



U.S. and Overseas Travel to Canada

Short-Term Competitive Outlook Third Quarter 2009

Prepared for:
The Canadian Tourism Commission (CTC)

By:
The Conference Board of Canada

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WHAT'S INSIDE

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

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

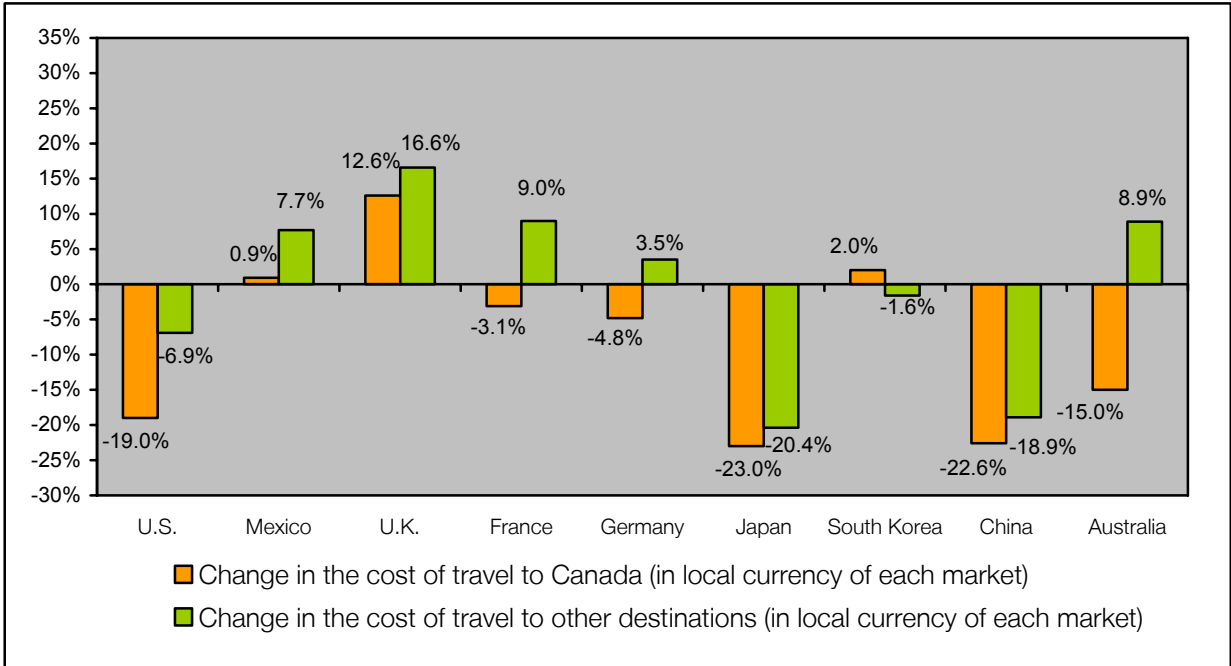
Air capacity to competitive destinations: A comparison of air services from key international markets to travel destinations competing with Canada for those markets is an important measurement of Canada's relative performance as an international tourism destination. A table for each travel market country 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 May 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 third 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
(Q3 2009 vs. Q3 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 third quarter of 2009 over the previous year for all inbound travel markets included in this analysis, except South Korea. The improvement is largely because of significant reductions in average airfares to Canada, and the weaker value of the Canadian dollar against the currencies of many international 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 May 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 7.2 per cent during the third quarter of 2009 from the same quarter of 2008.

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to Canada (overall)	4,067,750	3,775,296	-7.2%
B.C.	905,242	775,577	-14.3%
Alberta	551,394	555,534	0.8%
Saskatchewan	36,813	59,774	62.4%
Manitoba	87,438	80,926	-7.4%
Ontario	1,783,909	1,670,836	-6.3%
Quebec	603,870	535,831	-11.3%
New Brunswick	4,600	4,600	0.0%
Nova Scotia	72,626	70,898	-2.4%
Prince Edward Island	8,850	11,366	28.4%
Newfoundland & Labrador	11,408	9,114	-20.1%
Yukon	1,600	840	-47.5%

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 third quarter of 2009, air capacity is expected to decrease by 6 per cent on non-stop domestic routes within the United States, compared with a year earlier.

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
U.S. domestic destinations	228,510,111	214,739,581	-6.0%

Source: BACK Aviation Solutions.

Competitive Price Index

From the perspective of U.S. travellers to Canada, the destinations that are most comparable to Canada are U.S. domestic destinations. The U.S. domestic market is Canada's main competitor for weekend getaways and mini-break trips. For the U.S. market, the competitive price analysis was based on a typical four-night stay in Canada, priced in U.S. dollars.

Our analysis suggests Canada's competitive price index will increase by a dramatic 10.8 points in the third 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 19 per cent less in the third quarter of 2009 than it did a year earlier. Average airfares during the quarter are expected to decrease 24.5 per cent.

Meanwhile, a similar trip within the United States is expected to cost 6.9 per cent less during the third quarter. In Canada, Ontario/Quebec will be the most price-competitive region for U.S. travellers during this period.

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2009 Index (Canada = 100)	Q3 2008 Index
Canada	\$849	\$611	\$334	\$306	\$ 2,100	100.0	100.0
Atlantic Canada	\$921	\$548	\$314	\$306	\$ 2,089	99.5	102.3
Ontario/Quebec	\$749	\$655	\$328	\$306	\$ 2,038	97.0	98.9
Manitoba/Sask.	\$971	\$549	\$326	\$306	\$ 2,153	102.5	100.0
Alberta/B.C.	\$950	\$611	\$352	\$306	\$ 2,219	105.7	100.2
U.S. (domestic)	\$463	\$609	\$217	\$439	\$ 1,728	82.3	71.5

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

Mexico

Mexico-to-Canada Air Capacity

In the third quarter of 2009, direct air capacity between Mexico and Canada is scheduled to stay about the same as it was a year earlier. The lack of growth in scheduled air services may hinder the growth of Mexican arrivals in Canada during the quarter.

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	119,903	119,947	0.0%
B.C.	30,139	29,322	-2.7%
Alberta	14,498	19,621	35.3%
Ontario	45,670	42,950	-6.0%
Quebec	29,596	28,054	-5.2%

Source: BACK Aviation Solutions.

Air Capacity from Mexico to Competitive Destinations

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

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	2,883,941	2,732,489	-5.3%
to Italy	17,360	23,835	37.3%
to Spain	141,231	197,984	40.2%

Source: BACK Aviation Solutions.

Direct air capacity from Mexico to the United States is expected to decrease 5.3 per cent in the third quarter of 2009 from the previous year. On the other hand, there continue to be substantial increases in seat capacity scheduled for 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.

Canada's competitive price index is expected to increase against all competitive destinations except Spain during the third quarter of 2009, year-over-year.

Our competitive price analysis suggests that the cost of a seven-night stay in Canada during the third quarter, including airfare, hotels, meals, and other items, will increase 0.9 per cent for Mexican travellers, year-over-year. This slight increase comes despite a 26.9 per cent decline in average airfares to Canada from Mexico. Costs in other categories of the index are expected to increase between 8 and 10 per cent.

Meanwhile, the cost of a similar trip to other competitive destinations is expected to increase by an average of 7.7 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 most Canadian regions is quite 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	Q3 2009 Index (Canada = 100)	Q3 2008 Index
Canada	\$5,384	\$14,321	\$7,823	\$7,161	\$34,688	100.0	100.0
Atlantic	\$7,443	\$12,847	\$7,359	\$7,161	\$34,809	100.3	100.2
Ontario/Quebec	\$4,251	\$15,342	\$7,681	\$7,161	\$34,435	99.3	99.8
Manitoba/Sask.	\$9,959	\$12,870	\$7,641	\$7,161	\$37,631	108.5	102.5
Alberta/B.C.	\$5,060	\$14,313	\$8,246	\$7,161	\$34,779	100.3	98.2
U.S.	\$3,711	\$14,270	\$5,088	\$10,273	\$33,341	96.1	81.4
Spain	\$10,715	\$18,951	\$9,349	\$6,194	\$45,210	130.3	137.5
Italy	\$13,600	\$25,014	\$11,384	\$6,842	\$56,840	163.9	152.6

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

United Kingdom

U.K.-to-Canada Air Capacity

As of May 2009, the number of direct seats available from the United Kingdom to Canada during the third quarter is expected to decline by 10.4 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 (Q3—July to September)			
Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	671,648	601,474	-10.4%
B.C.	131,113	115,157	-12.2%
Alberta	130,095	113,293	-12.9%
Manitoba	2,152	0	-100.0%
Ontario	317,762	296,903	-6.6%
Quebec	57,227	47,835	-16.4%
Nova Scotia	33,299	28,286	-15.1%

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 (Q3—July to September)			
Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	3,064,784	2,826,802	-7.8%
to China	112,845	92,036	-18.4%
to South Africa	204,797	206,266	0.7%
to Kenya/Nigeria/Ghana	235,930	236,132	0.1%
to Brazil	50,836	69,824	37.4%
to Mexico	41,609	72,619	74.5%

Source: BACK Aviation Solutions.

In the third quarter of 2009, there is a mixed outlook for direct air access from the U.K. to key competitive destinations. Routes to the United States and China are expected to see significant cuts in capacity. On the other hand, substantial increases in seat capacity are scheduled for routes to Brazil and Mexico. Meanwhile, air access to South Africa and sub-Saharan Africa (Kenya, Nigeria and Ghana) is expected to stay about the same as the previous year.

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.

With the exception of Latin America, Canada's competitive price index is expected to improve against all competitive markets over the third quarter of 2009. The greatest improvements are expected against sub-Saharan Africa, the United States and South Africa.

The analysis suggests the cost of a seven-night stay in Canada for U.K. travellers, including airfare, hotels, meals, and other items, will increase 12.6 per cent, year-over-year. Airfares from the U.K. to Canada are expected to increase by an average of 15.3 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 slightly more (16.6%).

In terms of Canadian destinations, the index shows that Atlantic Canada will be the most price-competitive region for U.K. travellers during the third 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	Q3 2009 Index (Canada = 100)	Q3 2008 Index
Canada	£645	£713	£389	£357	£2,104	100.0	100.0
Atlantic	£665	£640	£366	£357	£2,028	96.4	99.5
Ontario/Quebec	£574	£764	£382	£357	£2,077	98.7	97.4
Manitoba/Sask.	£682	£641	£380	£357	£2,060	97.9	105.6
Alberta/B.C.	£744	£713	£411	£357	£2,224	105.7	101.4
United States	£478	£710	£253	£511	£1,953	92.8	87.4
China	£396	£877	£509	£113	£1,895	90.1	89.4
South Africa	£662	£599	£258	£78	£1,597	75.9	71.8
Sub-Saharan Africa (Kenya, Nigeria, Ghana)	£520	£1,008	£455	£218	£2,201	104.6	97.2
Latin America (Brazil and Mexico)	£565	£704	£312	£220	£1,801	85.6	87.6

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

France

France-to-Canada Air Capacity

Direct air capacity from France to Canada in the third quarter of 2009 is expected to increase 3.7 per cent from the previous year. This small increase in air access 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 (Q3—July to September)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	390,460	405,018	3.7%
B.C.	3,762	4,446	18.2%
Alberta	9,019	4,104	-54.5%
Ontario	72,724	81,277	11.8%
Quebec	304,955	315,191	3.4%

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 (Q3—July to September)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	1,187,665	1,078,210	-9.2%
to Brazil	177,352	156,419	-11.8%
to China	178,942	194,794	8.9%
to Nigeria/Ghana/Senegal	70,530	98,027	39.0%

Source: BACK Aviation Solutions.

The outlook is mixed for air access from France to competitive tourism destinations during the third quarter. The United States and Brazil are expected to see sizeable year-over-year reductions in direct air access from France during period. However, air services to China and sub-Saharan Africa (Nigeria/Ghana/Senegal) are expected to increase significantly over the previous year.

Competitive Price Index

Canada's key competitors for French long-haul travellers are the United States, China, sub-Saharan Africa (specifically, Nigeria, Ghana, and Senegal), and Brazil. For the French market, the competitive price analysis was based on a typical seven-night stay, priced in euros.

In the third quarter of 2009, Canada's competitive price index is expected to increase against all competitive destinations. The analysis suggests the average cost of a seven-night stay in Canada, including airfare, hotels, meals, and other items, will decrease 3.1 per cent for French travellers, year-over-year. Moreover, average airfares from France to Canada are expected to decline by 6.5 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 9 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 third quarter.

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2009 Index (Canada = 100)	Q3 2008 Index
Canada	€ 810	€ 803	€ 438	€ 401	€ 2,453	100.0	100.0
Atlantic	€ 867	€ 720	€ 412	€ 401	€ 2,400	97.9	101.6
Ontario/Quebec	€ 669	€ 860	€ 431	€ 401	€ 2,360	96.2	95.4
Manitoba/Sask.	€ 919	€ 721	€ 428	€ 401	€ 2,470	100.7	100.4
Alberta/B.C.	€ 991	€ 802	€ 462	€ 401	€ 2,657	108.3	105.9
United States	€ 841	€ 800	€ 285	€ 576	€ 2,502	102.0	90.0
China	€ 722	€ 988	€ 573	€ 127	€ 2,410	98.3	83.8
Sub-Saharan Africa (Nigeria, Ghana, Senegal)	€ 707	€ 1,044	€ 462	€ 161	€ 2,374	96.8	89.7
Brazil	€ 984	€ 806	€ 344	€ 84	€ 2,218	90.4	81.1

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 during the third quarter of 2009 is expected to grow by 4.1 per cent over the previous year. This solid increase in direct air access during the quarter could help boost the growth potential of German travel to Canada.

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	335,405	349,091	4.1%
B.C.	58,682	71,452	21.8%
Alberta	52,519	52,578	0.1%
Ontario	154,270	158,364	2.7%
Quebec	52,440	52,440	0.0%
Nova Scotia	10,231	7,263	-29.0%
Yukon	7,263	6,994	-3.7%

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 (Q3—July to September)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	1,703,191	1,621,849	-4.8%
to South Africa	107,251	84,631	-21.1%
to Brazil	87,635	88,513	1.0%
to Mexico	51,358	51,089	-0.5%
to China	299,502	285,390	-4.7%

Source: BACK Aviation Solutions.

In the third quarter of 2009, reductions in direct air access are expected for most key competitive destinations, compared with a year earlier. The one exception is Brazil, which is expected to see a small expansion (1%) of seat capacity 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 during the third quarter of 2009. The largest improvement is expected against the United States, China and South Africa. The analysis suggests the average cost of a seven-night stay in Canada, including airfare, hotels, meals, and other items, will decline 4.8 per cent for German visitors during the third quarter. While average airfares from Germany to Canada are expected to decrease 11.2 per cent overall, airfares to Atlantic Canada are expected to decrease by an average of 19.2 per cent. 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 3.5 per cent.

In terms of Canadian destinations, the index suggests that Atlantic Canada will be the most price-competitive region for German travellers in the third quarter of 2009.

Competitive Price Index—German Travellers to Canada

(Euros, Based on Seven-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2009 Index (Canada = 100)	Q3 2008 Index
Canada	€ 804	€ 803	€ 438	€ 401	€ 2,447	100.0	100.0
Atlantic	€ 740	€ 720	€ 412	€ 401	€ 2,274	92.9	95.4
Ontario/Quebec	€ 760	€ 860	€ 431	€ 401	€ 2,452	100.2	98.3
Manitoba/Sask.	€ 949	€ 721	€ 428	€ 401	€ 2,500	102.2	100.6
Alberta/B.C.	€ 850	€ 802	€ 462	€ 401	€ 2,516	102.8	103.1
United States	€ 707	€ 800	€ 285	€ 576	€ 2,368	96.8	87.8
China	€ 456	€ 988	€ 573	€ 127	€ 2,144	87.6	80.3
South Africa	€ 735	€ 674	€ 290	€ 88	€ 1,787	73.0	65.5
Latin America (Brazil and Mexico)	€ 771	€ 792	€ 351	€ 248	€ 2,162	88.4	84.8

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

Japan

Japan-to-Canada Air Capacity

During the third quarter of 2009, direct air capacity from Japan to Canada is expected to drop 11.1 per cent from the same quarter of 2008. This large reduction is mainly because of a large cutback in direct seats to B.C. during the period. Moreover, Air Canada indicated it plans to further reduce direct air capacity between Narita, Japan, and Vancouver, BC. As a result, insufficient air access will likely hinder the growth of Japanese arrivals to Canada during the quarter.

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	105,892	94,124	-11.1%
B.C.	73,784	62,016	-15.9%
Ontario	32,108	32,108	0.0%

Source: BACK Aviation Solutions.

Air Capacity from Japan to Competitive Destinations

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

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	1,920,182	1,831,137	-4.6%
to France	254,826	216,459	-15.1%
to Germany	202,289	191,596	-5.3%
to Italy	83,245	83,827	0.7%
to Australia	205,516	163,540	-20.4%

Source: BACK Aviation Solutions.

Direct air capacity from Japan is expected to decline to nearly all key competitive destinations during the third quarter of 2009, compared with a year earlier. The most substantial reductions are slated for routes to France and Australia, which are each expected to see double-digit cutbacks in direct seat capacity 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.

Canada's competitive price index is expected to improve against all competitive markets except Australia during the third quarter of 2009. The most significant increases are expected against the United States and Italy.

Our analysis suggests the average cost of a 10-night stay in Canada during the third quarter, including airfare, hotels, meals, and other items, will decrease 23 per cent for Japanese travellers, year-over-year. Cost reductions are anticipated for all categories of the index, particularly airfares, which are expected to decline by an average of 31.6 per cent.

Meanwhile, the average cost of travelling to long-haul destinations competing for Japanese travellers is expected to decrease 20.4 per cent, year-over-year.

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

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2009 Index (Canada = 100)	Q3 2008 Index
Canada	¥111,008	¥151,216	¥82,596	¥75,608	¥420,429	100.0	100.0
Atlantic	¥134,951	¥135,649	¥77,700	¥75,608	¥423,909	100.8	93.1
Ontario/Quebec	¥115,022	¥161,990	¥81,106	¥75,608	¥433,727	103.2	100.6
Manitoba/Sask.	¥157,509	¥135,889	¥80,680	¥75,608	¥449,687	107.0	97.8
Alberta/B.C.	¥102,050	¥151,125	¥87,067	¥75,608	¥415,850	98.9	99.9
U.S.	¥150,885	¥150,673	¥53,726	¥108,466	¥463,750	110.3	96.1
France	¥152,167	¥205,006	¥103,961	¥72,240	¥533,374	126.9	122.7
Germany	¥152,068	¥220,563	¥106,847	¥69,719	¥549,197	130.6	126.2
Italy	¥143,262	¥264,122	¥120,197	¥72,244	¥599,825	142.7	136.0
Australia	¥78,339	¥149,343	¥89,316	¥64,643	¥381,640	90.8	100.4

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

South Korea

South-Korea-to-Canada Air Capacity

Direct air capacity from South Korea to Canada during the third quarter of 2009 is scheduled to plummet by 25 per cent compared with the previous year. This severe reduction in direct seat capacity will have a negative impact on Canada's Korean travel market during the summer quarter.

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	78,819	59,144	-25.0%
B.C.	52,423	39,278	-25.1%
Ontario	26,396	19,866	-24.7%

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 (Q3—July to September)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	576,426	598,382	3.8%
to Australia	78,176	77,774	-0.5%
to Germany	119,477	104,744	-12.3%
to the United Kingdom	49,110	47,870	-2.5%
to France	72,810	69,655	-4.3%

Source: BACK Aviation Solutions.

Reductions in direct air access are expected for most key competitive destinations during the third quarter of 2009, compared with the previous year. A significant cutback in seat capacity is expected for Germany, while smaller reductions are expected for Australia, France and the U.K. On the other hand, direct air access is expected to increase on routes to the United States.

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.

Compared with last year, Canada's competitive price index is expected to increase against the United States, and Australia in the third quarter of 2009. The analysis suggests the cost of a 10-night stay in Canada for Korean travellers during the quarter, including airfare, hotels, meals, and other items, will increase a modest 2 per cent over last year. Although average airfares to Canada are expected to decline by 5.4 per cent, other categories in the index are expected to increase by 5 to 7 per cent.

Meanwhile, the average cost of a similar trip to competitive destinations (U.S., U.K., France, Germany, and Australia) during the third quarter is expected to decrease 1.6 per cent, year-over-year.

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

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2009 Index (Canada = 100)	Q3 2008 Index
Canada	1,871,713	1,943,750	1,061,702	971,875	5,849,040	100.0	100.0
Atlantic	2,043,718	1,743,646	998,766	971,875	5,758,005	98.4	94.6
Ontario/Quebec	1,986,852	2,082,236	1,042,548	971,875	6,083,511	104.0	100.7
Manitoba/Sask.	2,783,883	1,746,733	1,037,075	971,875	6,539,565	111.8	106.7
Alberta/B.C.	1,699,881	1,942,577	1,119,166	971,875	5,733,498	98.0	98.9
U.S.	1,782,944	1,936,763	690,597	1,394,235	5,804,540	99.2	91.9
France	953,820	2,635,173	1,336,328	928,585	5,853,906	100.1	107.7
Germany	933,472	2,835,140	1,373,429	896,181	6,038,221	103.2	112.5
U.K.	977,983	2,494,212	1,090,384	906,790	5,469,369	93.5	113.4
Australia	1,764,440	1,919,669	1,148,073	830,923	5,663,105	96.8	90.5

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

China

China-to-Canada Air Capacity

Direct air capacity from mainland China to Canada is expected to fall by 2.8 per cent in the third quarter of 2009 from the previous year. This reduction could hamper the growth potential of Chinese travel to Canada during the quarter.

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	131,376	127,657	-2.8%
B.C.	74,079	70,709	-4.5%
Ontario	57,297	56,948	-0.6%

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

(Q3—July to September)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	391,736	410,073	4.7%
to Australia	498,270	491,379	-1.4%
to Germany	398,949	385,008	-3.5%
to France	278,975	294,740	5.7%
to the U.K.	416,047	405,486	-2.5%

Source: BACK Aviation Solutions.

The outlook for direct air access to key competitive destinations during the third quarter of 2009 is mixed. Air access to the United States and France is expected to increase over the previous year. Conversely, modest reductions in direct air capacity are expected for routes to Australia, Germany and the U.K 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.

Canada's competitive price index is expected to increase against all key competitive markets except the U.K. in the third quarter of 2009, compared with a year earlier.

The analysis suggests the cost of a 10-night stay in Canada will decrease 22.6 per cent for Chinese travellers during the third quarter. Average airfares to Canada are expected to decrease by 30.5 per cent, while costs for hotels, meals and other items are expected to decline between 16 and 18 per cent.

Meanwhile, the cost of a similar trip to competitive destinations (U.S., U.K., France, Germany, and Australia) during the quarter is expected to decrease by an average of 18.9 per cent, year-over-year.

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

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2009 Index (Canada=100)	Q3 2008 Index
Canada	12,828	10,422	5,692	5,211	34,152	100.0	100.0
Atlantic	15,151	9,349	5,355	5,211	35,065	102.7	127.6
Ontario/Quebec	10,980	11,164	5,590	5,211	32,944	96.5	96.4
Manitoba/Sask.	16,003	9,365	5,560	5,211	36,140	105.8	126.5
Alberta/B.C.	13,504	10,415	6,000	5,211	35,130	102.9	96.9
U.S.	12,307	10,384	3,703	7,475	33,869	99.2	84.3
France	5,905	14,129	7,165	4,979	32,177	94.2	88.6
Germany	6,116	15,201	7,364	4,801	33,482	98.0	92.6
U.K.	6,505	13,373	5,846	4,861	30,585	89.6	95.0
Australia	7,334	10,292	6,155	4,457	28,238	82.7	82.6

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

Australia

Australia-to-Canada Air Capacity

Air capacity for direct (non-stop) flights and flights with one stop between Australia and Canada during the third quarter of 2009 is currently expected to stay on par with the previous year. The lack of growth in air access between the two countries could dampen the growth potential of Canada's Australian travel market during the quarter. However, air capacity from Australia to the United States is scheduled to increase during the third quarter, which may benefit Australians flying on connecting flights to Canada.

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

Seats available (includes one stop)	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	49,680	49,680	0.0%
B.C.	24,840	24,840	0.0%
Ontario	24,840	24,840	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 (Q3—July to September)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	279,285	356,543	27.7%
to the U.K. (includes one stop)	212,134	221,110	4.2%
to China	105,091	115,930	10.3%
to Hong Kong	393,302	375,583	-4.5%
to Japan	205,745	163,311	-20.6%
to Italy (includes one stop)	1,350	0	-100.0%
to India	9,165	0	-100.0%

Source: BACK Aviation Solutions.

The outlook is mixed for air access from Australia to key competitive destinations during the third quarter of 2009. On the one hand, large increases in seat capacity are expected for the United States and China, while a smaller increase is scheduled for the U.K. However, significant cutbacks in air access are expected for Japan, Italy 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 third quarter of 2009, except the U.K.

Our analysis suggests the cost of a 10-night stay in Canada for Australian travellers during the quarter, including airfare, hotels, meals, and other items, will decrease 15 per cent from the previous year.

Meanwhile, the average cost of a similar trip to competitive destinations during the third quarter is expected to increase 8.9 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.

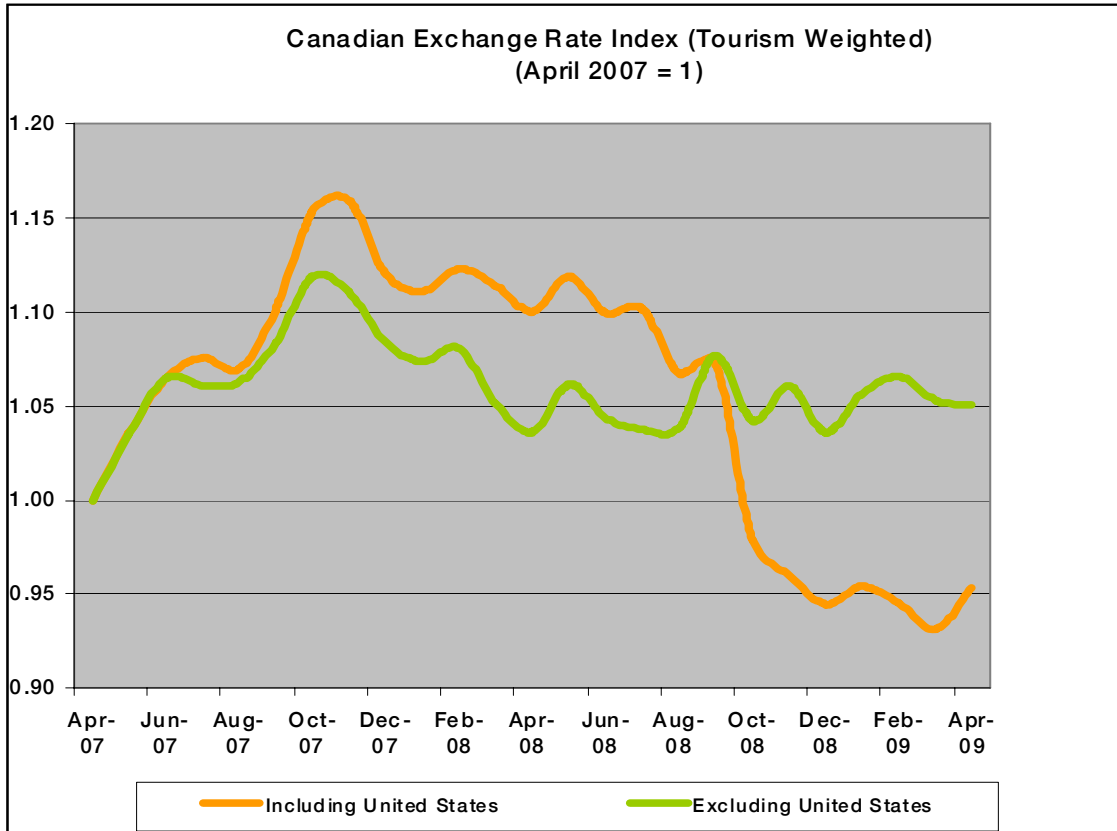
Competitive Price Index—Australian Travellers to Canada
(Australian Dollars, Based on 10-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2009 Index (Canada=100)	Q3 2008 Index
Canada	\$1,473	\$2,067	\$1,129	\$1,034	\$5,703	100.0	100.0
Atlantic	\$1,630	\$1,854	\$1,062	\$1,034	\$5,580	97.8	99.0
Ontario/Quebec	\$1,564	\$2,215	\$1,109	\$1,034	\$5,921	103.8	104.5
Manitoba/Sask.	\$1,519	\$1,858	\$1,103	\$1,034	\$5,513	96.7	100.1
Alberta/B.C.	\$1,397	\$2,066	\$1,190	\$1,034	\$5,687	99.7	96.8
U.S.	\$1,182	\$2,060	\$734	\$1,483	\$5,459	95.7	87.1
U.K.	\$2,302	\$2,653	\$1,160	\$964	\$7,079	124.1	114.1
Japan	\$1,001	\$2,579	\$1,392	\$1,556	\$6,529	114.5	85.6
China	\$1,266	\$2,544	\$1,476	\$328	\$5,613	98.4	68.6
Hong Kong	\$974	\$4,520	\$1,555	\$1,315	\$8,364	146.6	105.5
Italy	\$2,182	\$3,611	\$1,643	\$988	\$8,424	147.7	114.1
India	\$1,223	\$3,535	\$1,034	\$321	\$6,113	107.2	80.8

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



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 2008. For competing destinations, the same average length of stay was assumed to apply.

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*.

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

Cost Components of the Competitive Price Index

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

Table A3: Competitive Price Index Components	
Index component	Data sources/proxy values used
International airfares to Canada and other destinations (excluding airfare from the U.S. to Canada)	Lowest price obtained through web queries using travel search engines FareCompare and SideStep. The period examined was for travel between August 11, 2009, and August 18, 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 August 11, 2009, and August 18, 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 third 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 August 11, 2009, and August 18, 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 third 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.