



Canadian Tourism
Commission

Commission canadienne
du tourisme

U.S. and Overseas Travel to Canada

Short-Term Competitive Outlook

Third 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 third quarter of 2010 (July to September).

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Introduction

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

This report includes the following information:

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

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

Please note: the air capacity tables list the number of seats available as of April 2010, but these numbers may change as airlines adjust their schedules.

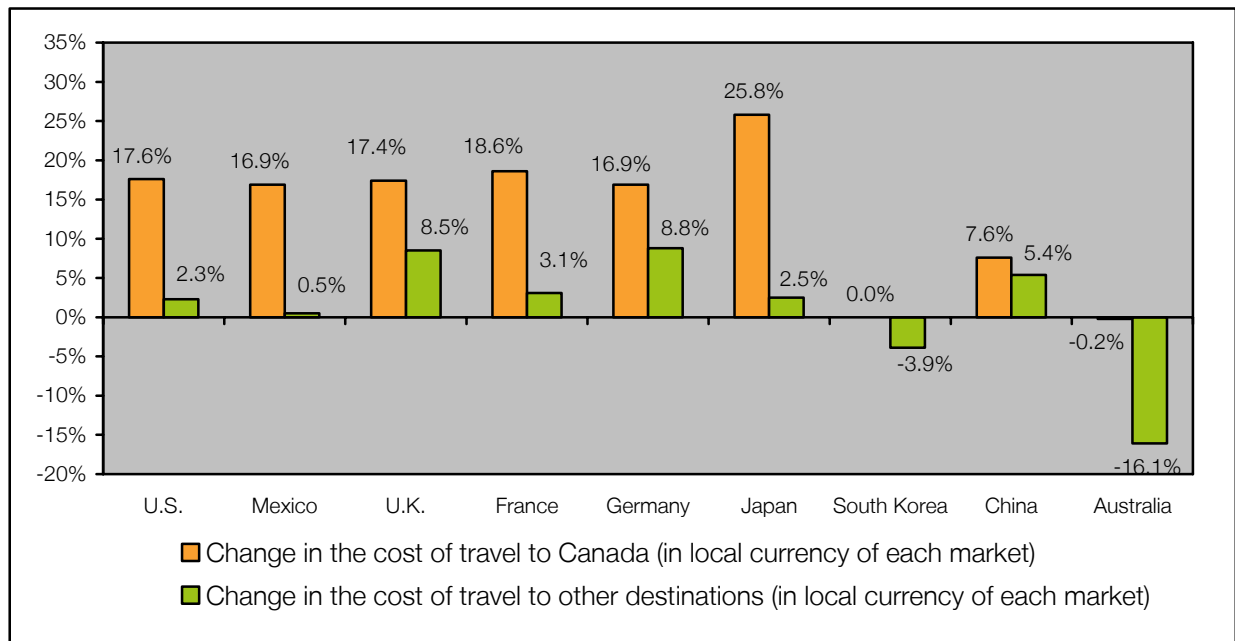
Air capacity to competitive destinations: A comparison of air services from key international markets to travel destinations competing with Canada for those markets is an important measurement of Canada's relative performance as an international tourism destination. A table for each travel market country 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 third 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
(Q3 2010 vs. Q3 2009)**



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

Canada’s price competitiveness is expected to decline for all inbound travel markets during the third quarter of 2010, compared with the same quarter of 2009. The decline is largely because of significant year-over-year increases in travel prices, as a result of the strong appreciation of the Canadian dollar. 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 April 2010, 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 increase 8.6 per cent in the third quarter of 2010 over the same quarter of 2009.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to Canada (overall)	3,678,872	3,993,889	8.6%
B.C.	777,576	814,733	4.8%
Alberta	543,537	512,035	-5.8%
Saskatchewan	56,234	63,390	12.7%
Manitoba	73,143	77,665	6.2%
Ontario	1,605,040	1,830,432	14.0%
Quebec	533,636	595,620	11.6%
New Brunswick	4,600	4,600	0.0%
Nova Scotia	67,504	83,314	23.4%
Newfoundland & Labrador	7,722	2,350	-69.6%
Yukon	9,040	8,910	-1.4%

Source: BACK Aviation Solutions.

Air Capacity from the U.S. to Competitive Destinations

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

In the third quarter of 2010, air capacity is expected to grow 0.9 per cent on non-stop domestic routes within the United States, compared with a year earlier.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
U.S. domestic destinations	214,103,563	215,954,449	0.9%

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 10.7 points in the third 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 a four-night stay in Canada for U.S. travellers, including airfare, hotels, meals, and other items, will cost 17.6 per cent more in the third quarter of 2010 than it did a year earlier. Average airfares during the quarter are expected to increase 7.4 per cent.

Meanwhile, a similar trip within the United States is expected to cost 2.3 per cent more during the third quarter of 2010 than it did a year earlier. 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	\$912	\$760	\$417	\$380	\$2,469	100.0	100.0
Atlantic Canada	\$982	\$678	\$390	\$380	\$2,431	98.5	99.5
Ontario/Quebec	\$792	\$815	\$408	\$380	\$2,394	97.0	97.0
Manitoba/Sask.	\$978	\$679	\$403	\$380	\$2,441	98.9	102.5
Alberta/B.C.	\$1,065	\$782	\$446	\$380	\$2,674	108.3	105.7
U.S. (domestic)	\$526	\$594	\$220	\$429	\$1,768	71.6	82.3

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

Mexico

Mexico-to-Canada Air Capacity

In the third quarter of 2010, direct air capacity between Mexico and Canada is scheduled to grow by 21.5 per cent over the previous year. This substantial increase in scheduled air services may improve the growth potential of Mexican visits to Canada during the quarter.

Please note: the tables list the number of seats available as of April 2010, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
Canada (overall)	115,609	140,455	21.5%
B.C.	34,322	21,909	-36.2%
Alberta	19,621	27,088	38.1%
Ontario	38,154	56,024	46.8%
Quebec	23,512	35,434	50.7%

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 (Q3—July to September)

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	2,408,982	2,843,410	18.0%
to Italy	5,040	16,452	226.4%
to Spain	120,701	155,409	28.8%

Source: BACK Aviation Solutions.

Direct air capacity from Mexico to key competitive destinations is expected to increase substantially in the third quarter compared with a year earlier. In particular, the number of non-stop seats available to Italy is slated for a significant expansion over the previous year. Large increases are also expected for routes to the United States and Spain.

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 all competitive markets during the third quarter of 2010, year-over-year.

Our competitive price analysis suggests the cost of a seven-night stay in Canada during the third quarter, including airfare, hotels, meals, and other items, will increase 16.9 per cent for Mexican travellers, year-over-year. The increase in travel prices will be led by an estimated 36.6 per cent increase in average airfares from Mexico to Canada. Costs in other categories of the index are expected to increase around 13 per cent.

Meanwhile, the cost of a similar trip to other competitive destinations during the quarter is expected to stay relatively flat, increasing by only 0.5 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	Q3 2010 Index (Canada = 100)	Q3 2009 Index
Canada	\$7,355	\$16,203	\$8,901	\$8,102	\$40,560	100.0	100.0
Atlantic	\$10,394	\$14,461	\$8,327	\$8,102	\$41,283	101.8	100.3
Ontario/Quebec	\$5,854	\$17,370	\$8,698	\$8,102	\$40,023	98.7	99.3
Manitoba/Sask.	\$13,099	\$14,487	\$8,603	\$8,102	\$44,291	109.2	108.5
Alberta/B.C.	\$6,929	\$16,680	\$9,518	\$8,102	\$41,228	101.6	100.3
U.S.	\$5,584	\$12,662	\$4,683	\$9,146	\$32,075	79.1	96.1
Spain	\$14,330	\$18,174	\$8,967	\$5,943	\$47,413	116.9	130.3
Italy	\$15,109	\$24,165	\$11,126	\$6,607	\$57,007	140.5	163.9

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

United Kingdom

U.K.-to-Canada Air Capacity

The number of direct seats available from the United Kingdom to Canada is expected to rise 3.6 per cent during the third quarter of 2010 over the previous year. This growth in direct air access may 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 April 2010, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
Canada (overall)	587,863	608,849	3.6%
B.C.	117,499	122,390	4.2%
Alberta	104,500	104,418	-0.1%
Ontario	288,798	301,168	4.3%
Quebec	48,254	47,835	-0.9%
Nova Scotia	28,812	22,478	-22.0%

Source: BACK Aviation Solutions.

Air Capacity from the U.K. to Competitive Destinations

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

Seats Available for Travel From the U.K. to Other International Destinations (Q3—July to September)

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	2,724,286	2,647,085	-2.8%
to mainland China	91,736	99,682	8.7%
to South Africa	201,853	198,005	-1.9%
to Kenya/Nigeria/Ghana	233,409	232,642	-0.3%
to Brazil	69,824	70,048	0.3%
to Mexico	71,995	65,888	-8.5%

Source: BACK Aviation Solutions.

Many of the key competitive destinations for the U.K. market are expected to see a decrease in direct air access during the third quarter of 2010 compared with a year earlier. A significant reduction in capacity is scheduled for routes to Mexico, while smaller reductions are planned for routes to the United States and key African destinations. Meanwhile, direct air access to Brazil and China 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 third quarter of 2010 compared with a year earlier. The largest decline is expected against Sub-Saharan Africa and the United States.

The analysis suggests the average cost of a seven-night stay in Canada for U.K. travellers during the quarter, including airfare, hotels, meals, and other items, will increase 17.4 per cent over the previous year. Airfares from the U.K. to Canada are expected to increase by an average of 8.8 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 8.5 per cent.

In terms of Canadian destinations, the index shows that Atlantic Canada will be the most price-competitive region for U.K. travellers during the third quarter of 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	Q3 2010 Index (Canada = 100)	Q3 2009 Index
Canada	£701	£863	£474	£432	£2,471	100.0	100.0
Atlantic	£634	£771	£444	£432	£2,280	92.3	96.4
Ontario/Quebec	£634	£926	£463	£432	£2,455	99.4	98.7
Manitoba/Sask.	£832	£772	£458	£432	£2,494	100.9	97.9
Alberta/B.C.	£792	£889	£507	£432	£2,620	106.0	105.7
United States	£595	£675	£250	£487	£2,006	81.2	92.8
China	£545	£867	£496	£112	£2,020	81.8	90.1
South Africa	£721	£747	£313	£97	£1,878	76.0	75.9
Sub-Saharan Africa (Kenya, Nigeria, Ghana)	£587	£982	£443	£212	£2,224	90.0	104.6
Latin America (Brazil and Mexico)	£763	£745	£319	£233	£2,061	83.4	85.6

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

France

France-to-Canada Air Capacity

Direct air capacity from France to Canada is expected to grow 2 per cent in the third quarter of 2010, year-over-year. This growth in air access could slightly improve the growth potential of French travel to Canada during the quarter.

Please note: the tables list the number of seats available as of April 2010, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
Canada (overall)	394,116	401,963	2.0%
B.C.	4,446	4,446	0.0%
Ontario	4,104	4,446	8.3%
Quebec	76,306	76,155	-0.2%

Source: BACK Aviation Solutions.

Air Capacity from France to Competitive Destinations

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

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	1,055,244	1,093,911	3.7%
to Brazil	154,065	156,822	1.8%
to mainland China	182,696	195,503	7.0%
to Nigeria/Ghana/Senegal	76,566	72,549	-5.2%

Source: BACK Aviation Solutions.

Most key competitive tourism destinations for the French market are expected to see an increase in direct air access during the third quarter of 2010. The number of direct seats available on routes to mainland China and the United States is expected to rise moderately, while a smaller increase is expected for routes to Brazil. However, direct seat capacity to key African destinations is expected to shrink 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 third 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 increase 18.6 per cent for French travellers, year-over-year. During this period, average airfares from France to Canada are expected to rise by 10.4 per cent.

Meanwhile, the average cost of a similar trip to competitive destinations (the United States, China, sub-Saharan Africa, and Brazil) is expected to increase 3.1 per cent during the quarter.

In terms of Canadian destinations, the index suggests that Atlantic Canada will be the most price-competitive regions for French travellers during the third quarter of 2010.

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2010 Index (Canada = 100)	Q3 2009 Index
Canada	€ 895	€ 983	€ 540	€ 491	€ 2,908	100.0	100.0
Atlantic	€ 978	€ 877	€ 505	€ 491	€ 2,851	98.0	97.9
Ontario/Quebec	€ 821	€ 1,053	€ 527	€ 491	€ 2,893	99.5	96.2
Manitoba/Sask.	€ 989	€ 878	€ 522	€ 491	€ 2,881	99.1	100.7
Alberta/B.C.	€ 959	€ 1,011	€ 577	€ 491	€ 3,038	104.5	108.3
United States	€ 945	€ 768	€ 284	€ 555	€ 2,551	87.7	102.0
China	€ 673	€ 987	€ 564	€ 127	€ 2,352	80.9	98.3
Sub-Saharan Africa (Nigeria, Ghana, Senegal)	€ 747	€ 1,106	€ 469	€ 171	€ 2,493	85.7	96.8
Brazil	€ 987	€ 933	€ 371	€ 97	€ 2,389	82.1	90.4

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

Germany

Germany-to-Canada Air Capacity

Direct air capacity from Germany to Canada is expected to decrease slightly (–0.3 per cent) in the third quarter from the previous year. The lack of growth in direct air access could reduce the growth potential of German travel to Canada during the period.

Please note: the tables list the number of seats available as of April 2010, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
Canada (overall)	327,953	326,878	–0.3%
B.C.	54,925	47,306	–13.9%
Alberta	52,578	58,050	10.4%
Ontario	153,753	154,471	0.5%
Quebec	52,440	52,794	0.7%

Source: BACK Aviation Solutions.

Air Capacity from Germany to Competitive Destinations

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

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	1,570,254	1,635,480	4.2%
to South Africa	84,692	87,971	3.9%
to Brazil	88,513	87,360	–1.3%
to Mexico	41,779	47,159	12.9%
to mainland China	266,694	264,407	–0.9%

Source: BACK Aviation Solutions.

There is a mixed outlook for direct air access from Germany to key competitive markets during the third quarter of 2010. Capacity is expected to increase on routes to the United States, South Africa and Mexico compared with a year earlier. However, direct air access to Brazil and mainland China 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 all competitive markets during the third quarter. 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 increase 16.9 per cent for German visitors during the third quarter. Average airfares from Germany to Canada are expected to increase 5.3 per cent, overall, which includes a 27 per cent jump in airfares to Atlantic Canada. In all regions of Canada, accommodation is expected to cost at least 20 per cent more during the quarter 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 increase by 8.8 per cent.

In terms of Canadian destinations, the index suggests Atlantic Canada will be the most price-competitive region for German travellers in the third 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	Q3 2010 Index (Canada = 100)	Q3 2009 Index
Canada	€ 847	€ 983	€ 540	€ 491	€ 2,861	100.0	100.0
Atlantic	€ 945	€ 877	€ 505	€ 491	€ 2,818	98.5	92.9
Ontario/Quebec	€ 775	€ 1,053	€ 527	€ 491	€ 2,847	99.5	100.2
Manitoba/Sask.	€ 958	€ 878	€ 522	€ 491	€ 2,849	99.6	102.2
Alberta/B.C.	€ 899	€ 1,011	€ 577	€ 491	€ 2,979	104.1	102.8
United States	€ 834	€ 768	€ 284	€ 555	€ 2,440	85.3	96.8
China	€ 654	€ 987	€ 564	€ 127	€ 2,333	81.6	87.6
South Africa	€ 726	€ 850	€ 356	€ 111	€ 2,042	71.4	73.0
Latin America (Brazil and Mexico)	€ 877	€ 848	€ 363	€ 265	€ 2,354	82.3	88.4

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

Japan

Japan-to-Canada Air Capacity

During the third quarter of 2010, direct air capacity from Japan to Canada is expected to rise 9.8 per cent over the previous year, partly due to the introduction of non-stop services to Alberta. A moderate increase in direct air access to British Columbia is also expected.

Please note: the tables list the number of seats available as of April 2010, 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)	111,760	122,677	9.8%
B.C.	79,652	82,340	3.4%
Ontario	0	8,229	n.a.

Source: BACK Aviation Solutions.

Air Capacity from Japan to Competitive Destinations

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

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	1,989,271	1,948,748	-2.0%
to France	214,087	201,442	-5.9%
to Germany	188,008	219,157	16.6%
to Italy	102,030	112,591	10.4%
to Australia	146,003	183,464	25.7%

Source: BACK Aviation Solutions.

There is a mixed outlook for direct air capacity from Japan to key competitive destinations during the third quarter of 2010. Direct air access to the United States and France is expected to decrease during the quarter, year-over-year. However, a substantial increase in direct air access is expected for Germany, Italy and Australia 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 decline against all competitive markets except Australia during the third quarter of 2010. The most significant declines are expected against Germany, France and Italy.

Our analysis suggests the average cost of a 10-night stay in Canada during the quarter, including airfare, hotels, meals, and other items, will increase 25.8 per cent for Japanese travellers, year-over-year. Increases are anticipated for all categories of the index, particularly airfares, which are expected to rise by an average of 50.8 per cent.

Meanwhile, the average cost of travelling to key competitive destinations is expected to increase 2.5 per cent during the quarter, year-over-year.

In terms of Canadian destinations, Alberta/B.C. 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	Q3 2010 Index (Canada = 100)	Q3 2009 Index
Canada	¥167,443	¥176,428	¥96,916	¥88,214	¥529,000	100.0	100.0
Atlantic	¥191,878	¥157,461	¥90,668	¥88,214	¥528,220	99.9	100.8
Ontario/Quebec	¥179,645	¥189,133	¥94,711	¥88,214	¥551,702	104.3	103.2
Manitoba/Sask.	¥202,744	¥157,748	¥93,672	¥88,214	¥542,377	102.5	107.0
Alberta/B.C.	¥154,247	¥181,617	¥103,634	¥88,214	¥527,711	99.8	98.9
U.S.	¥180,236	¥137,866	¥50,989	¥99,588	¥468,678	88.6	110.3
France	¥122,036	¥202,971	¥103,342	¥71,510	¥499,860	94.5	126.9
Germany	¥116,835	¥217,938	¥105,497	¥68,930	¥509,201	96.3	130.6
Italy	¥113,492	¥263,124	¥121,142	¥71,940	¥569,698	107.7	142.7
Australia	¥109,461	¥191,446	¥111,999	¥82,846	¥495,753	93.7	90.8

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

South Korea

South-Korea-to-Canada Air Capacity

Direct air capacity from South Korea to Canada during the third quarter of 2010 is scheduled to rise by 12.9 per cent over the previous year. Although direct air access to British Columbia is expected to decrease slightly, the number of seats available on non-stop flights to Ontario is expected to increase substantially during the quarter. New direct services to Alberta have also commenced. This expansion of direct air access 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 April 2010, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
Canada (overall)	65,432	73,904	12.9%
B.C.	41,352	41,187	-0.4%
Ontario	0	5,025	n.a.

Source: BACK Aviation Solutions.

Air Capacity from South Korea to Competitive Destinations

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

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	592,677	624,747	5.4%
to Australia	75,214	76,004	1.1%
to France	69,655	69,895	0.3%
to Germany	101,364	92,641	-8.6%
to the United Kingdom	48,800	49,730	1.9%

Source: BACK Aviation Solutions.

Most key competitive destinations are expected to see increases in direct air access from South Korea during the third quarter of 2010. The one exception is Germany, which is slated for an 8.6 per cent decrease 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 decline against most key competitive markets during the third quarter of 2010, except Australia.

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 remain flat compared with a year earlier. While the cost of accommodation and other items is expected to increase between 8 per cent and 12 per cent, average airfares to Canada are expected to be about 19 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 3.9 per cent, year-over-year.

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

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2010 Index (Canada = 100)	Q3 2009 Index
Canada	1,512,022	2,115,254	1,161,961	1,057,627	5,846,864	100.0	100.0
Atlantic	1,908,539	1,887,851	1,087,054	1,057,627	5,941,071	101.6	98.4
Ontario/Quebec	1,852,069	2,267,580	1,135,521	1,057,627	6,312,797	108.0	104.0
Manitoba/Sask.	1,763,784	1,891,296	1,123,065	1,057,627	5,835,772	99.8	111.8
Alberta/B.C.	1,236,694	2,177,468	1,242,502	1,057,627	5,714,291	97.7	98.0
U.S.	1,748,084	1,652,921	611,323	1,193,995	5,206,322	89.0	99.2
France	1,103,479	2,433,499	1,239,007	857,362	5,633,346	96.3	100.1
Germany	1,105,706	2,612,932	1,264,845	826,432	5,809,915	99.4	103.2
U.K.	1,122,408	2,212,884	988,428	804,583	5,128,303	87.7	93.5
Australia	1,297,450	2,295,321	1,342,797	993,270	5,928,838	101.4	96.8

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 third quarter of 2010, direct air capacity from mainland China to Canada is scheduled to expand by 23.1 per cent over the previous year. This substantial growth in direct air access could help bolster the growth potential of Chinese travel to Canada during the period.

Please note: the tables list the number of seats available as of April 2010, but these numbers may change as airlines adjust their schedules.

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
Canada (overall)	123,573	152,066	23.1%
B.C.	68,324	95,118	39.2%
Ontario	55,249	56,948	3.1%

Source: BACK Aviation Solutions.

Air Capacity from China to Competitive Destinations

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

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	395,410	462,861	17.1%
to Australia	106,171	129,536	22.0%
to France	182,676	195,795	7.2%
to Germany	267,136	264,186	-1.1%
to the U.K.	91,587	99,906	9.1%

Source: BACK Aviation Solutions.

In the third quarter of 2010, growth in direct air access is expected for most key long-haul destinations competing for the Chinese market. Substantial increases are slated for routes to the United States and Australia. The one exception is Germany, which is expected to see a small reduction in direct air access from China during the period.

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 decline against all competitive markets during the quarter except Australia.

The analysis suggests the cost of a 10-night stay in Canada will increase 7.9 per cent for Chinese travellers during the third quarter. Average airfares to Canada are expected to decrease by 19.8 per cent, while costs for hotels, meals and other items are expected to increase between 23 per cent and 28 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 increase by an average of 5.4 per cent, year-over-year.

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

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

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q3 2010 Index (Canada=100)	Q3 2009 Index
Canada	10,288	12,917	7,096	6,459	36,759	100.0	100.0
Atlantic	13,647	11,528	6,638	6,459	38,272	104.1	102.7
Ontario/Quebec	11,021	13,847	6,934	6,459	38,261	104.1	96.5
Manitoba/Sask.	10,383	11,549	6,858	6,459	35,249	95.9	105.8
Alberta/B.C.	9,507	13,297	7,587	6,459	36,849	100.2	102.9
U.S.	10,693	10,094	3,733	7,291	31,811	86.5	99.2
France	5,746	14,860	7,566	5,236	33,408	90.9	94.2
Germany	5,712	15,956	7,724	5,040	34,431	93.7	98.0
U.K.	6,072	13,513	6,036	4,913	30,535	83.1	89.6
Australia	7,461	14,017	8,200	6,075	35,752	97.3	82.7

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 third quarter of 2010 is expected to stay the same as it was in the same quarter of 2009. The lack of growth in air capacity may limit the growth potential of Australian travel to Canada during the period.

Please note: the tables list the number of seats available as of April 2010, 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)	24,840	24,840	0.0%
B.C.	24,840	24,840	0.0%

Source: BACK Aviation Solutions.

Air Capacity from Australia to Competitive Destinations

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

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

Non-stop seats available	2009 (Direct)	2010 est. (Direct)	2010 vs. 2009 Change
to the United States	344,915	353,273	2.4%
to the U.K. (includes one stop)	213,457	222,456	4.2%
to mainland China	106,287	129,800	22.1%
to Hong Kong	370,541	392,164	5.8%
to Japan	145,774	183,546	25.9%
to India (includes one stop)	11,583	11,880	2.6%

Source: BACK Aviation Solutions.

All key competitive markets are expected to see an expansion in direct air services from Australia during the third quarter of 2010. Significant increases are expected for Japan and mainland China.

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 all competitive markets during the third quarter of 2010.

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 only slightly (0.2 per cent) from the previous year.

Meanwhile, the average cost of a similar trip to competitive destinations during the third quarter is expected to decrease 16.1 per cent from last year.

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

Competitive Price Index—Australian Travellers to Canada

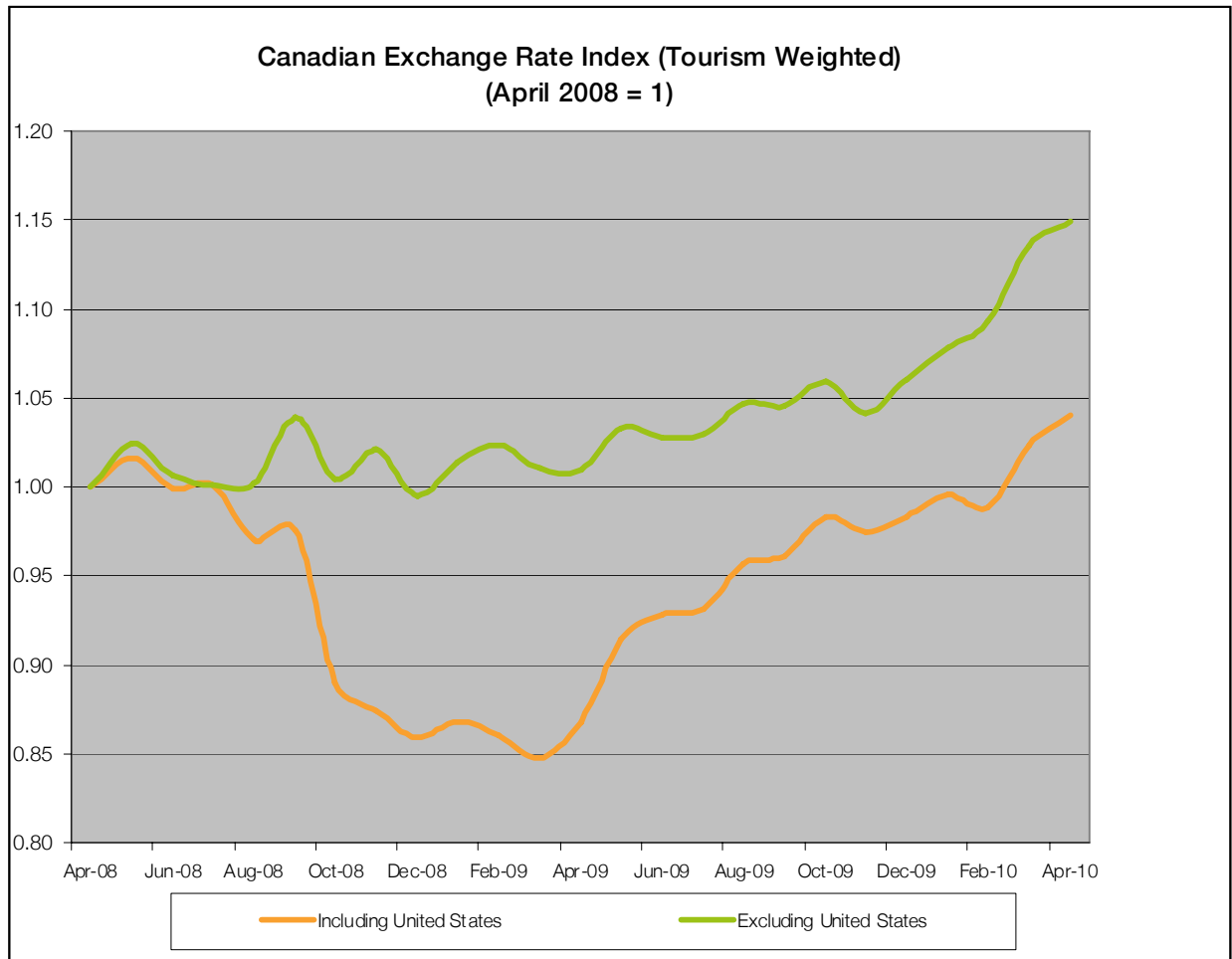
(Australian Dollars, Based on 10-Night Stay)

Competitive Destinations	Airfare (Round-trip)	Hotel	Meals	Other Items	Total	Q1 2010 Index (Canada=100)	Q1 2009 Index
Canada	\$1,513	\$2,041	\$1,121	\$1,020	\$5,695	100.0	100.0
Atlantic	\$1,939	\$1,821	\$1,049	\$1,020	\$5,829	102.4	97.8
Ontario/Quebec	\$1,622	\$2,188	\$1,095	\$1,020	\$5,925	104.1	103.8
Manitoba/Sask.	\$1,521	\$1,825	\$1,083	\$1,020	\$5,449	95.7	96.7
Alberta/B.C.	\$1,404	\$2,101	\$1,199	\$1,020	\$5,723	100.5	99.7
U.S.	\$1,250	\$1,595	\$590	\$1,152	\$4,587	80.5	95.7
U.K.	\$1,910	\$2,135	\$954	\$776	\$5,774	101.4	124.1
Japan	\$1,073	\$2,333	\$1,244	\$1,408	\$6,059	106.4	114.5
China	\$726	\$2,050	\$1,172	\$264	\$4,212	74.0	98.4
Hong Kong	\$1,031	\$3,590	\$1,234	\$1,044	\$6,900	121.2	146.6
Italy	\$2,024	\$3,043	\$1,401	\$832	\$7,300	128.2	147.7
India	\$1,260	\$2,825	\$826	\$256	\$5,167	90.7	107.2

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

Canadian Exchange Rate Index (Tourism Weighted)

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



Appendix: Construction of the Competitive Price Index

Overview

One important aspect of Canada's global competitiveness as a tourism destination is the price of Canadian travel products relative to other key international competitors' products. As a regular feature of the Short-Term Competitive Outlook, the competitive price index serves as a valuable reference for tracking product pricing trends in key markets and monitoring Canada's relative competitiveness on an ongoing basis.

While the first competitive price index established certain pricing benchmarks, this feature now focuses on how Canada's price competitiveness is changing. The competitive price index is calculated based on a potential traveller's expected spending on airfares, hotels, meals, and other costs for travel to Canada, compared with those for competing destinations.

Viewed from the perspective of potential travellers from Canada's key international markets, the competitive price index produces a measure of the absolute and relative rate of change in Canada's price competitiveness against that of its closest competitors. In addition to the national perspective, Canada's price competitiveness is further disaggregated to show the relative position of four distinct regions within Canada: Atlantic Canada, Ontario/Quebec, Manitoba/Saskatchewan, and Alberta/B.C.

Since the launch of the competitive price index, we have made a few refinements to the methodology and data sources used to produce it. Further refinement in the development and presentation of the competitive price index may occur in upcoming issues as we continue to look for new sources and methods that will improve the index.

Methodology

While the theory behind calculating the competitive price index may appear straightforward, the ultimate calculation (and interpretation) of such an index depends on the various assumptions and parameters used in its construction. Although the levels reported by the competitive price index are interesting (and potentially quite subjective), the primary objective in ongoing monitoring is to understand how Canada's competitive price position might be changing compared with various destinations.

The following sections in this appendix indicate some of the important assumptions and data sources used to construct the competitive price index.

Average Length of Stay

The figures used to establish average length of stay for Canada's international travellers were determined by geography. Short-haul travellers (from the United States) were assumed to spend only four nights on average in Canada. Meanwhile, travellers from Europe and Mexico were assumed to spend an average of seven nights in Canada. Long-haul travellers from Asia-Pacific were assumed to spend an average of 10 nights in Canada. For the most part, the average length of stay was close to the average reported in the last full year of international arrivals data from Statistics Canada's International Travel Survey in 2008. For competing destinations, the same average length of stay was assumed to apply.

Table A1: Length of Stay Estimates	
International visitor market origin	Average nights spent in Canada (and competing destinations)
U.S.	4
Mexico	7
U.K.	7
France	7
Germany	7
Japan	10
Korea	10
China	10
Australia	10

Canada's Competitive Destinations

The list of destinations deemed to be competing with Canada for travellers from the international markets covered in the Short-Term Competitive Outlook was provided by the Canadian Tourism Commission. The following table shows the competitive destinations for each international travel market monitored in the Short-Term Competitive Outlook.

Table A2: Canada's Competitive Destinations	
International travel market	Competitive destinations (to Canada)
U.S.	Domestic U.S.
Mexico	U.S., Spain, Italy
U.K.	U.S., China, South Africa, sub-Saharan Africa (Kenya, Nigeria, Ghana), Latin America (Brazil, Mexico)
France	U.S., Latin America (Brazil), China, sub-Saharan Africa (Nigeria, Ghana, Senegal)
Germany	U.S., South Africa, Latin America (Brazil, Mexico), China
Japan	U.S., France, Germany, Italy, Australia
Korea	U.S., Australia, Germany, U.K., France
China	U.S., Australia, Germany, France, U.K.
Australia	U.K., U.S., China, Hong Kong, Japan, Italy, India

Cost Components of the Competitive Price Index

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

Index component	Data sources/proxy values used
International airfares to Canada and other destinations (excluding airfare from the U.S. to Canada)	Lowest price obtained through web queries using travel search engines FareCompare and SideStep. The period examined was for travel between August 10, 2010 and August 17, 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 August 10, 2010 and August 17, 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 third 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 August 10, 2010 and August 17, 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 third 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.