



Canadian Tourism
Commission

Commission canadienne
du tourisme

U.S. and Overseas Travel to Canada

Short-Term Competitive Outlook

First quarter of 2010

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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 first quarter of 2010 (January to March).

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Introduction

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

This report includes the following information:

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

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

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

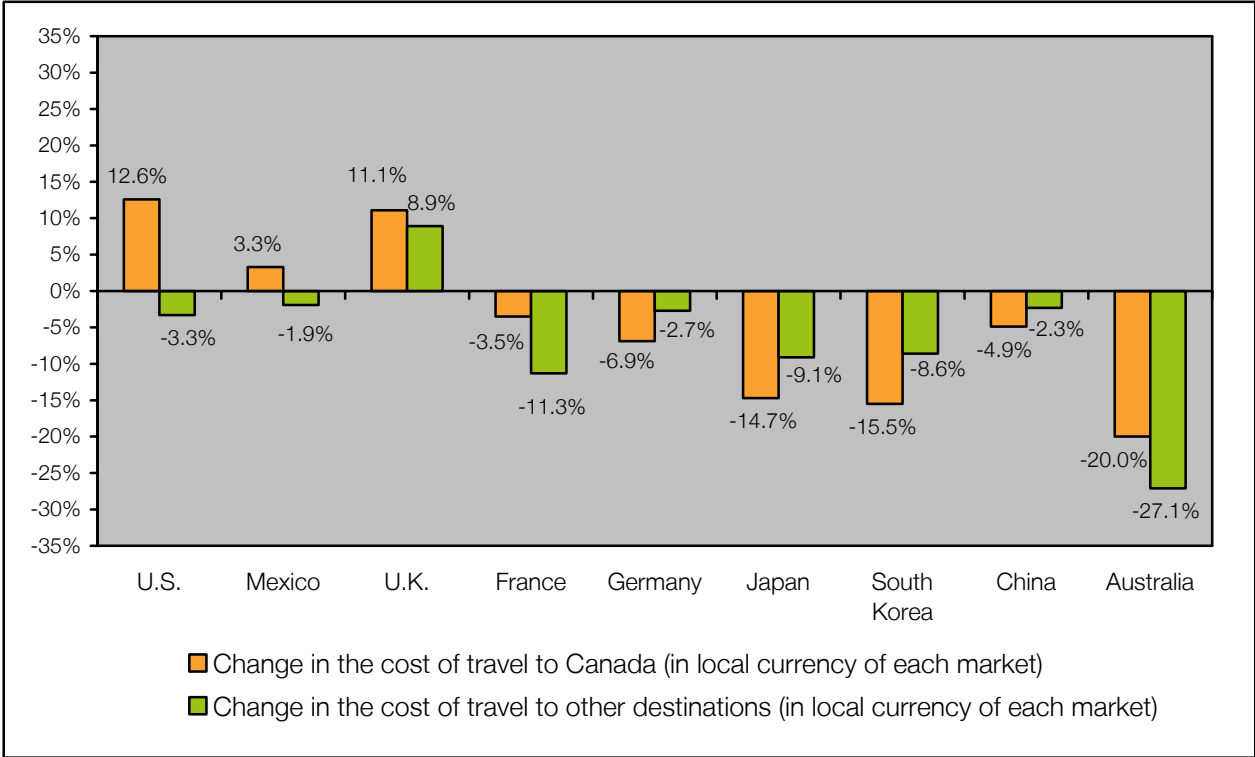
Air capacity to competitive destinations: A comparison of air services from key international markets to travel destinations competing with Canada for those markets is an important measurement of Canada's relative performance as an international tourism destination. A table for each travel market country 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 first quarter of 2010. The chart represents a snapshot of the year-over-year difference in the average cost of travelling to Canada from each origin market (the first bar) and the difference in the average cost of travelling to key competitive markets from each origin market (the second bar).

**Changes in the Cost of Travel to Canada vs. Competitive Markets
(Q1 2010 vs. Q1 2009)**



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

Canada’s price competitiveness is expected to improve for the inbound travel markets of France, Germany, Japan, South Korea and China during the first quarter of 2010, compared with the same quarter of 2009. The improvement is largely because of significant year-over-year reductions in average airfares to Canada. 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 October 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 rise slightly (0.6%) during the first quarter of 2010 from the same quarter of 2009.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to Canada (overall)	3,965,811	3,987,767	0.6%
B.C.	729,169	749,206	2.7%
Alberta	603,105	597,892	-0.9%
Saskatchewan	36,456	58,296	59.9%
Manitoba	92,350	81,806	-11.4%
Ontario	1,838,808	1,824,154	-0.8%
Quebec	598,928	612,185	2.2%
New Brunswick	4,500	4,700	4.4%
Nova Scotia	57,995	55,028	-5.1%
Newfoundland & Labrador	4,500	4,500	0.0%
Yukon	0	0	n/a

Source: BACK Aviation Solutions.

Air Capacity from the U.S. to Competitive Destinations

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

In the first quarter of 2010, air capacity is expected to decrease by 1.2 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

(Q1 – January to March)

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
U.S. domestic destinations	205,346,248	202,928,756	-1.2%

Source: *BACK Aviation Solutions*.

Competitive Price Index

From the perspective of U.S. travellers to Canada, the potential travel 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 made by U.S. travellers. 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 price competitiveness will decrease by a dramatic 11.3 points in the first quarter of 2010, compared with a year earlier. The stronger value of the Canadian dollar and a significant year-over-year increase in average airfares to Canada are two of the main reasons for the expected decrease in Canada's price competitive index.

Overall, the analysis suggests that a four-night stay in Canada for U.S. travellers, including airfare, hotels, meals, and other items, will cost 12.6 per cent more in the first quarter of 2010 than it did a year earlier. Average airfares during the quarter are expected to increase 17.5 per cent.

Meanwhile, a similar trip within the United States is expected to cost 3.3 per cent less during the first quarter. In Canada, Ontario/Quebec will be the most price-competitive region for U.S. travellers during this period.

Competitive Price Index—U.S. Travellers to Canada

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2010 Index (Canada = 100)	Q1 2009 Index
Canada	\$1,106	\$689	\$393	\$345	\$2,533	100.0	100.0
Atlantic Canada	\$1,213	\$620	\$364	\$345	\$2,543	100.4	98.6
Ontario/Quebec	\$981	\$708	\$392	\$345	\$2,425	95.7	97.6
Manitoba/Sask.	\$1,319	\$639	\$353	\$345	\$2,656	104.8	102.4
Alberta/B.C.	\$1,209	\$687	\$422	\$345	\$2,663	105.1	102.9
U.S. (domestic)	\$545	\$576	\$223	\$401	\$1,745	68.9	80.2

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

Mexico

Mexico-to-Canada Air Capacity

In the first quarter of 2010, direct air capacity between Mexico and Canada is scheduled to jump by 28.1 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 October 2009, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
Canada (overall)	222,038	284,370	28.1%
B.C.	47,073	64,811	37.7%
Alberta	44,586	56,328	26.3%
Saskatchewan	0	12,240	n.a.
Manitoba	5,298	10,400	96.3%
Ontario	86,245	90,231	4.6%
Quebec	38,836	50,360	29.7%

Source: BACK Aviation Solutions.

Air Capacity from Mexico to Competitive Destinations

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

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	3,471,798	3,313,870	-4.5%
to Italy	24,338	9,072	-62.7%
to Spain	106,266	111,504	4.9%

Source: BACK Aviation Solutions.

There is a mixed outlook for direct air capacity from Mexico to key competitive destinations in the first quarter compared with a year earlier. On the one hand, direct air access to the United States is expected to decrease 4.5 per cent, while direct seat capacity to Italy plunges nearly 63 per cent. On the other hand, direct air capacity to Spain is scheduled to grow by 4.9 per cent during the period.

Competitive Price Index

For potential Mexican travellers to Canada, the key competitive tourism destinations are the United States, Spain, and Italy. For the Mexican market, the competitive price analysis was based on a typical seven-night stay in Canada, priced in Mexican pesos.

Canada's competitive price index is expected to decrease against the U.S. and Spain and increase slightly against Italy during the first quarter of 2010, year-over-year.

Our competitive price analysis suggests the cost of a seven-night stay in Canada during the first quarter, including airfare, hotels, meals, and other items, will increase 3.3 per cent for Mexican travellers, year-over-year. This increase comes despite a 13.5 per cent decline in average airfares to Canada from Mexico. Costs in other categories of the index are expected to increase between 6 per cent and 14 per cent.

Meanwhile, the cost of a similar trip to other competitive destinations during the quarter is expected to decrease by an average of 1.9 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	Q1 2010 Index (Canada = 100)	Q1 2009 Index
Canada	\$7,375	\$15,153	\$8,635	\$7,577	\$38,739	100.0	100.0
Atlantic	\$9,294	\$13,634	\$8,001	\$7,577	\$38,506	99.4	99.3
Ontario/Quebec	\$5,983	\$15,554	\$8,608	\$7,577	\$37,722	97.4	98.9
Manitoba/Sask.	\$11,102	\$14,037	\$7,763	\$7,577	\$40,480	104.5	103.0
Alberta/B.C.	\$7,812	\$15,109	\$9,269	\$7,577	\$39,766	102.6	100.1
U.S.	\$5,360	\$12,659	\$4,912	\$8,806	\$31,737	81.9	94.5
Spain	\$10,638	\$20,056	\$9,896	\$6,558	\$47,147	121.7	124.8
Italy	\$10,801	\$25,945	\$11,945	\$7,094	\$55,785	144.0	143.1

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 first quarter is expected to grow by 5.2 per cent over the previous year. This expansion of 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 October 2009, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
Canada (overall)	338,568	356,131	5.2%
B.C.	51,138	58,337	14.1%
Alberta	66,127	69,463	5.0%
Ontario	168,056	176,148	4.8%
Quebec	42,908	41,000	-4.4%
Nova Scotia	10,339	11,183	8.2%

Source: BACK Aviation Solutions.

Air Capacity from the U.K. to Competitive Destinations

A comparison of air services from the United Kingdom to travel destinations competing with Canada for the British travel market is an important measurement of Canada's relative performance as an international tourism destination. Below is a table illustrating changes in air services to competing long-haul travel destinations during the upcoming travel season.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	2,413,772	2,171,282	-10.0%
to mainland China	87,656	78,589	-10.3%
to South Africa	239,218	236,473	-1.1%
to Kenya/Nigeria/Ghana	212,097	209,092	-1.4%
to Brazil	67,012	68,048	1.5%
to Mexico	16,510	43,611	164.1%

Source: BACK Aviation Solutions.

Most of the U.K.'s key competitive destinations are expected to see a decrease in direct air access during the first quarter of 2010 compared with a year earlier. Routes to the United States and mainland China are expected to see significant cuts in capacity, while smaller reductions are planned for routes to key African destinations. Meanwhile, direct air access to Brazil and Mexico is expected to increase during the quarter.

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 deteriorate against all competitive markets except South Africa during the first quarter of 2010. The largest decline is expected against the United States.

The analysis suggests the average cost of a seven-night stay in Canada for U.K. travellers, including airfare, hotels, meals, and other items, will increase 11.1 per cent, year-over-year. Airfares from the U.K. to Canada are expected to increase by an average of 23.6 per cent during the quarter.

Meanwhile, the average cost of a similar trip to competitive destinations (the United States, China, South Africa, sub-Saharan Africa, Brazil, and Mexico) during the quarter is expected to increase by 8.9 per cent.

In terms of Canadian destinations, the index shows that Ontario/Quebec will be the most price-competitive region for U.K. travellers during the first quarter of 2010.

Competitive Price Index—U.K. Travellers to Canada
(British Pounds, Based on Seven-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2010 Index (Canada = 100)	Q1 2009 Index
Canada	£462	£707	£403	£354	£1,926	100.0	100.0
Atlantic	£494	£636	£373	£354	£1,857	96.4	93.1
Ontario/Quebec	£365	£726	£402	£354	£1,846	95.8	97.9
Manitoba/Sask.	£548	£655	£362	£354	£1,919	99.6	101.9
Alberta/B.C.	£586	£705	£433	£354	£2,078	107.9	104.1
United States	£347	£591	£229	£411	£1,578	81.9	93.4
China	£452	£771	£448	£100	£1,771	91.9	95.8
South Africa	£587	£670	£280	£87	£1,625	84.3	71.6
Sub-Saharan Africa (Kenya, Nigeria, Ghana)	£371	£887	£400	£192	£1,849	96.0	101.5
Latin America (Brazil and Mexico)	£515	£656	£286	£205	£1,662	86.3	91.7

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

France

France-to-Canada Air Capacity

Direct air capacity from France to Canada is expected to rise 6.3 per cent in the first quarter of 2010, year-over-year. This growth in air access could help bolster the growth potential of French travel to Canada during the quarter.

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

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
Canada (overall)	150,962	160,422	6.3%
B.C.	0	349	n.a.
Ontario	41,732	42,034	0.7%
Quebec	109,230	118,039	8.1%

Source: BACK Aviation Solutions.

Air Capacity from France to Competitive Destinations

A comparison of air services from France to travel destinations competing with Canada for the French travel market is an important measurement of Canada's relative performance as an international tourism destination. The table below illustrates changes in air services to competing long-haul travel destinations during the upcoming travel season.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	799,122	755,454	-5.5%
to Brazil	156,923	152,769	-2.6%
to mainland China	143,824	149,319	3.8%
to Nigeria/Ghana/Senegal	81,181	72,051	-11.2%

Source: BACK Aviation Solutions.

Reductions in direct air access are expected for most key competitive tourism destinations during the first quarter of 2010. Moderate reductions in direct air access from France are expected for the United States and Brazil, and larger cutbacks are slated for sub-Saharan Africa (Nigeria/Ghana/Senegal). However, a modest 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 first quarter of 2010, Canada's competitive price index is expected to decrease 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 3.5 per cent for French travellers, year-over-year. During this period, average airfares from France to Canada are expected to increase by 8.4 per cent.

Meanwhile, the average cost of a similar trip to competitive destinations (the United States, China, sub-Saharan Africa, and Brazil) during the period is expected to decrease 11.3 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 first quarter.

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2010 Index (Canada = 100)	Q1 2009 Index
Canada	€ 620	€ 773	€ 440	€ 386	€ 2,219	100.0	100.0
Atlantic	€ 623	€ 695	€ 408	€ 386	€ 2,113	95.2	94.9
Ontario/Quebec	€ 508	€ 793	€ 439	€ 386	€ 2,126	95.8	96.1
Manitoba/Sask.	€ 742	€ 716	€ 396	€ 386	€ 2,239	100.9	101.1
Alberta/B.C.	€ 765	€ 770	€ 473	€ 386	€ 2,394	107.9	106.9
United States	€ 474	€ 645	€ 250	€ 449	€ 1,818	82.0	94.5
China	€ 576	€ 843	€ 489	€ 109	€ 2,016	90.9	98.1
Sub-Saharan Africa (Nigeria, Ghana, Senegal)	€ 561	€ 921	€ 407	€ 142	€ 2,032	91.6	98.3
Brazil	€ 604	€ 770	€ 318	€ 80	€ 1,773	79.9	83.9

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

Germany

Germany-to-Canada Air Capacity

Direct air capacity from Germany to Canada during the first quarter of 2010 is expected to jump 15.7 per cent over the previous year. This substantial increase in direct air access could help boost the growth potential of German travel to Canada during the quarter.

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

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
Canada (overall)	160,981	186,328	15.7%
B.C.	18,377	20,832	13.4%
Alberta	28,210	43,465	54.1%
Ontario	88,720	97,297	9.7%
Quebec	25,674	24,734	-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 (Q1 – January to March)

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	1,173,508	1,234,210	5.2%
to South Africa	118,905	117,548	-1.1%
to Brazil	84,075	84,383	0.4%
to Mexico	57,062	49,044	-14.1%
to mainland China	222,139	225,938	1.7%

Source: BACK Aviation Solutions.

There is a mixed outlook for direct air access from Germany to key competitive markets during the first quarter of 2010. Capacity is expected to increase on routes to the United States, Brazil and mainland China compared with a year earlier. However, direct air access to South Africa and Mexico is expected to decrease during the period.

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 decrease against the United States and China, but increase against South Africa and Latin America. The largest deterioration in price competitiveness is expected against 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 6.9 per cent for German visitors during the first quarter. Average airfares from Germany to Canada are expected to decrease 5 per cent overall, although airfares to Ontario/Quebec are expected to rise by an average of 10 per cent. Accommodation is expected to cost less in all regions of Canada during the period than it did a year earlier.

Meanwhile, the average cost of a similar trip to competitive destinations (the United States, China, South Africa, Brazil, and Mexico) during the quarter will decrease 2.7 per cent.

In terms of Canadian destinations, the index suggests Atlantic Canada will be the most price-competitive region for German travellers in the first quarter of 2010.

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2010 Index (Canada = 100)	Q1 2009 Index
Canada	€ 493	€ 773	€ 440	€ 386	€ 2,092	100.0	100.0
Atlantic	€ 518	€ 695	€ 408	€ 386	€ 2,007	96.0	100.3
Ontario/Quebec	€ 434	€ 793	€ 439	€ 386	€ 2,052	98.1	95.9
Manitoba/Sask.	€ 545	€ 716	€ 396	€ 386	€ 2,043	97.7	103.1
Alberta/B.C.	€ 565	€ 770	€ 473	€ 386	€ 2,194	104.9	104.7
United States	€ 443	€ 645	€ 250	€ 449	€ 1,788	85.5	93.4
China	€ 498	€ 843	€ 489	€ 109	€ 1,938	92.7	95.4
South Africa	€ 711	€ 732	€ 306	€ 95	€ 1,845	88.2	69.5
Latin America (Brazil and Mexico)	€ 584	€ 716	€ 312	€ 224	€ 1,837	87.8	85.9

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

Japan

Japan-to-Canada Air Capacity

During the first quarter of 2010, direct air capacity from Japan to Canada is expected to increase by 14.7 per cent over the previous year, due to a substantial increase in the number of available non-stop seats to Ontario. At the same time, a sizeable reduction in direct air access to British Columbia is also expected.

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

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
Canada (overall)	81,183	93,081	14.7%
B.C.	80,136	68,544	-14.5%
Ontario	1,047	24,537	2243.6%

Source: BACK Aviation Solutions.

Air Capacity from Japan to Competitive Destinations

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

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	1,880,150	1,887,811	0.4%
to France	212,166	174,907	-17.6%
to Germany	184,608	176,908	-4.2%
to Italy	100,647	101,811	1.2%
to Australia	206,199	160,851	-22.0%

Source: BACK Aviation Solutions.

There is a mixed outlook for direct air capacity from Japan to key competitive destinations during the first quarter of 2010. Direct air access to the United States and Italy is expected to increase modestly during the first quarter compared with a year earlier. Meanwhile, the number of non-stop seats to France, Germany and Australia are expected to decline during the quarter.

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 the United States during the first quarter of 2010. The most significant increases are expected against Australia and France.

Our analysis suggests the average cost of a 10-night stay in Canada during the quarter, including airfare, hotels, meals, and other items, will decrease 14.7 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 39.4 per cent.

Meanwhile, the average cost of travelling to key competitive destinations is expected to decrease 9.1 per cent during the quarter, year-over-year.

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

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2010 Index (Canada = 100)	Q1 2009 Index
Canada	¥66,631	¥147,845	¥84,249	¥73,923	¥372,647	100.0	100.0
Atlantic	¥95,640	¥133,025	¥78,065	¥73,923	¥380,653	102.1	98.7
Ontario/Quebec	¥61,992	¥151,756	¥83,991	¥73,923	¥371,661	99.7	101.6
Manitoba/Sask.	¥83,203	¥136,959	¥75,746	¥73,923	¥369,830	99.2	94.9
Alberta/B.C.	¥65,439	¥147,413	¥90,432	¥73,923	¥377,207	101.2	100.5
U.S.	¥68,363	¥123,512	¥47,922	¥85,920	¥325,717	87.4	98.9
France	¥83,460	¥201,569	¥102,628	¥71,016	¥458,673	123.1	113.6
Germany	¥76,770	¥216,432	¥104,768	¥68,454	¥466,424	125.2	119.2
Italy	¥68,363	¥253,140	¥116,545	¥69,211	¥507,260	136.1	130.4
Australia	¥117,359	¥175,412	¥102,822	¥75,907	¥471,500	126.5	99.6

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

South Korea

South-Korea-to-Canada Air Capacity

Direct air capacity from South Korea to Canada during the first quarter of 2010 is scheduled to rise by 9.3 per cent over the previous year. Although direct air access to British Columbia is expected to shrink, the number of available non-stop seats to Ontario is slated for a substantial increase during the quarter. This increase could 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 October 2009, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
Canada (overall)	55,448	60,581	9.3%
B.C.	43,087	33,491	-22.3%
Ontario	12,361	27,090	119.2%

Source: BACK Aviation Solutions.

Air Capacity from South Korea to Competitive Destinations

A comparison of air services from South Korea to travel destinations competing with Canada for the South Korean travel market is an important measurement of Canada's relative performance as an international tourism destination. Below is a table illustrating changes in air services to competing long-haul travel destinations during the upcoming travel season.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	555,577	547,274	-1.5%
to Australia	83,821	83,260	-0.7%
to France	67,015	67,810	1.2%
to Germany	98,775	97,541	-1.2%
to the United Kingdom	46,270	45,960	-0.7%

Source: BACK Aviation Solutions.

Most key competitive destinations are expected to see year-over-year reductions in direct air access from South Korea during the first quarter of 2010. The one exception is France, which could see a small increase in direct seat capacity during the period.

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 most key competitive markets during the first quarter of 2010, except the United States and the U.K.

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 15.5 per cent from a year earlier. The cost of accommodation and other items is expected to fall between 4 per cent and 10 per cent, and average airfares to Canada are expected to be about 35 per cent lower than they were a year earlier.

Meanwhile, the average cost of a similar trip to competitive destinations (the United States, the U.K., France, Germany, and Australia) during the first quarter is expected to decrease 8.6 per cent, year-over-year.

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

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2010 Index (Canada = 100)	Q1 2009 Index
Canada	1,028,839	1,921,575	1,094,997	960,788	5,006,200	100.0	100.0
Atlantic	1,190,660	1,728,960	1,014,631	960,788	4,895,038	97.8	102.4
Ontario/Quebec	1,092,075	1,972,411	1,091,649	960,788	5,116,922	102.2	104.8
Manitoba/Sask.	1,115,965	1,780,084	984,493	960,788	4,841,330	96.7	90.5
Alberta/B.C.	965,967	1,915,962	1,175,364	960,788	5,018,080	100.2	98.5
U.S.	1,229,234	1,605,316	622,847	1,116,724	4,574,121	91.4	96.2
France	1,364,576	2,619,838	1,333,881	923,012	6,241,307	124.7	111.4
Germany	1,344,509	2,813,011	1,361,697	889,714	6,408,931	128.0	114.0
U.K.	1,119,309	2,356,987	1,052,794	856,977	5,386,067	107.6	115.9
Australia	1,400,252	2,279,865	1,336,407	986,582	6,003,105	119.9	93.2

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

During the first quarter of 2010, direct air capacity from mainland China to Canada is expected to jump 27 per cent over the previous year. This substantial rise 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 October 2009, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
Canada (overall)	77,849	98,896	27.0%
B.C.	50,468	67,486	33.7%
Ontario	27,381	31,410	14.7%

Source: BACK Aviation Solutions.

Air Capacity from China to Competitive Destinations

A comparison of air services from China to travel destinations competing with Canada for the Chinese travel market is an important measurement of Canada's relative performance as an international tourism destination. Below is a table illustrating changes in air services to competing long-haul travel destinations during the upcoming travel season.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	313,719	329,096	4.9%
to Australia	153,464	144,920	-5.6%
to Germany	144,402	148,724	3.0%
to France	220,691	225,632	2.2%
to the U.K.	87,581	78,365	-10.5%

Source: BACK Aviation Solutions.

In the first quarter of 2010, the Chinese travel market is expected to see an increase in direct air access to the United States, France and Germany over the previous year. On the other hand, routes to Australia and the U.K are expected to see moderate reductions in direct seat capacity from China during the quarter.

Competitive Price Index

Canada's key competitors for Chinese long-haul travellers are the United States, the United Kingdom, France, Germany, and Australia. For the Chinese market, the competitive price analysis was based on a typical 10-night stay, priced in Chinese yuan.

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

The analysis suggests the cost of a 10-night stay in Canada will decrease 4.9 per cent for Chinese travellers during the first quarter. Average airfares to Canada are expected to decrease by 22.4 per cent, and costs for hotels, meals and other items are expected to increase between 2 per cent and 8 per cent.

Meanwhile, the cost of a similar trip to competitive destinations (the United States, the U.K., France, Germany, and Australia) during the quarter is expected to decrease by an average of 2.3 per cent, year-over-year.

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

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2010 Index (Canada=100)	Q1 2009 Index
Canada	8,223	11,170	6,365	5,585	31,343	100.0	100.0
Atlantic	11,568	10,051	5,898	5,585	33,102	105.6	94.4
Ontario/Quebec	7,599	11,466	6,346	5,585	30,996	98.9	94.7
Manitoba/Sask.	8,522	10,348	5,723	5,585	30,178	96.3	93.2
Alberta/B.C.	8,288	11,138	6,832	5,585	31,843	101.6	105.3
U.S.	6,882	9,332	3,621	6,492	26,326	84.0	96.7
France	5,677	15,229	7,754	5,366	34,026	108.6	101.9
Germany	6,118	16,352	7,916	5,165	35,550	113.4	106.1
U.K.	6,228	13,701	6,120	4,982	31,031	99.0	107.6
Australia	8,052	13,253	7,769	5,744	34,817	111.1	91.6

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 between Australia and Canada during the first quarter of 2010 is expected to grow by 7.1 per cent, year-over-year. This expansion of direct air access between the two countries could 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 October 2009, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
Canada (overall)	22,680	24,300	7.1%
B.C.	22,680	24,300	7.1%

Source: BACK Aviation Solutions.

Air Capacity from Australia to Competitive Destinations

A comparison of air services from Australia to travel destinations competing with Canada for the Australian travel market is an important measurement of Canada's relative performance as an international tourism destination. The table below illustrates changes in air services to competing long-haul travel destinations during the upcoming travel season.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	302,516	343,052	13.4%
to the U.K. (includes one stop)	210,162	197,800	-5.9%
to mainland China	153,912	144,950	-5.8%
to Hong Kong	411,879	399,749	-2.9%
to Japan	207,038	160,851	-22.3%
to India	11,514	0	-100.0%

Source: BACK Aviation Solutions.

Most key competitive markets are expected to see year-over-year reductions in direct air services from Australia during the first quarter of 2010. A significant decrease is expected for Japan, while non-stop services to India have been eliminated, according to the latest data. However, a sizeable 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 decline against most competitive markets during the first quarter of 2010, except Japan and Italy.

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 20 per cent from the previous year.

Meanwhile, the average cost of a similar trip to competitive destinations during the first quarter is expected to decrease 27.1 per cent from last year.

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

Competitive Price Index – Australian Travellers to Canada

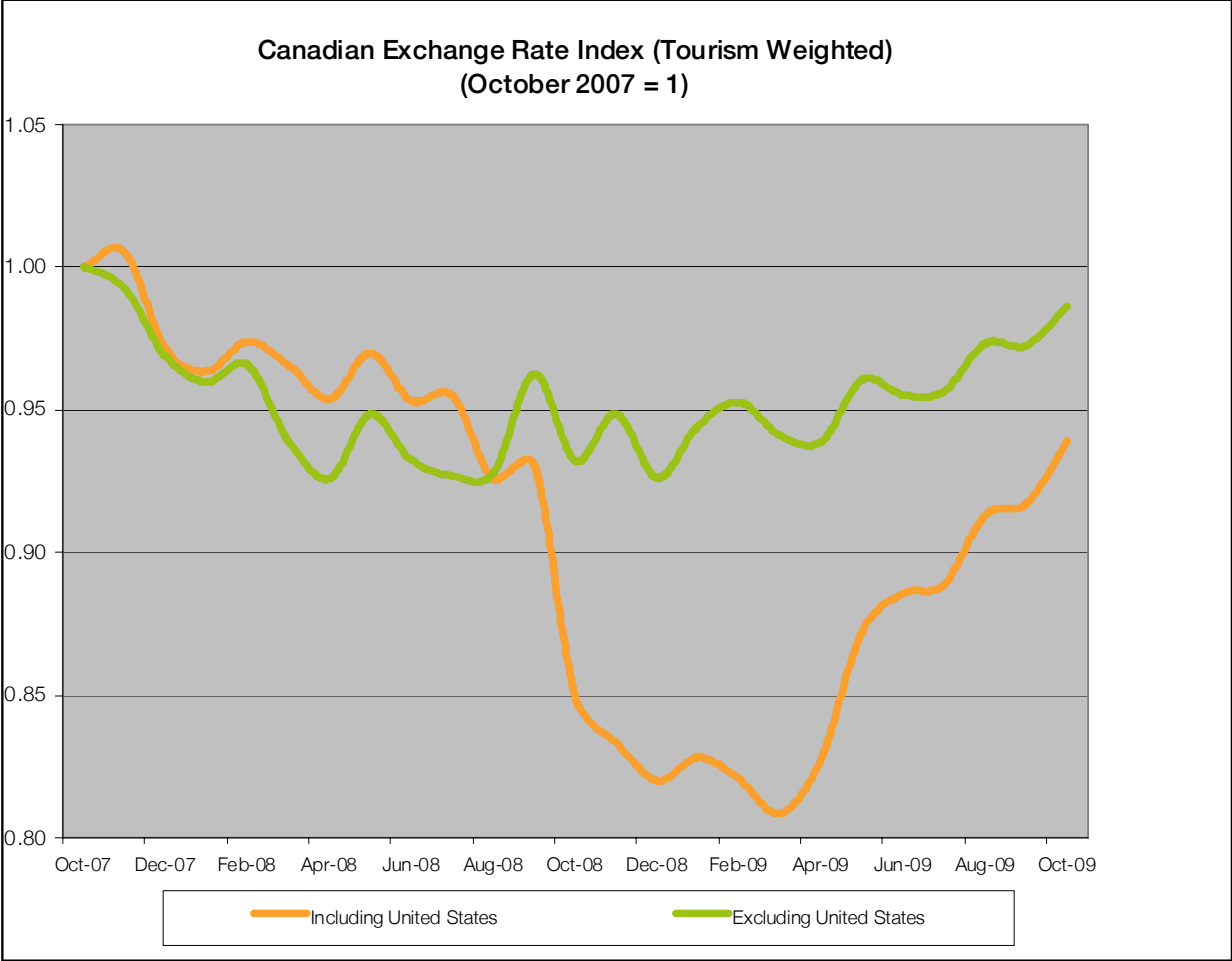
(Australian Dollars, Based on 10-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2010 Index (Canada=100)	Q1 2009 Index
Canada	\$2,170	\$1,805	\$1,028	\$902	\$5,905	100.0	100.0
Atlantic	\$2,245	\$1,624	\$953	\$902	\$5,724	96.9	100.3
Ontario/Quebec	\$2,337	\$1,853	\$1,025	\$902	\$6,118	103.6	103.8
Manitoba/Sask.	\$2,455	\$1,672	\$925	\$902	\$5,954	100.8	97.6
Alberta/B.C.	\$2,030	\$1,800	\$1,104	\$902	\$5,836	98.8	98.6
U.S.	\$1,207	\$1,508	\$585	\$1,049	\$4,348	73.6	95.4
U.K.	\$1,682	\$2,214	\$989	\$805	\$5,689	96.3	109.5
Japan	\$1,225	\$2,274	\$1,213	\$1,373	\$6,085	103.0	102.5
China	\$1,073	\$1,969	\$1,143	\$253	\$4,437	75.1	83.1
Hong Kong	\$1,068	\$3,499	\$1,203	\$1,018	\$6,788	115.0	123.3
Italy	\$1,641	\$3,090	\$1,423	\$845	\$6,999	118.5	118.4
India	\$1,182	\$2,754	\$805	\$250	\$4,990	84.5	95.7

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

Canadian Exchange Rate Index (Tourism Weighted)

The Canadian exchange rate index illustrates the movement of the average exchange rate (including and excluding the U.S. dollar) that foreign travellers face when travelling to Canada. When the index increases, international travellers face, on average, a less favourable exchange rate. Conversely, when the index decreases, international travellers to Canada face a more favourable exchange rate. The weights used for the exchange rate index are based on annual travel flows from 2008. The base value of the index is calculated using exchange rates from October 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.

Index component	Data sources/proxy values used
International airfares to Canada and other destinations (excluding airfare from the U.S. to Canada)	Lowest price obtained through web queries using travel search engines FareCompare and SideStep. The period examined was for travel between February 9, 2010, and February 16, 2010—the midpoint of the period under analysis. Various specific destinations within each country were used, and results were weighted based on estimated travel flows. All taxes and charges were included.
Airfare from the U.S. to Canada	The top 10 inbound transborder journeys (for Halifax, Montréal, Toronto, Winnipeg, Calgary, and Vancouver) were probed using FareCompare and SideStep for the lowest prices on travel between February 9, 2010, and February 16, 2010—the midpoint of the period under analysis. Last year's rates for the same segments were taken from the price analysis used to produce the Short-Term Competitive Outlook for the first quarter of 2009. The recent transition in this report to a lowest fare reporting on transborder flights was a departure from our original approach, which used average fares paid (including business and economy flights as well as discount flights). To accommodate the significantly lower costs reported by lowest fare reporting into the competitive price calculation, average airfares were multiplied by 2 (assuming an average travel party size of two adults).
Domestic U.S. average airfares	FareCompare and SideStep were used to probe 20 of the top 25 domestic U.S. journeys for the lowest prices on travel between February 9, 2010, and February 16, 2010—the midpoint of the period under analysis. The 5 domestic journeys excluded from the top 25 were short-haul segments that depend heavily on commuter travel. Last year's rates for the same segments were taken from the price analysis used to produce the Short-Term Competitive Outlook for the first quarter of 2009. 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.