



Canadian Tourism
Commission

Commission canadienne
du tourisme

U.S. and Overseas Travel to Canada

Short-Term Competitive Outlook Fourth Quarter 2009

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By:
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WHAT'S INSIDE

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

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Introduction

The *Short-Term Competitive Outlook* provides competitive data on Canada's key tourism markets (U.S. and overseas) for the upcoming travel season. The prime objective of this report is to provide some forward-looking indicators that will help the Canadian Tourism Commission (CTC) and its many tourism industry partners plan more effectively for the near term.

This report includes the following information:

Competitive price index: One important aspect of Canada's global competitiveness as a tourism destination is the price of Canadian travel products relative to those of its key international competitors' products. The competitive price index is calculated using prices for airfares, hotels, meals, and other costs incurred by visitors to Canada, compared against prices for competing destinations.

Air capacity to Canada: The ability to get to a destination is an integral part of planning and taking a trip. For this reason, the level of direct air capacity to Canada from key international markets is analyzed, using data from BACK Aviation Solutions, Inc. Air access between Canada and key travel markets is crucial, because growth in travel from specific markets is linked to improvements in air access.

Please note: the air capacity tables list the number of seats available as of July 2009, but these numbers may change as airlines adjust their schedules.

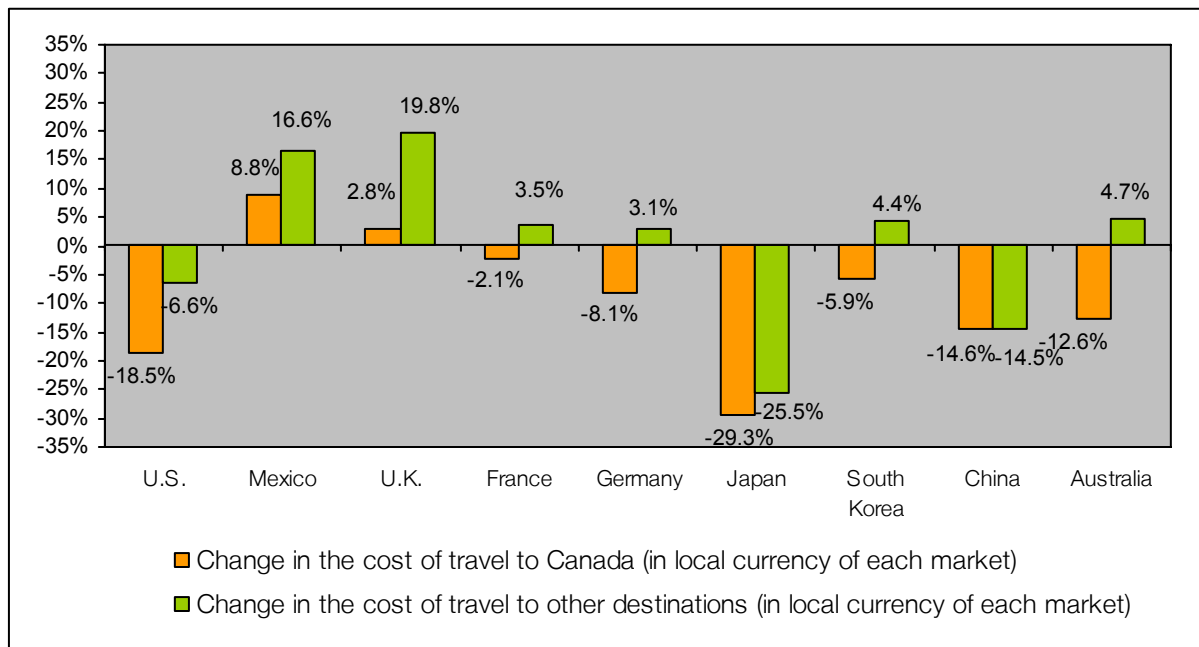
Air capacity to competitive destinations: A comparison of air services from key international markets to travel destinations competing with Canada for those markets is an important measurement of Canada's relative performance as an international tourism destination. A table for each travel market country 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.

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

Competitive Price Index—Summary Table

- One important aspect of Canada’s global competitiveness as a tourism destination is the price of Canadian travel products relative to those of its key international competitors’ products. The competitive price index tracks product pricing trends in key markets and monitors Canada’s relative price competitiveness.
- The competitive price index is calculated based on a potential traveller’s expected spending on airfares, hotels, meals, and other costs for travel to Canada, compared with the costs for travelling to competing destinations.
- The following summarizes the results of the competitive price index for the fourth quarter of 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
(Q4 2009 vs. Q4 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 fourth quarter of 2009 over the previous year for all inbound travel markets included in this analysis. 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 July 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 2.2 per cent during the fourth quarter of 2009 from the same quarter of 2008.

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to Canada (overall)	3,819,378	3,734,977	-2.2%
B.C.	692,088	697,925	0.8%
Alberta	597,065	591,205	-1.0%
Saskatchewan	51,679	60,942	17.9%
Manitoba	86,826	79,066	-8.9%
Ontario	1,737,171	1,702,815	-2.0%
Quebec	580,599	538,138	-7.3%
New Brunswick	4,500	4,600	2.2%
Nova Scotia	61,876	55,686	-10.0%
Newfoundland & Labrador	6,894	4,600	-33.3%
Yukon	680	0	-100.0%

Source: BACK Aviation Solutions.

Air Capacity from the U.S. to Competitive Destinations

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

In the fourth quarter of 2009, air capacity is expected to decrease by 2.2 per cent on non-stop domestic routes within the United States, compared with a year earlier.

Seats Available for Domestic Travel Within the United States

(Q4—October to December)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
U.S. domestic destinations	212,334,815	207,479,068	-2.3%

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. The competitive price analysis was based on a typical four-night stay in Canada for U.S. travellers priced in U.S. dollars.

Our analysis suggests Canada's competitive price index will increase by a dramatic 10.1 points in the fourth quarter of 2009, compared with a year earlier. The weaker value of the Canadian dollar and a decline in average airfares to Canada during the fourth quarter, year-over-year, 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 18.5 per cent less in the fourth quarter of 2009 than it did a year earlier. Average airfares during the quarter are expected to decrease 25.5 per cent.

Meanwhile, a similar trip within the United States is expected to cost 6.6 per cent less during the fourth quarter. In Canada, Ontario/Quebec will be the most price-competitive region for U.S. travellers during this period.

Competitive Price Index—U.S. Travellers to Canada

(US\$, Based on Four-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q4 2009 Index (Canada = 100)	Q4 2008 Index
Canada	\$849	\$629	\$361	\$315	\$2,153	100.0	100.0
Atlantic Canada	\$921	\$560	\$336	\$315	\$2,131	99.0	103.0
Ontario/Quebec	\$749	\$641	\$352	\$315	\$2,057	95.5	96.6
Manitoba/Sask.	\$971	\$585	\$347	\$315	\$2,218	103.0	101.9
Alberta/B.C.	\$950	\$629	\$389	\$315	\$2,283	106.0	102.8
U.S. (domestic)	\$454	\$596	\$220	\$430	\$1,700	79.0	68.9

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

Mexico

Mexico-to-Canada Air Capacity

In the fourth quarter of 2009, direct air capacity between Mexico and Canada is scheduled to rise by 23.8 per cent over the previous year. This substantial increase in scheduled air services may enhance the growth potential of Mexican visits to Canada during the quarter.

Please note: the tables list the number of seats available as of July 2009, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	149,164	184,630	23.8%
B.C.	35,017	44,095	25.9%
Alberta	28,814	37,994	31.9%
Saskatchewan	0	3,536	n.a.
Manitoba	146	4,472	2963.0%
Ontario	56,719	61,407	8.3%
Quebec	28,468	33,126	16.4%

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 (Q4—October to December)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	2,956,842	2,719,755	-8.0%
to Italy	16,549	4,542	-72.6%
to Spain	112,578	144,568	28.4%

Source: BACK Aviation Solutions.

There is a mixed outlook for direct air capacity from Mexico to key competitive destinations in the fourth quarter compared with a year earlier. On the one hand, direct air access to United States is expected to decrease 8 per cent, while direct seat capacity to Italy plunges nearly 73 per cent. On the other hand, direct air capacity to Italy is scheduled to expand by 28.4 per cent.

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 fourth quarter of 2009, year-over-year.

Our competitive price analysis suggests that the cost of a seven-night stay in Canada during the fourth quarter, including airfare, hotels, meals, and other items, will increase 8.8 per cent for Mexican travellers, year-over-year. This increase comes despite a 5.1 per cent decline in average airfares to Canada from Mexico. Costs in other categories of the index are expected to increase between 10 and 18 per cent.

Meanwhile, the cost of a similar trip to other competitive destinations is expected to increase by an average of 16.6 per cent.

The index suggests that Ontario/Quebec will be the most price-competitive region in Canada for Mexican travellers during the quarter.

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q4 2009 Index (Canada = 100)	Q4 2008 Index
Canada	\$7,002	\$14,753	\$8,463	\$7,376	\$37,594	100.0	100.0
Atlantic	\$10,050	\$13,139	\$7,868	\$7,376	\$38,433	102.2	98.8
Ontario/Quebec	\$5,465	\$15,035	\$8,254	\$7,376	\$36,130	96.1	98.9
Manitoba/Sask.	\$11,055	\$13,714	\$8,140	\$7,376	\$40,285	107.2	99.2
Alberta/B.C.	\$7,196	\$14,751	\$9,119	\$7,376	\$38,442	102.3	100.8
U.S.	\$4,807	\$13,969	\$5,157	\$10,094	\$34,027	90.5	81.8
Spain	\$11,269	\$19,980	\$9,858	\$6,533	\$47,641	126.7	124.6
Italy	\$11,752	\$25,871	\$12,001	\$7,073	\$56,697	150.8	138.3

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 fourth is expected to grow by 4.9 per cent over the previous year. This moderate increase in direct air access may help to enhance the growth potential of U.K. visits to Canada during this period.

Please note: the tables list the number of seats available as of July 2009, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	375,774	394,188	4.9%
B.C.	55,413	62,952	13.6%
Alberta	63,733	65,500	2.8%
Ontario	198,491	208,517	5.1%
Quebec	43,840	42,960	-2.0%
Nova Scotia	14,297	14,259	-0.3%

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 (Q4—October to December)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	2,639,259	2,278,364	-13.7%
to mainland China	98,423	79,592	-19.1%
to South Africa	242,714	235,053	-3.2%
to Kenya/Nigeria/Ghana	216,017	210,371	-2.6%
to Brazil	56,779	70,272	23.8%
to Mexico	21,916	35,841	63.5%

Source: BACK Aviation Solutions.

There is a mixed outlook for direct air access from the U.K. to key competitive destinations during the fourth quarter. Routes to the United States and mainland China are expected to see significant cuts in capacity from a year earlier, while smaller reductions are planned for routes to key African destinations. On the other hand, substantial increases in seat capacity are slated for Brazil and Mexico.

Competitive Price Index

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

Canada's competitive price index is expected to improve against all competitive markets over the fourth quarter of 2009. The greatest improvements are expected against sub-Saharan Africa, South Africa and China.

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 2.8 per cent, year-over-year. Airfares from the U.K. to Canada are expected to fall by an average of 2.5 per cent during the quarter.

Meanwhile, the average cost of a similar trip to competitive destinations (United States, China, South Africa, sub-Saharan Africa, Brazil, and Mexico) during the quarter is expected to increase significantly more (19.8%).

In terms of Canadian destinations, the index shows that Atlantic Canada will be the most price-competitive region for U.K. travellers during the fourth quarter of 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	Q4 2009 Index (Canada = 100)	Q4 2008 Index
Canada	£417	£674	£386	£337	£1,814	100.0	100.0
Atlantic	£449	£600	£359	£337	£1,745	96.2	94.9
Ontario/Quebec	£358	£687	£377	£337	£1,758	96.9	97.8
Manitoba/Sask.	£461	£626	£372	£337	£1,796	99.0	99.7
Alberta/B.C.	£490	£674	£416	£337	£1,916	105.7	103.8
United States	£330	£638	£235	£461	£1,664	91.8	81.0
China	£422	£805	£467	£104	£1,799	99.2	81.9
South Africa	£596	£619	£266	£81	£1,562	86.1	69.0
Sub-Saharan Africa (Kenya, Nigeria, Ghana)	£418	£926	£417	£200	£1,961	108.1	90.1
Latin America (Brazil and Mexico)	£506	£654	£290	£204	£1,654	91.2	88.2

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

France

France-to-Canada Air Capacity

Direct air capacity from France to Canada in the fourth quarter of 2009 is expected to increase 8.3 per cent from the previous year. This growth in air access could help to improve the growth potential of French travel to Canada during the quarter.

Please note: the tables list the number of seats available as of July 2009, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	187,538	203,170	8.3%
B.C.	0	342	n.a.
Alberta	342	0	-100.0%
Ontario	45,345	52,706	16.2%
Quebec	141,851	150,122	5.8%

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 (Q4—October to December)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	910,949	846,348	-7.1%
to Brazil	164,055	156,370	-4.7%
to mainland China	150,056	168,972	12.6%
to Nigeria/Ghana/Senegal	78,313	72,526	-7.4%

Source: BACK Aviation Solutions.

Direct air access from France is expected to decrease on routes to most key competitive tourism destinations during the fourth quarter compared with a year earlier. Moderate reductions in direct air access are expected for the United States, Brazil and sub-Saharan Africa (Nigeria/Ghana/Senegal). However, a significant increase in direct seat capacity is scheduled for routes to mainland China during the quarter.

Competitive Price Index

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

In the fourth quarter of 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 2.1 per cent for French travellers, year-over-year. During this period, average airfares from France to Canada are expected to increase by 3.4 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 3.5 per cent.

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

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q4 2009 Index (Canada = 100)	Q4 2008 Index
Canada	€ 630	€ 782	€ 449	€ 391	€ 2,251	100.0	100.0
Atlantic	€ 646	€ 697	€ 417	€ 391	€ 2,151	95.5	97.1
Ontario/Quebec	€ 552	€ 797	€ 438	€ 391	€ 2,178	96.7	95.5
Manitoba/Sask.	€ 792	€ 727	€ 432	€ 391	€ 2,342	104.0	99.7
Alberta/B.C.	€ 699	€ 782	€ 483	€ 391	€ 2,356	104.6	107.1
United States	€ 528	€ 741	€ 273	€ 535	€ 2,077	92.3	85.2
China	€ 457	€ 935	€ 543	€ 121	€ 2,056	91.3	87.4
Sub-Saharan Africa (Nigeria, Ghana, Senegal)	€ 612	€ 1,007	€ 446	€ 156	€ 2,220	98.6	91.3
Brazil	€ 777	€ 781	€ 334	€ 81	€ 1,973	87.6	85.8

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

Germany

Germany-to-Canada Air Capacity

Direct air capacity from Germany to Canada during the fourth quarter of 2009 is expected to rise 3.1 per cent over the previous year. This modest increase in direct air access during the quarter could help bolster the growth potential of German travel to Canada.

Please note: the tables list the number of seats available as of July 2009, but these numbers may change as airlines adjust their schedules.

Seats Available for Direct Travel From Germany to Canada (Q4—October to December)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	202,940	209,159	3.1%
B.C.	25,460	25,748	1.1%
Alberta	34,562	43,065	24.6%
Ontario	108,415	105,934	-2.3%
Quebec	32,391	32,260	-0.4%
Nova Scotia	1,574	1,883	19.6%
Yukon	538	269	-50.0%

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 (Q4—October to December)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	1,331,607	1,348,209	1.2%
to South Africa	129,453	114,856	-11.3%
to Brazil	89,220	85,868	-3.8%
to Mexico	56,390	54,856	-2.7%
to mainland China	243,034	240,319	-1.1%

Source: BACK Aviation Solutions.

In the fourth quarter of 2009, year-over-year reductions in direct air access are expected for nearly all key competitive destinations for the German market. The one exception is the United States, which is expected to see a small expansion (1.2%) 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 fourth quarter of 2009. The largest improvement is expected against China, South Africa and the United States.

The analysis suggests the average cost of a seven-night stay in Canada, including airfare, hotels, meals, and other items, will decline 8.1 per cent for German visitors during the fourth quarter. While average airfares from Germany to Canada are expected to decrease 19.6 per cent overall, airfares to Alberta/B.C. are expected to decrease by an average of 26.8 per cent. With the exception of Manitoba/Saskatchewan, accommodation is also expected to cost less than it 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 3.1 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 fourth 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	Q4 2009 Index (Canada = 100)	Q4 2008 Index
Canada	€ 487	€ 782	€ 449	€ 391	€ 2,108	100.0	100.0
Atlantic	€ 575	€ 697	€ 417	€ 391	€ 2,079	98.6	97.6
Ontario/Quebec	€ 427	€ 797	€ 438	€ 391	€ 2,052	97.3	96.3
Manitoba/Sask.	€ 597	€ 727	€ 432	€ 391	€ 2,146	101.8	98.7
Alberta/B.C.	€ 520	€ 782	€ 483	€ 391	€ 2,177	103.3	105.8
United States	€ 414	€ 741	€ 273	€ 535	€ 1,963	93.1	84.8
China	€ 477	€ 935	€ 543	€ 121	€ 2,075	98.4	80.7
South Africa	€ 589	€ 719	€ 309	€ 94	€ 1,710	81.1	72.5
Latin America (Brazil and Mexico)	€ 544	€ 759	€ 337	€ 237	€ 1,878	89.1	84.5

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

Japan

Japan-to-Canada Air Capacity

During the fourth quarter of 2009, direct air capacity from Japan to Canada is expected to increase by 4.8 per cent over the previous year, due to substantial growth in the number of available non-stop seats to Ontario. On the other hand, a large reduction in direct air access to British Columbia is expected for the period.

Please note: the tables list the number of seats available as of July 2009, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	74,000	77,520	4.8%
B.C.	65,275	50,784	-22.2%
Ontario	8,725	26,736	206.4%

Source: BACK Aviation Solutions.

Air Capacity from Japan to Competitive Destinations

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

Seats Available for Travel From Japan to Other International Destinations (Q4—October to December)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	1,864,147	1,713,327	-8.1%
to France	227,227	205,653	-9.5%
to Germany	194,597	177,420	-8.8%
to Italy	82,372	86,995	5.6%
to Australia	189,500	162,481	-14.3%

Source: BACK Aviation Solutions.

Reductions in direct air capacity from Japan are expected for nearly all key competitive destinations during the fourth quarter of 2009, compared with a year earlier. The one exception is Italy, which is expected to see a 5.6 per cent increase in direct air access from Japan 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. The competitive price analysis for the Japanese market 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 fourth quarter of 2009. The most significant increases are expected against Italy and France.

Our analysis suggests the average cost of a 10-night stay in Canada during the fourth quarter, including airfare, hotels, meals, and other items, will decrease 29.3 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 48.9 per cent.

Meanwhile, the average cost of travelling to long-haul destinations competing for Japanese travellers is expected to decrease 25.5 per cent, year-over-year.

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

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q4 2009 Index (Canada = 100)	Q4 2008 Index
Canada	¥60,324	¥148,048	¥84,933	¥74,024	¥367,330	100.0	100.0
Atlantic	¥86,978	¥131,859	¥78,956	¥74,024	¥371,817	101.2	98.9
Ontario/Quebec	¥63,983	¥150,884	¥82,828	¥74,024	¥371,719	101.2	101.6
Manitoba/Sask.	¥73,611	¥137,621	¥81,690	¥74,024	¥366,947	99.9	94.2
Alberta/B.C.	¥54,366	¥148,032	¥91,515	¥74,024	¥367,937	100.2	100.3
U.S.	¥62,890	¥140,189	¥51,757	¥101,293	¥356,127	97.0	89.2
France	¥79,259	¥205,964	¥104,671	¥72,564	¥462,458	125.9	113.5
Germany	¥72,293	¥221,151	¥107,152	¥69,947	¥470,543	128.1	120.9
Italy	¥73,141	¥259,626	¥120,432	¥70,984	¥524,183	142.7	126.9
Australia	¥78,017	¥159,091	¥95,626	¥68,844	¥401,578	109.3	122.3

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

South Korea

South-Korea-to-Canada Air Capacity

Direct air capacity from South Korea to Canada during the fourth quarter of 2009 is scheduled to rise by 11.7 per cent over the previous year. Although direct air access to British Columbia has been cut back, the number of available non-stop seats to Ontario is slated for a substantial increase during the quarter. This growth will likely help boost the growth potential of Canada's Korean travel market during this period.

Please note: the tables list the number of seats available as of July 2009, but these numbers may change as airlines adjust their schedules.

Seats Available for Direct Travel From South Korea to Canada (Q4—October to December)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	55,070	61,528	11.7%
B.C.	45,025	39,555	-12.1%
Ontario	10,045	21,973	118.7%

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 (Q4—October to December)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	529,379	549,495	3.8%
to Australia	81,912	85,188	4.0%
to Germany	113,431	99,030	-12.7%
to the United Kingdom	46,940	47,250	0.7%
to France	68,645	69,565	1.3%

Source: BACK Aviation Solutions.

Small increases in direct air capacity are expected on routes to most key competitive destinations during the fourth quarter of 2009, compared with the previous year. However, a significant cutback in air access from Korea to Germany is expected for the quarter.

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 all competitive markets during the fourth 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 decrease 5.9 per cent from last year. While hotels and other items are expected to increase between 5 and 12 per cent, average airfares to Canada are expected to decline by 37 per cent.

Meanwhile, the average cost of a similar trip to competitive destinations (U.S., U.K., France, Germany, and Australia) during the fourth quarter is expected to increase 4.4 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	Q4 2009 Index (Canada = 100)	Q4 2008 Index
Canada	973,810	1,991,525	1,142,506	995,763	5,103,603	100.0	100.0
Atlantic	1,183,944	1,773,752	1,062,101	995,763	5,015,559	98.3	99.0
Ontario/Quebec	1,127,867	2,029,673	1,114,187	995,763	5,267,490	103.2	105.3
Manitoba/Sask.	982,610	1,851,258	1,098,885	995,763	4,928,515	96.6	101.1
Alberta/B.C.	855,870	1,991,311	1,231,045	995,763	5,073,989	99.4	97.2
U.S.	1,303,604	1,885,798	696,221	1,362,573	5,248,197	102.8	90.3
France	1,480,246	2,770,596	1,408,017	976,127	6,634,985	130.0	116.1
Germany	1,400,473	2,974,885	1,441,398	940,912	6,757,667	132.4	118.6
U.K.	1,180,145	2,704,114	1,183,927	983,189	6,051,375	118.6	115.9
Australia	1,311,835	2,140,064	1,286,352	926,085	5,664,335	111.0	96.3

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

China

China-to-Canada Air Capacity

Direct air capacity from mainland China to Canada is expected to jump by 13.4 per cent in the fourth quarter of 2009 over the same quarter of 2008. This substantial increase in direct air access may help enhance the growth potential of Chinese travel to Canada during the period.

Please note: the tables list the number of seats available as of July 2009, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	89,698	101,673	13.4%
B.C.	55,179	55,058	-0.2%
Ontario	34,519	46,615	35.0%

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 (Q4—October to December)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	357,282	344,161	-3.7%
to Australia	132,917	118,982	-10.5%
to Germany	147,659	169,005	14.5%
to France	244,521	241,009	-1.4%
to the U.K.	98,498	79,816	-19.0%

Source: BACK Aviation Solutions.

Direct air capacity is expected to decline on routes from mainland China to most key competitive destinations during the fourth quarter of 2009. Significant year-over-year cuts in air access are scheduled for Australia and Germany. Conversely, a large increase in direct air capacity is slated for France 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.

Compared with a year ago, Canada's competitive price index is expected to increase against the U.S. and France but decline against Germany, the U.K. and Australia.

The analysis suggests the cost of a 10-night stay in Canada will decrease 14.6 per cent for Chinese travellers during the fourth quarter. Average fares to Canada are expected to decrease by 16 per cent, while costs for hotels, meals and other items are expected to decline between 10 and 16 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 14.5 per cent, year-over-year.

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

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q4 2009 Index (Canada=100)	Q4 2008 Index
Canada	9,264	10,744	6,164	5,372	31,544	100.0	100.0
Atlantic	10,343	9,569	5,730	5,372	31,014	98.3	96.9
Ontario/Quebec	10,689	10,950	6,011	5,372	33,022	104.7	99.5
Manitoba/Sask.	10,445	9,988	5,928	5,372	31,733	100.6	93.4
Alberta/B.C.	8,152	10,743	6,641	5,372	30,908	98.0	101.8
U.S.	8,091	10,174	3,756	7,351	29,372	93.1	87.1
France	6,148	14,947	7,596	5,266	33,958	107.7	105.8
Germany	5,650	16,049	7,776	5,069	34,544	109.5	109.9
U.K.	6,845	14,589	6,387	5,304	33,125	105.0	108.9
Australia	6,740	11,546	6,940	5,004	30,229	95.8	100.0

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

Australia

Australia-to-Canada Air Capacity

Air capacity for direct (non-stop) flights between Australia and Canada during the fourth quarter of 2009 is expected to grow by 9.5 per cent, year-over-year. This expansion of direct air access between the two countries may bolster the growth potential of Canada's Australian travel market during the quarter.

Please note: the tables list the number of seats available as of July 2009, but these numbers may change as airlines adjust their schedules.

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

Seats available (includes one stop)	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
Canada (overall)	22,680	24,840	9.5%
B.C.	22,680	24,840	9.5%

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 (Q4—October to December)

Non-stop seats available	2008 (Direct)	2009 est. (Direct)	2008 vs. 2009 Change
to the United States	293,396	356,564	21.5%
to the U.K. (includes one stop)	215,924	203,328	-5.8%
to mainland China	131,905	118,950	-9.8%
to Hong Kong	413,737	381,307	-7.8%
to Japan	189,271	162,481	-14.2%
to Italy (includes one stop)	0	0	n.a.
to India	9,400	0	-100.0%

Source: BACK Aviation Solutions.

Most key competitive markets are expected to see a year-over-year reduction in direct air services from Australia during the fourth quarter of 2009. A significant decrease is expected on routes to Japan, and non-stop services to India have been eliminated, according to the latest data. However, a large expansion in direct air access is expected for the United States 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. The competitive price analysis for the Australian market 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 fourth quarter of 2009.

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 12.6 per cent from the previous year.

Meanwhile, the average cost of a similar trip to competitive destinations during the fourth quarter is expected to increase 4.7 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.

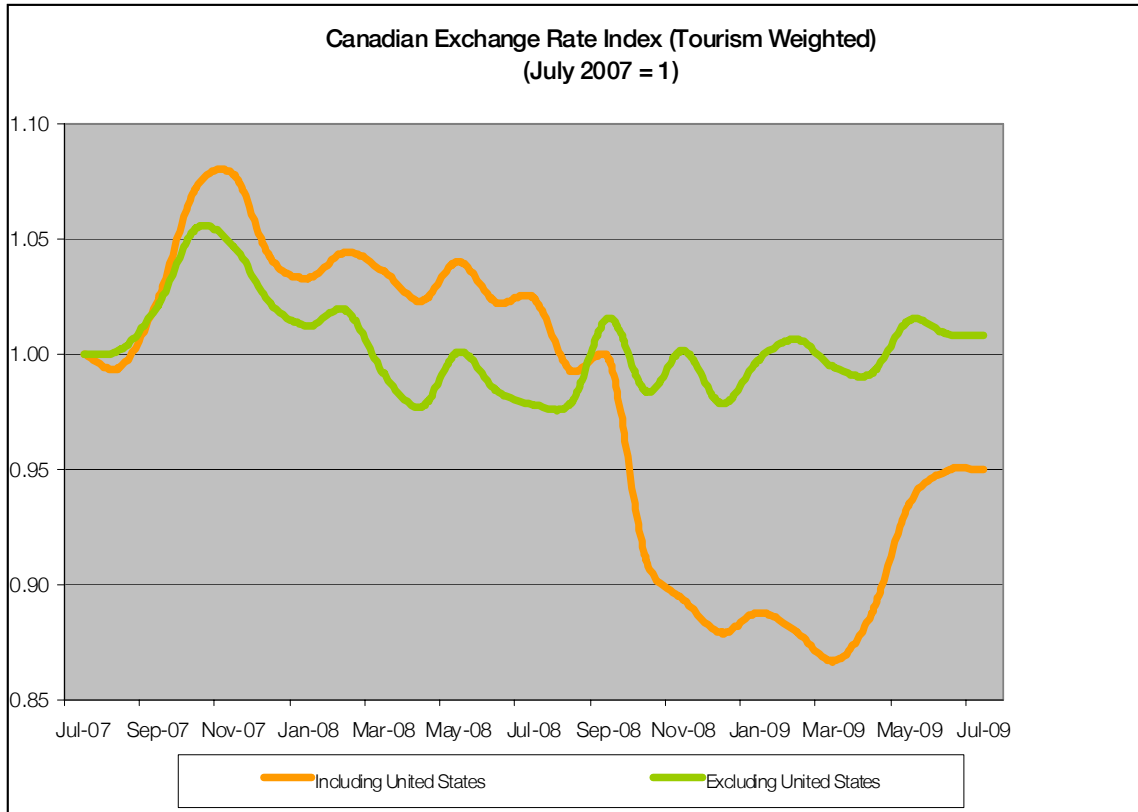
Competitive Price Index—Australian Travellers to Canada
(Australian Dollars, Based on 10-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q4 2009 Index (Canada=100)	Q4 2008 Index
Canada	\$1,750	\$1,964	\$1,127	\$982	\$5,823	100.0	100.0
Atlantic	\$2,242	\$1,749	\$1,047	\$982	\$6,020	103.4	101.6
Ontario/Quebec	\$2,061	\$2,002	\$1,099	\$982	\$6,143	105.5	104.5
Manitoba/Sask.	\$1,928	\$1,826	\$1,084	\$982	\$5,820	100.0	98.2
Alberta/B.C.	\$1,491	\$1,964	\$1,214	\$982	\$5,651	97.0	97.7
U.S.	\$1,067	\$1,860	\$687	\$1,344	\$4,957	85.1	84.9
U.K.	\$1,937	\$2,667	\$1,168	\$970	\$6,741	115.8	100.5
Japan	\$990	\$2,422	\$1,291	\$1,462	\$6,165	105.9	83.9
China	\$1,076	\$2,348	\$1,363	\$302	\$5,089	87.4	68.3
Hong Kong	\$983	\$4,173	\$1,435	\$1,214	\$7,805	134.0	106.2
Italy	\$1,889	\$3,444	\$1,598	\$942	\$7,873	135.2	109.7
India	\$1,376	\$3,284	\$960	\$298	\$5,918	101.6	84.8

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 July 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 November 10, 2009, and November 17, 2009—the midpoint of the period under analysis. Various specific destinations within each country were used, and results were weighted based on estimated travel flows. All taxes and charges were included.
Airfare from the U.S. to Canada	The top 10 inbound transborder journeys (for Halifax, Montréal, Toronto, Winnipeg, Calgary, and Vancouver) were probed using FareCompare and SideStep for the lowest prices on travel between November 10, 2009, and November 17, 2009—the midpoint of the period under analysis. Last year's rates for the same segments were taken from the price analysis used to produce the Short-Term Competitive Outlook for the fourth 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 November 10, 2009, and November 17, 2009—the midpoint of the period under analysis. The 5 domestic journeys excluded from the top 25 were short-haul segments that depend heavily on commuter travel. Last year's rates for the same segments were taken from the price analysis used to produce the Short-Term Competitive Outlook for the fourth 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.