)	3,921,694	3,823,867	-2.5%
B.C.	843,489	724,283	-14.1%
Alberta	519,138	583,849	12.5%
Saskatchewan	25,308	36,992	46.2%
Manitoba	84,449	87,552	3.7%
Ontario	1,775,805	1,751,038	-1.4%
Quebec	591,942	559,274	-5.5%
New Brunswick	4,550	4,550	0.0%
Nova Scotia	67,823	68,439	0.9%
Prince Edward Island	1,600	1,250	-21.9%
Newfoundland & Labrador	6,030	6,280	4.1%
Yukon	1,560	360	-76.9%

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 second quarter of 2009, air capacity is expected to decrease by 8.7 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

(Q2—April to June)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
U.S. domestic destinations	232,161,811	212,042,496	-8.7%

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 price index will increase by a dramatic 12.2 points in the second quarter of 2009, compared with a year earlier. The continuing depreciation of the Canadian dollar and a decline 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 16.4 per cent less in the second quarter of 2009 than it did a year earlier. Average airfares during the quarter are expected to decrease 17.1 per cent.

Meanwhile, a similar trip within the United States is expected to cost 2.8 per cent less during the second 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	Q2 2009 Index (Canada = 100)	Q2 2008 Index
Canada	\$695	\$605	\$327	\$302	\$ 1,929	100.0	100.0
Atlantic Canada	\$855	\$530	\$308	\$302	\$ 1,995	103.4	95.8
Ontario/Quebec	\$606	\$632	\$321	\$302	\$ 1,862	96.5	97.0
Manitoba/Sask.	\$817	\$531	\$320	\$302	\$ 1,970	102.1	101.6
Alberta/B.C.	\$749	\$590	\$345	\$302	\$ 1,986	103.0	104.8
U.S. (domestic)	\$406	\$612	\$220	\$441	\$ 1,679	87.0	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 37.9 per cent in the second 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 (Q2—April to June)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	113,871	157,013	37.9%
B.C.	30,941	32,973	6.6%
Alberta	9,979	24,032	140.8%
Manitoba	146	418	186.3%
Ontario	45,955	65,686	42.9%
Quebec	24,330	32,504	33.6%
Nova Scotia	2,520	1,400	-44.4%

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  
(Q2—April to June)**

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	3,173,706	3,164,037	-0.3%
to Italy	13,762	15,697	14.1%
to Spain	115,563	140,239	21.4%

Source: BACK Aviation Solutions.

In the second quarter of 2009, direct air capacity from Mexico to the United States is expected to stay about the same as 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 second quarter of 2009.

Our competitive price analysis suggests that the cost of a seven-night stay in Canada during the second quarter, including airfare, hotels, meals, and other items, will increase 6.1 per cent for Mexican travellers, year-over-year. This increase will be mainly driven by a 10.9 per cent jump in average airfares to Canada from Mexico. Costs in other categories of the index are expected to increase between 4 and 5 per cent.

Meanwhile, the cost of a similar trip to other competitive destinations is expected to increase by an average of 20.4 per cent. While the index suggests that Ontario/Quebec will be the most price-competitive region in Canada for Mexican travellers during the 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	Q2 2009 Index (Canada = 100)	Q2 2008 Index
Canada	\$6,690	\$15,255	\$8,244	\$7,628	\$37,816	100.0	100.0
Atlantic	\$8,863	\$13,355	\$7,761	\$7,628	\$37,607	99.4	95.4
Ontario/Quebec	\$5,649	\$15,940	\$8,104	\$7,628	\$37,321	98.7	100.4
Manitoba/Sask.	\$9,165	\$13,383	\$8,065	\$7,628	\$38,241	101.1	99.9
Alberta/B.C.	\$6,874	\$14,876	\$8,696	\$7,628	\$38,073	100.7	100.3
U.S.	\$3,703	\$15,437	\$5,536	\$11,124	\$35,800	94.7	77.8
Spain	\$9,792	\$20,402	\$10,065	\$6,669	\$46,928	124.1	114.1
Italy	\$10,088	\$26,019	\$12,003	\$7,117	\$55,227	146.0	132.7

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

The number of direct seats available from the United Kingdom to Canada during the second quarter (as of February 2009), is expected to decline by 6.7 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 (Q2—April to June)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	561,304	523,535	-6.7%
B.C.	99,709	90,897	-8.8%
Alberta	103,351	99,460	-3.8%
Manitoba	2,403	0	-100.0%
Ontario	271,196	266,349	-1.8%
Quebec	57,422	43,285	-24.6%
Nova Scotia	27,223	23,544	-13.5%

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 (Q2—April to June)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	3,038,066	2,727,774	-10.2%
to China	112,762	102,011	-9.5%
to South Africa	200,375	180,627	-9.9%
to Kenya/Nigeria/Ghana	214,092	214,670	0.3%
to Brazil	49,874	69,160	38.7%
to Mexico	37,010	23,660	-36.1%

Source: BACK Aviation Solutions.

In the second quarter of 2009, direct air access is expected to decline from the U.K. to many key competitive destinations. In fact, routes to the United States, China, South Africa and Mexico are expected to see significant reductions in direct seat capacity from the previous year. However, a substantial increase in capacity is scheduled for Brazil.

## Competitive Price Index

Canada's key competitors for U.K. travellers are the United States, China, South Africa, sub-Saharan Africa (specifically Kenya, Nigeria, and Ghana), and Latin America (specifically Brazil and Mexico). For the U.K. market, the competitive price analysis was based on a typical seven-night stay, priced in British pounds.

In the second quarter of 2009, Canada's competitive price index is expected to improve against all competitive markets. The greatest improvements are expected against sub-Saharan 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 edge up 1.3 per cent, year-over-year. Airfares from the U.K. to Canada are expected to decrease by an average of 15.9 per cent from 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 much more significantly (27.2%).

In terms of Canadian destinations, the index shows that Atlantic Canada will be the most price-competitive region for U.K. travellers during the second quarter of 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	Q2 2009 Index (Canada = 100)	Q2 2008 Index
Canada	£386	£730	£395	£365	£1,876	100.0	100.0
Atlantic	£404	£639	£372	£365	£1,780	94.9	88.6
Ontario/Quebec	£332	£763	£388	£365	£1,849	98.5	96.2
Manitoba/Sask.	£451	£641	£386	£365	£1,843	98.2	117.8
Alberta/B.C.	£447	£712	£416	£365	£1,941	103.5	103.7
United States	£305	£739	£265	£533	£1,842	98.2	79.7
China	£398	£908	£527	£117	£1,950	103.9	78.3
South Africa	£635	£549	£236	£71	£1,491	79.5	68.0
Sub-Saharan Africa (Kenya, Nigeria, Ghana)	£400	£960	£456	£207	£2,024	107.9	76.8
Latin America (Brazil and Mexico)	£444	£718	£320	£225	£1,708	91.0	79.4

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

# France

## France-to-Canada Air Capacity

Direct air capacity from France to Canada in the second quarter of 2009 is expected to edge up by 1 per cent over the previous year. This small increase may not be enough to improve the growth potential of French travel to Canada during the quarter.

### Seats Available for Direct Travel From France to Canada (Q2—April to June)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	278,080	280,730	1.0%
B.C.	342	4,104	1100.0%
Alberta	5,476	684	-87.5%
Ontario	60,658	71,017	17.1%
Quebec	211,604	204,925	-3.2%

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 (Q2—April to June)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	1,030,166	979,734	-4.9%
to Brazil	178,451	148,477	-16.8%
to China	187,396	179,939	-4.0%
to Nigeria/Ghana/Senegal	67,899	92,617	36.4%

Source: BACK Aviation Solutions.

Many competitive tourism destinations are expected to see year-over-year reductions in direct air access from France during the second quarter of 2009. However, direct air services to sub-Saharan Africa (Nigeria/Ghana/Senegal) are expected to increase 36.4 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 second 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 8.2 per cent for French travellers, year-over-year. Moreover, average airfares from France to Canada are expected to decline by 9.4 per cent.

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 11.8 per cent.

In terms of Canadian destinations, the index suggests that Ontario/Quebec and Atlantic Canada will be the most price-competitive regions for French travellers during the second quarter.

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q2 2009 Index (Canada = 100)	Q2 2008 Index
Canada	€ 567	€ 822	€ 444	€ 411	€ 2,245	100.0	100.0
Atlantic	€ 636	€ 720	€ 418	€ 411	€ 2,185	97.3	95.5
Ontario/Quebec	€ 476	€ 859	€ 437	€ 411	€ 2,183	97.2	98.5
Manitoba/Sask.	€ 712	€ 721	€ 435	€ 411	€ 2,279	101.5	99.6
Alberta/B.C.	€ 649	€ 802	€ 469	€ 411	€ 2,331	103.8	103.6
United States	€ 454	€ 832	€ 298	€ 600	€ 2,183	97.3	81.9
China	€ 519	€ 1,022	€ 593	€ 132	€ 2,266	101.0	80.9
Sub-Saharan Africa (Nigeria, Ghana, Senegal)	€ 656	€ 1,009	€ 463	€ 156	€ 2,283	101.7	80.7
Brazil	€ 651	€ 811	€ 350	€ 85	€ 1,897	84.5	71.9

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 grow by 4.3 per cent in the second 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 (Q2—April to June)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	267,534	278,921	4.3%
B.C.	41,781	42,745	2.3%
Alberta	43,405	44,982	3.6%
Ontario	124,287	135,015	8.6%
Quebec	47,441	48,916	3.1%
Nova Scotia	6,854	3,228	-52.9%
Yukon	3,766	4,035	7.1%

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 (Q2—April to June)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	1,630,829	1,450,762	-11.0%
to South Africa	103,941	81,747	-21.4%
to Brazil	85,673	91,920	7.3%
to Mexico	50,739	53,430	5.3%
to China	3,025	6,875	127.3%

Source: BACK Aviation Solutions.

In the second quarter of 2009, there is a mixed outlook for direct air access between Germany and key competitive destinations. Significant reductions in direct air capacity are expected on routes to the United States and South Africa compared with a year earlier. Meanwhile, solid increases in capacity are expected on routes to Brazil, Mexico and China 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 during the second quarter of 2009. The largest improvement is expected against the United States, Latin America and China. The analysis suggests that the average cost of a seven-night stay in Canada, including airfare, hotels, meals, and other items, will decline 9.4 per cent for German visitors during the second quarter compared with a year earlier. Average airfares from Germany to Canada are expected to decrease 14.3 per cent overall, although airfares to Atlantic Canada are expected to rise by an average of 5.5 per cent. Other items in the index, excluding airfares, are 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 8.1 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 second 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	Q2 2009 Index (Canada = 100)	Q2 2008 Index
Canada	€ 518	€ 822	€ 444	€ 411	€ 2,196	100.0	100.0
Atlantic	€ 670	€ 720	€ 418	€ 411	€ 2,219	101.1	95.7
Ontario/Quebec	€ 438	€ 859	€ 437	€ 411	€ 2,145	97.7	99.2
Manitoba/Sask.	€ 694	€ 721	€ 435	€ 411	€ 2,261	103.0	100.9
Alberta/B.C.	€ 542	€ 802	€ 469	€ 411	€ 2,224	101.3	101.9
United States	€ 412	€ 832	€ 298	€ 600	€ 2,142	97.5	79.7
China	€ 396	€ 1,022	€ 593	€ 132	€ 2,143	97.6	81.3
South Africa	€ 745	€ 618	€ 265	€ 80	€ 1,708	77.8	66.4
Latin America (Brazil and Mexico)	€ 625	€ 809	€ 361	€ 253	€ 2,047	93.2	79.2

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

# Japan

## Japan-to-Canada Air Capacity

During the second quarter of 2009, direct air capacity from Japan to Canada is expected to fall by 16 per cent from the same quarter of 2008. This large reduction is because of a severe cutback in direct seats to British Columbia during the period. As a result, insufficient air access could continue to be a hindrance for the Japanese travel market during the quarter.

### Seats Available for Direct Travel From Japan to Canada (Q2—April to June)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	99,855	83,866	-16.0%
B.C.	72,982	52,107	-28.6%
Ontario	26,873	31,759	18.2%

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 (Q2—April to June)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	1,843,004	1,720,678	-6.6%
to France	223,361	219,716	-1.6%
to Germany	200,870	191,447	-4.7%
to Italy	82,628	82,628	0.0%
to Australia	208,240	178,091	-14.5%

Source: BACK Aviation Solutions.

Direct air capacity from Japan is expected to decline on routes to most key competitive destinations during the second quarter of 2009, compared with a year earlier. The most substantial reduction is expected for Australia, which is slated for a 14.5 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 second quarter of 2009. The most significant increases are expected against Italy, France and Germany.

Our analysis suggests that the average cost of a 10-night stay in Canada during the second quarter, including airfare, hotels, meals, and other items, will decrease 27.8 per cent for Japanese travellers, year-over-year. Cost reductions are expected in all categories of the index, including airfares, which are expected to decline by an average of 12.3 per cent.

Meanwhile, the average cost of travelling to long-haul destinations competing for Japanese travellers is expected to decrease 15.2 per cent, year-over-year.

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

### Competitive Price Index—Japanese Travellers to Canada

(Yen, Based on 10-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q2 2009 Index (Canada = 100)	Q2 2008 Index
Canada	¥ 89,055	¥136,567	¥73,797	¥68,284	¥367,703	100.0	100.0
Atlantic	¥104,665	¥119,559	¥69,475	¥68,284	¥361,982	98.4	99.5
Ontario/Quebec	¥ 89,003	¥142,695	¥72,551	¥68,284	¥372,533	101.3	102.7
Manitoba/Sask.	¥108,548	¥119,802	¥72,200	¥68,284	¥368,833	100.3	96.4
Alberta/B.C.	¥ 85,897	¥133,170	¥77,846	¥68,284	¥365,197	99.3	98.8
U.S.	¥ 81,280	¥138,192	¥49,558	¥99,585	¥368,614	100.2	83.8
France	¥113,876	¥183,631	¥93,489	¥64,708	¥455,704	123.9	104.8
Germany	¥111,257	¥201,320	¥97,525	¥63,637	¥473,738	128.8	110.6
Italy	¥119,746	¥232,926	¥107,454	¥63,711	¥523,836	142.5	116.7
Australia	¥112,160	¥124,715	¥74,518	¥53,982	¥365,376	99.4	90.0

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

As of February 2009, direct air capacity from South Korea to Canada was slated to expand 31.9 per cent during the second quarter of 2009, year-over-year. However, it is possible this large increase will not hold, as airlines adjust their capacity heading into the spring travel season.

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	57,874	76,346	31.9%
B.C.	44,139	59,189	34.1%
Ontario	13,735	17,157	24.9%

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 (Q2—April to June)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	544,396	600,464	10.3%
to Australia	276,887	322,628	16.5%
to Germany	1,630,829	1,450,762	-11.0%
to the United Kingdom	46,605	46,605	0.0%
to France	70,625	70,225	-0.6%

Source: BACK Aviation Solutions.

There is a mixed outlook for direct air access from South Korea to key competitive destinations during the second quarter of 2009. Solid growth is expected on routes to the United States and Australia, while reductions are scheduled for routes to Germany and France. Direct air capacity to the U.K. is expected to stay the same as the previous year.

## Competitive Price Index

Canada's key competitors for South 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 most competitive markets in the second quarter of 2009, with the exception of the U.K. and Australia. The most significant gains are expected against the United States and Germany.

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 9.3 per cent over last year. Although average airfares to Canada are expected to decline by 4.7 per cent, other categories in the index are expected to increase by approximately 14 per cent.

Meanwhile, the average cost of a similar trip to competitive destinations (U.S., U.K., France, Germany, and Australia) during the second quarter is expected to increase 13.1 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	Q2 2009 Index (Canada = 100)	Q2 2008 Index
Canada	1,236,441	2,094,001	1,131,534	1,047,001	5,508,977	100.0	100.0
Atlantic	1,697,605	1,833,208	1,065,264	1,047,001	5,643,078	102.4	97.8
Ontario/Quebec	1,308,909	2,187,962	1,112,432	1,047,001	5,656,304	102.7	104.6
Manitoba/Sask.	1,351,438	1,836,936	1,107,046	1,047,001	5,342,420	97.0	97.8
Alberta/B.C.	1,137,947	2,041,908	1,193,623	1,047,001	5,420,478	98.4	97.6
U.S.	990,039	2,118,904	759,875	1,526,941	5,395,759	97.9	85.7
France	959,576	2,815,633	1,433,469	992,175	6,200,853	112.6	105.2
Germany	1,028,810	3,086,850	1,495,365	975,746	6,586,771	119.6	109.9
U.K.	888,958	2,603,696	1,139,338	946,593	5,578,586	101.3	114.9
Australia	1,063,703	1,912,262	1,142,598	827,716	4,946,279	89.8	90.6

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 14.4 per cent in the second 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 (Q2—April to June)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	284,290	243,449	-14.4%
B.C.	189,645	146,388	-22.8%
Ontario	94,645	97,061	2.6%

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 (Q2—April to June)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	794,448	711,394	-10.5%
to Australia	116,753	134,147	14.9%
to France	187,356	179,319	-4.3%
to Germany	299,195	278,005	-7.1%
to the U.K.	112,762	102,011	-9.5%

Source: BACK Aviation Solutions.

Direct air access from China is expected to decrease to most key competitive destinations during the second quarter of 2009. The one exception continues to be Australia, which is expected to see a 14.9 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 second quarter of 2009, except the U.K. and Australia.

The analysis suggests that the cost of a 10-night stay in Canada will decrease 19.4 per cent for Chinese travellers in the second quarter from a year earlier. Although average airfares to Canada are expected to decrease only 5.1 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 15.8 per cent, year-over-year.

In terms of Canadian destinations, Ontario/Quebec will be the most price-competitive region for Chinese travellers during the second quarter.

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q2 2009 Index (Canada=100)	Q2 2008 Index
Canada	10,306	10,341	5,588	5,170	31,405	100.0	100.0
Atlantic	11,584	9,053	5,261	5,170	31,068	98.9	100.2
Ontario/Quebec	7,803	10,805	5,494	5,170	29,272	93.2	96.2
Manitoba/Sask.	10,209	9,071	5,467	5,170	29,918	95.3	100.6
Alberta/B.C.	11,791	10,084	5,895	5,170	32,940	104.9	102.5
U.S.	8,243	10,464	3,753	7,541	30,000	95.5	85.0
France	6,817	13,905	7,079	4,900	32,701	104.1	94.6
Germany	6,749	15,244	7,385	4,815	34,192	108.9	98.6
U.K.	6,934	12,858	5,626	4,674	30,092	95.8	106.0
Australia	9,458	9,443	5,643	4,089	28,633	91.2	92.5

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 stay the same in the second quarter of 2009 as the previous year. This could hinder the growth potential of Australian visits to Canada during the period.

### Seats Available for Travel From Australia to Canada (Q2—April to June)

Seats available (includes one stop)	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	49,140	49,140	0.0%
B.C.	24,570	24,570	0.0%
Ontario	24,570	24,570	0.0%

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 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 (Q2—April to June)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	276,887	322,628	16.5%
to the U.K. (includes one stop)	213,198	211,955	-0.6%
to China	116,485	134,147	15.2%
to Hong Kong	393,221	402,868	2.5%
to Japan	208,240	178,091	-14.5%
to Italy	0	0	n/a
to India	9,165	9,165	0.0%

Source: BACK Aviation Solutions.

There is a mixed outlook for air access from Australia to key competitive destinations during the second quarter of 2009. Large increases in direct air capacity are expected for routes to United States and China, while significant cutbacks are expected on routes to Japan. Meanwhile, air access to the United Kingdom and India is expected to stay about the same as the same quarter of 2008.

## 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 second quarter of 2009, except the U.K.

Our analysis suggests that the cost of a 10-night stay in Canada during the quarter, including airfare, hotels, meals, and other items, will increase 5.4 per cent over the previous year for Australian travellers.

Meanwhile, the average cost of a similar trip to competitive destinations during the second quarter is expected to increase 28.5 per cent over last year.

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

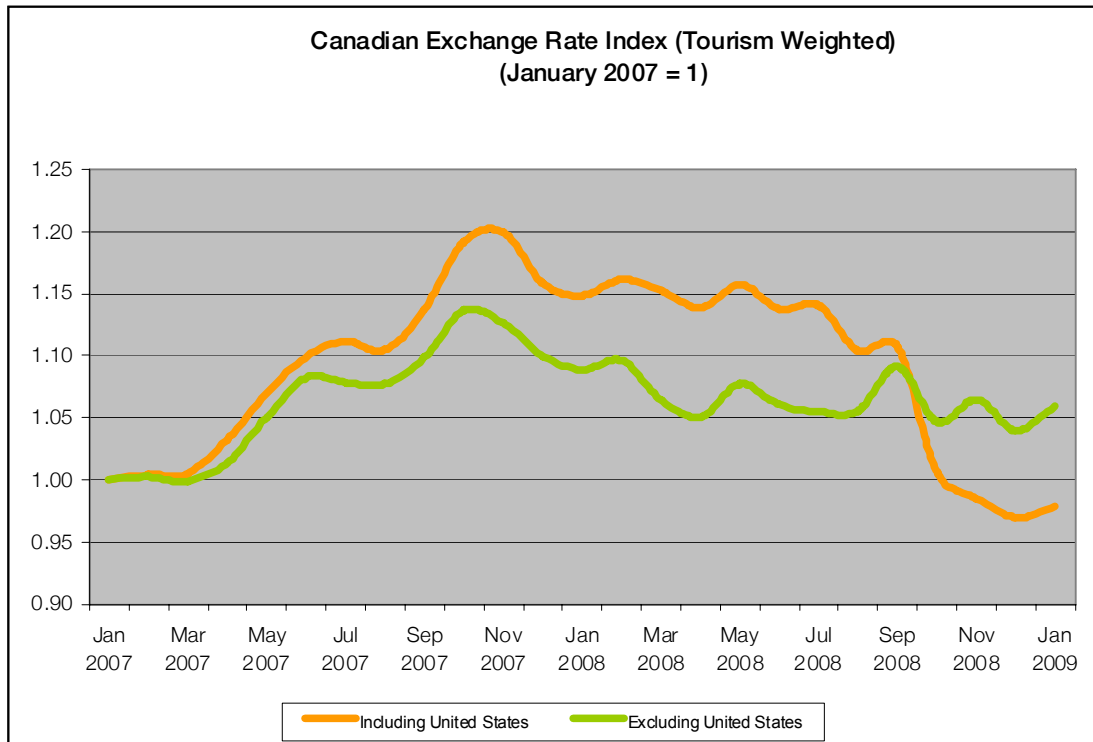
**Competitive Price Index—Australian Travellers to Canada**  
(Australian Dollars, Based on 10-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q2 2009 Index (Canada=100)	Q2 2008 Index
Canada	\$2,391	\$2,325	\$1,256	\$1,162	\$7,134	100.0	100.0
Atlantic	\$2,750	\$2,035	\$1,183	\$1,162	\$7,130	99.9	99.8
Ontario/Quebec	\$2,668	\$2,429	\$1,235	\$1,162	\$7,494	105.1	106.5
Manitoba/Sask.	\$2,535	\$2,039	\$1,229	\$1,162	\$6,965	97.6	99.2
Alberta/B.C.	\$2,169	\$2,267	\$1,325	\$1,162	\$6,923	97.0	96.1
U.S.	\$1,169	\$2,352	\$844	\$1,695	\$6,060	84.9	80.9
U.K.	\$1,991	\$2,890	\$1,265	\$1,051	\$7,196	100.9	106.2
Japan	\$1,762	\$3,196	\$1,725	\$1,929	\$8,612	120.7	81.0
China	\$1,622	\$2,891	\$1,677	\$372	\$6,561	92.0	68.2
Hong Kong	\$1,425	\$5,137	\$1,767	\$1,494	\$9,823	137.7	103.2
Italy	\$2,031	\$3,965	\$1,829	\$1,084	\$8,909	124.9	108.1
India	\$1,313	\$4,034	\$1,180	\$366	\$6,892	96.6	80.3

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 2007. The base value of the index is calculated using exchange rates from January 2008.



# 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.

<b>International visitor market origin</b>	<b>Average nights spent in Canada (and competing destinations)</b>
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*.

<b>International travel market</b>	<b>Competitive destinations (to Canada)</b>
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.

<b>Table A3: Competitive Price Index Components</b>	
<b>Index component</b>	<b>Data sources/proxy values used</b>
International airfares to Canada and other destinations (excluding airfare from the U.S. to Canada)	Lowest price obtained through web queries using travel search engines FareCompare and SideStep. The period examined was for travel between May 12, 2009, and May 19, 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 May 12, 2009, and May 19, 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 second 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 May 12, 2009, and May 19, 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 second 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.