
**Canadian Travel Arrangement Services
Survey
Year 2000 Report**

Canadian Tourism Commission

Ottawa, 2002

National Library of Canada cataloguing in publication data

Main entry under title :

Canadian Travel Arrangement Services Survey: Year 2000 Report

Issued also in French under title: Enquête sur le secteur
canadien des services de préparation de voyages – Rapport sur l'an 2000.

ISBN 0-662-33147-8

Cat. no. C86-147/2002E

1. Tourism - Canada - Statistics.
2. Package tours - Canada - Statistics.
3. Travel agents - Canada - Statistics.
1. Canadian Tourism Commission.

G155.C3C32 2002

338.4791021

C2002-980304-7

Acknowledgments

The Annual Survey of the Travel Agencies and Tour Operators industries in Canada is a significant undertaking by Statistics Canada. It reflects the investment of considerable effort and resources by these very important industries. The cooperation from the responding business operators in completing the sample survey questionnaire is undoubtedly the key-contributing factor to the success of this survey. Without their support, the execution of our data collection program would not have been achievable at all. We would like to express our most sincere appreciation to them.

The enhancement and development of this survey has also been made possible because of the valuable input, cooperation and support from outside agencies such as; Canadian Tourism Commission (CTC), Association of Canadian Travel Agents (ACTA), Tourism Industry Association of Canada (TIAC) and many other key tourism supporters in various government departments and businesses. To them, we would like to extend our gratitude. We look forward to your continued support and close cooperation in the years to come in this meaningful endeavour.

For further information on this report, please contact:

Adib Farhat
Services Division
Statistics Canada
Ottawa, Ontario,
K1A 0T6

Telephone: (613) 951-6306
Fax (613) 951-6696

Table of Contents

Executive Summary	1
Travel Agencies Industry:.....	1
Tour Operators/ Wholesalers Industry:	1
Introduction	3
Concepts and Methods	5
Survey objective	5
Methodology.....	5
Interpretation of results.....	5
Data quality	5
Overview	7
Distribution of travel services.....	7
Travel products and services	8
Chapter One – The Travel Agencies Industry	9
1.1 Economic performance	9
1.2 Travel Agencies in Brief	9
1.3 Revenue structure	10
1.3.1. Sources of revenue	10
1.3.2. Concentration of the industry	11
1.3.3. Revenue by province	12
1.3.4. Revenue by destination.....	12
1.3.5. Revenue by client base.....	13
1.3.6. Cost structure of the industry	14
1.4 Employment and remuneration by industry	15
1.5 Advertising methods	16
1.6 Trade patterns	17
1.7 Issues facing the Travel Agencies Industry	18
1.7.1. Information technology and the travel services industry.....	18
1.7.2. Travel agencies are adding more value	18

Chapter Two- Tour Operators / Wholesalers Industry.....	19
2.1 Economic performance, 2000	19
2.2 Tour operators and wholesalers in brief.....	19
2.3 Industry restructuring.....	20
2.4 Revenue structure	21
2.4.1. Sources of revenue.....	21
2.4.2. Revenue by destination	21
2.4.3. Revenue by client base.....	22
2.5 Business cost.....	23
2.6 Employment profile	24
2.7 Marketing Methods	26
2.8 Trade patterns	27
2.8.1. Distribution of products and services	27
2.8.2. Type of tour packages sold.....	27
2.8.3. Organization of packages	28
2.8.4. High season for tour operators	29
2.9 Trends affecting the industry.....	29
2.9.1. Adaptability of the airline industry	29
2.9.2. Information technology	30
Appendices.....	31

Charts and Tables

Travel Agencies, 2000:

Chart 1.1	Percentage distribution of establishments	7
Chart 1.2	Distribution of Canadian population by province	8
Chart 1.3	Weight of top 20 firms (revenue)	11
Chart 1.4	Distribution of Revenue by province	12
Chart 1.5	Percentage of revenue by client base	14
Chart 1.6	Employment characteristics	15
Chart 1.7	Average annual salaries	16
Chart 1.8	Advertising methods	17
<hr/>		
Table 1.1	Percentage distribution revenue by source	11
Table 1.2	Percentage distribution of revenue by destination	13
Table 1.3	Percentage distribution of expenses	14

Tour Operators, 2000:

Chart 2.1	Weight of top 20 tour operator (revenue)	20
Chart 2.2	Distribution of foreign clients	23
Chart 2.3	Employment profile	25
Chart 2.4	Average annual wages	25
Chart 2.5	Advertising methods	26
<hr/>		
Table 2.1	Percentage distribution of revenue by type	21
Table 2.2	Percentage distribution of revenue by destination	22
Table 2.3	Percentage distribution of operating expenses	24
Table 2.4	Percentage distribution of tour packages revenue type of tour	28
Table 2.5	Distribution of revenue by the way tours are organized	28
Table 2.6	Distribution of the tour packages revenue by season	29
<hr/>		
Questionnaire		33

Executive Summary

This report is designed to provide an overview of the Canadian Travel Arrangement Services industry by examining statistics from the year 2000 for two key supply side players in the industry, the packagers (tour operators and wholesalers) and the retailers (travel agencies).

Since travel products are highly affected by the prevailing economic and political climates, during periods of economic downturn, consumers normally cut expenditures on discretionary items first. In addition, since travellers have to leave their usual environment to consume the travel products and services, any information (especially political) leading to increased risk and decreased confidence in the consumption process may trigger immediate cancellation or refusal to buy products.

Through the growing utilization of information technology, the nature and function of these industries is changing. Their ability to adapt to new demands and competition secures their prolonged industrial success in the future. Some of the ways to adapt to active competition includes becoming more specialized and embracing technological developments, which is in fact taking place in these industries.

Travel Agencies Industry:

- The annual gross revenue of \$11.4 billion made a significant contribution to the Canadian economy. About 26 cents of every dollar attributed directly to tourism goods and services can be traced back to the travel agencies. The travel agencies industry reported some \$1.72 billion in net earnings in the fiscal year 1999.
- In 2000, the number of travel agencies stood at 5,500 establishments.
- The industry is highly competitive. The average profit margin (before tax) was 6.5 per cent.
- 54 per cent of revenue was generated from travel to foreign destinations.
- 94 per cent of revenue was generated through sales to households travelling for leisure or individuals travelling for business purposes.
- U.S. destination sales represented 22 per cent of the revenue generated from sales to foreign visitors.
- Wages and salaries accounted for 53 per cent of total expenses.
- 85 per cent of employees were classified as full time.

Tour Operators/ Wholesalers Industry:

- There were 1,212 establishments in the Tour Operators / Wholesalers industry.
- The tour operators industry has been one of the fastest growing industries in the Canadian economy. Revenue of the industry has increased by 13 per cent from 1997 to 1999.
- Profit margin of the industry was 6.6 per cent.
- Wages and salaries amounted to only 40 per cent of total operating expenses.
- 86 per cent of the employees were full time.
- 78 per cent of the revenue was generated from sales to domestic individuals.
- The Internet is becoming the favourite method of advertising.

Introduction

This report is designed to provide an overview of the Canadian travel distribution sector. It focuses on two key players, packagers (tour operators and wholesalers) and retailers (travel agencies). The purpose of this report is to present to the Canadian Tourism Commission (CTC), a profile of the supply side of the travel services industry. The report provides an analysis in two separate chapters: the first chapter covers the travel agencies industry, while the second deals with the tour operators / wholesalers industry¹. Each chapter provides tables and analysis of general characteristics, revenue and cost structures, client base, marketing methods, and trade patterns. The findings included in this document are based on the surveyed units. Special care should be exercised when using the data to project to the industry level.

¹ Throughout the report, the term tour operators refer to both tour operators and wholesalers.

Concepts and Methods

Survey objective

The principal objective of the survey of the travel arrangement services is to collect data on revenue and expenses by type of product and service, employment, clientele and marketing. The data profiles the travel agencies and tour operators / wholesalers industry and reflects the effects of the industry on the Canadian economy.

Methodology

The survey covers businesses classified according to the North American Industrial Classification System (NAICS) category 561510 for Travel Agencies and 561520 for Tour Operators / Wholesalers. For reference year 2000, the survey was conducted at the establishment level². In April 2001, 813 questionnaires were mailed to the industry with special emphasis on large companies. The response rate was 68 per cent of total industry revenue. The remainder were either out of the scope of the industry or not returned. Imputation for partially completed questionnaires was performed using records from a similar region and size.

Interpretation of results

Statistics Canada advises that caution should be exercised in the analysis of travel agencies' revenues. According to the questionnaire, travel agencies should report commissions earned (i.e. net revenue) when reporting revenue. However, some agencies inadvertently report gross revenue with offsetting cost of goods sold in the expenditure section. While every effort is made to identify and correct such occurrences, revenue data may be somewhat overstated by this practice.

Data quality

Errors can occur in almost every phase of the survey. These can include respondents' errors, data capture errors and edit and imputation errors. These errors should be recognized as contributing sources of data limitations. However, errors have been minimized through the use of quality assurance programs that have been applied at the data capture and tabulation levels.

² An establishment is considered the lowest operating entity for which accounting records can provide the basic production elements i.e. employment, salaries and wages, operating revenue.

Overview

Distribution of travel services

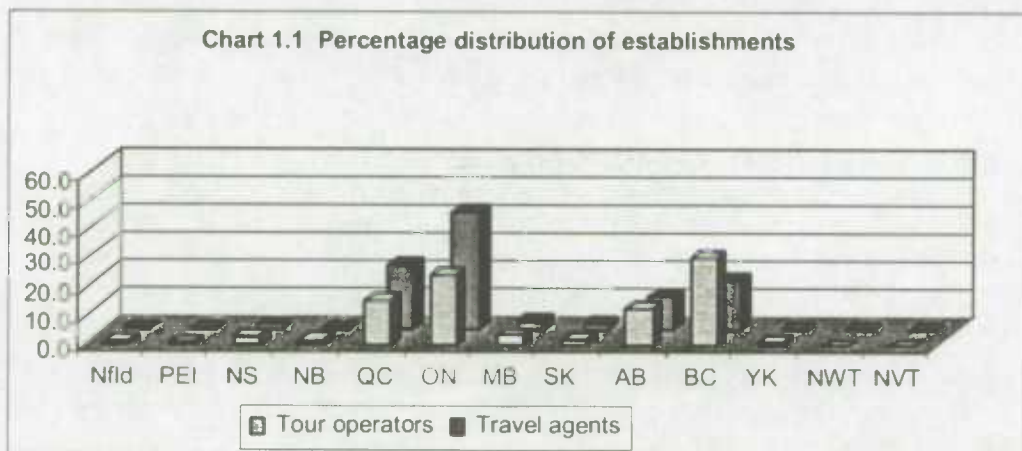
The Canadian travel distribution sector describes how travel products and services move to the customers. In the travel services industry, the 'product' is anything that can be sold to travellers. Products are distributed to travellers in two main ways: first, through the services of travel agencies / tour operators / wholesalers, and second, through the suppliers of the travel products.

The tour operators' role is to bring all of the travel components together into packages that are sold to the Canadian and international travel markets. Tour operators buy the travel products i.e. transportation, accommodation, insurance and other services from various suppliers in quantities that enable the operator to negotiate better prices. The tour operators then package the products for sale to the clients who want to travel.

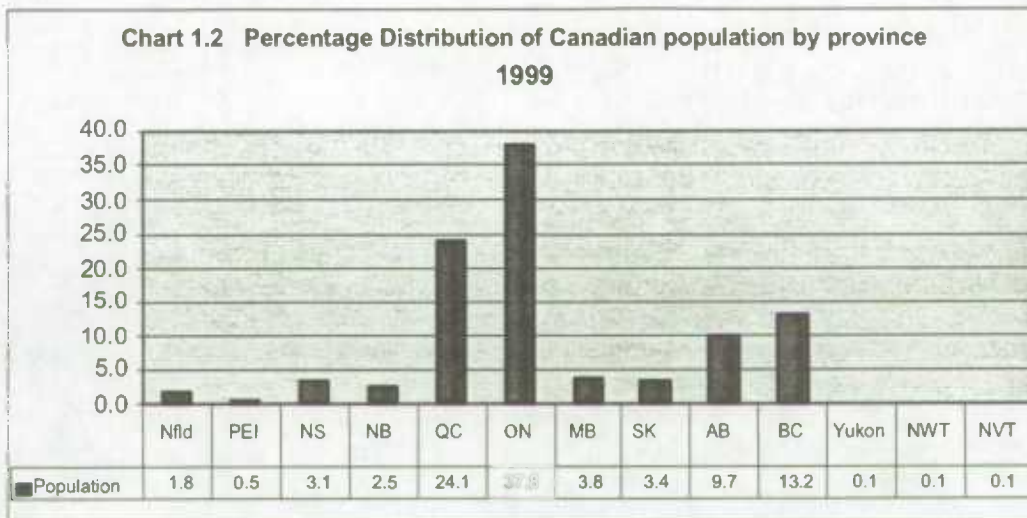
Travel agents retail products from suppliers on a commission basis, and rarely carry any inventory of major products and services. Travel agents buy travel goods and services at the request of their customers and provide a convenient sales network. In addition, travel agents act as information brokers due to their vast experience in selling the products.

The role of travel agents is changing rapidly. Globalization and increased competition from the Internet booking services have increased competition and are rapidly transforming the industry. Traditional practices in the travel industry are changing. It is not uncommon to find a travel services office that functions as a tour operator as well as a wholesaler of airlines tickets and a consolidator all under one roof.

In Canada, the travel distribution landscape covered over 6,700 establishments in year 2000. Most of the establishments (5,500) were retail travel agencies and the rest Tour operators. The provincial distribution of travel services establishments is illustrated in Chart 1.1.



As in most service providing industries, the travel distribution sector mirrors the distribution of the population in Canada, as shown in Chart 1.2 below. This landscape may change in the future as a result of the introduction of electronic commerce to this industry. Clients may reduce the need for the physical presence of travel agents. The appearance of Internet (virtual) travel agents, such as Travelocity, and call centres will reshape the landscape of travel services. As a result, the provincial distribution of the establishments may no longer mirror the distribution of the population in Canada.



Travel products and services

Products and services sold by travel agents and tour operators possess characteristics that make this industry's products unique as described below.

Advance assessment of the quality of the products is difficult to control. This is due to the nature of the consumption process of the travel products and services. Travellers have to leave their regular environment in order to consume the travel products and services. Consumers can have only an abstract model of the products. The risk factor of a product's quality can be minimized through the use of the information brokers, such as travel agents with their first hand exposure to the products and feedback from clients.

Travel products and services are also perishable. If the products are not consumed within the designated period, they cannot be stored and will therefore be lost. An airplane seat, which is not sold on a particular flight, will represent a loss. The same is true for an unused hotel room. Thus, the suppliers bear a high risk and are highly vulnerable to changes in travellers' behaviour and taste.

Travel products and services are complex and are normally delivered by a large number of suppliers. Because suppliers vary considerably in terms of size and performance, it is difficult for tour operators to aggregate and assure the quality of the travel products and services. For that reason, travel organizations such as the Canadian Tourism Commission are advocating the adoption of a quality assurance plan for the travel products and services suppliers, similar to the International Standard Organization (ISO) system.

Travel products are **information and explanation** intensive. Products must be well defined with respect to consumer needs, prices and distribution channels, in order for distributors to effectively market and sell their products.

Travel products are highly affected by the prevailing economic and political climates. During economic downturns, consumers normally cut expenditures on discretionary items first. In addition, since travellers have to leave their usual environment to consume the travel products and services, any information (especially political) leading to increased risk and decreased confidence in the consumption process may trigger **immediate** cancellation or refusal to buy products. The unfortunate tragedy of September 11, 2001, shutdown the travel distributions sector in Canada and throughout the world.

Chapter One – The Travel Agencies Industry

1.1 Economic performance

- In 2000, the number of travel agencies stood at 5,500 establishments³.
- The industry is highly competitive. The average profit margin (before tax) was 6.5 per cent.
- Ontario and Quebec accounted for 64 per cent of the total number of establishments in the industry.
- 54 per cent of revenue was generated from travel to foreign destinations.
- 94 per cent of revenue was generated through sales to households travelling for leisure or individuals travelling for business purposes.
- U.S. destination sales represented 22 per cent of the revenue generated from sales to foreign visitors.
- Wages and salaries accounted for 53 per cent of total expenses.
- 85 per cent of employees were classified as full time.
- The Internet is becoming the favourite method of advertising.

1.2 Travel Agencies in Brief

Travel agencies, with annual gross revenues of \$11.4 billion⁴, make a significant contribution to the Canadian economy. About 26 cents of every dollar attributed directly to tourism goods and services can be traced back to the travel agencies. The travel agencies industry reported some \$1.72 billion in net earnings in the fiscal year 1999.

The industry operates in an environment of intense competition. Evolving technology and an increasing number of players, have forced travel agencies to provide a wider range of services to travellers that add value and meet the needs of increasingly sophisticated clients. The services of travel agencies include: selling various transportation fares; furnishing travel information; acting as agents on behalf of tour operators; booking accommodation and transportation for travellers; helping travellers to better plan their trips, and responding to their complaints and problems.

Competition is leading to greater specialization within the travel agencies industry. Agencies now specialize in segments of the market such as, adventure travel, exotic vacations, educational tours, senior traveller packages, etc. Specialists in these areas represent a small but growing segment of the industry.

The traditional practice has been that travel agencies provide a range of services to customers in return for a commission from the wholesalers and the airlines. As a result of cuts to commissions paid by airline companies, travel agencies have been compelled to begin charging customers a nominal fee for their services to offset the loss in revenues.

³ Establishment could account for more than one location.

⁴ The National Tourism Indicators, 4th Quarter 2000, Statistics Canada.

Although technology is an essential part of the travel agency operations, the industry is characterized by its labour intensity where 53 per cent of operating costs result from wages and salaries. The majority of travel agencies (89%) were incorporated, 68 per cent were affiliated with a chain, and 38 per cent were affiliated with a franchise such as American Express and Thomas Cook chains. In order to gain a competitive edge, 60 per cent of travel agencies were members of a consortium⁵. The profit margin in this industry is relatively low, reflecting the industry's competitiveness. In 1999, for example, profit before tax was 7.6 per cent.

Travel is a discretionary activity, and since over 50 per cent of all travel by Canadians is for leisure, any negative change in the economic and political outlook can immediately be reflected in the bottom-line of travel agency businesses.

1.3 Revenue structure

1.3.1. Sources of revenue

Travel agencies draw their revenue mainly from commissions received from suppliers of services such as airlines, bus and rail companies. Although travel agencies are involved in selling a variety of products and services, the sale of transportation fares remains the main source of revenue. In 2000, 37.2 per cent of total revenue was generated from the sale of transportation fares, a decline of 13 percentage points from the share recorded in 1997, which is the last year these products and services were measured.

In year 2000, commissions earned from the sale of tour packages and cruises stood at 32 per cent of total revenue, which is significantly higher than the level recorded in 1997. The increase in tour packages revenue can be explained by the fact that travel agents earn higher commission rates on the sale of tour and cruise packages. The differential in commission earnings will motivate travel agents to concentrate more on the sale of products and services that add more value to their bottom-line. Table 1.1 shows the percentage distribution of source of revenue by type of products.

It is important to note that revenue from service fees (4.6%), has increased significantly compared to the level reported in 1997 (0.4%). This source of revenue is expected to increase further in order to compensate for the cuts in commission rates paid by suppliers, particularly the airline industry.

⁵ A larger group of multi-office travel agencies associated in order to negotiate better rates on commissions.

Table 1.1 Percentage Distribution Revenue by Source

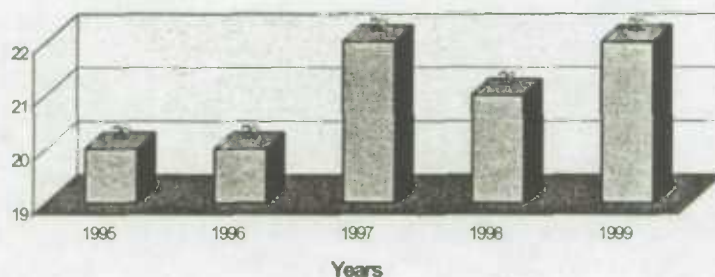
SOURCE OF REVENUE	PER CENT, 2000
Tour Package	32.0
Cruise Package	5.8
Transportation Fares	37.2
Accommodation	3.1
Auto rentals	1.8
Insurance products	7.8
Other Commissions	5.9
Revenue from other sales	0.3
Service fees	4.6
All other revenue	2.0
Grand Total	100.0

1.3.2. Concentration of the industry

In contrast to the tour operators industry, the travel agencies industry is characterized by small operations. Business integration through mergers and acquisitions has had a small but increasing effect on the concentration of the industry in the hands of a few enterprises. In 1999⁶, the top 20 companies accounted for 23 per cent of total revenue generated by the industry, compared to 20 per cent in 1995 and 16 per cent in 1992.

This trend is expected to continue in the future as travel agencies face increased cutbacks in commissions from suppliers. Mergers may benefit travel agents in gaining more bargaining power. Chart 1.3 shows the share (percent of total revenue) of the top 20 companies. At first, the rate of concentration may seem minimal in comparison to other industries, such as the tour operators industry. The picture becomes more compelling when one considers that only 20 out of 5000 companies (0.004%) generated 20 per cent of the total industry revenue.

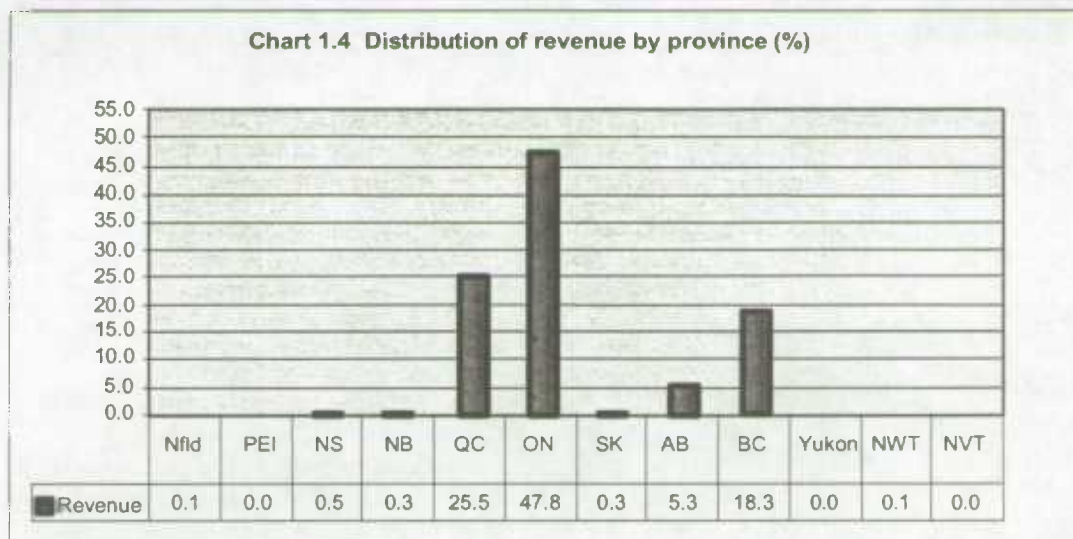
Chart 1.3 Weight of top 20 firms (percent of total revenue)



⁶ The latest industry totals available are for 1999.

1.3.3. Revenue by province

The travel agencies' activities measured by revenues are concentrated primarily in Ontario, Quebec and British Columbia. Together, these provinces accounted for 91 per cent of total revenue⁷. The geographical distribution of revenues (Chart 1.4) closely mirrors the distribution of establishments by province. Those same three provinces accounted for 83 per cent of the industry's establishments (Chart 1.1). In Chart 1.4, some provinces have a small number of establishments, which appear negligible on the chart.



1.3.4. Revenue by destination

Travel to Canadian destinations has continued to grow in popularity. In 2000, revenue generated from travel to Canadian destinations saw an increase over 1997 figures. This change in travel behaviour may be due to the declining value of the Canadian dollar relative to its US counterpart (the exchange rate between the US and Canadian dollar has increased by 7 per cent in the same period). Another factor that may explain the rise in travel to Canadian destinations is the aggressive promotion of domestic travel by the Canadian Tourism Commission (CTC). Promoting travel to Canadian destinations is part of the mandate of the Canadian Tourism Commission. The CTC has been very active in promoting Canada not only to consumers (demand side) in the form of advertising, but also to the travel agencies and tour operators industries (supply side) in the form of "familiarization trips". This method of promotion is very important because most of the travellers rely heavily on the retailers (travel agents) for information about destinations.

Despite the increase in travel to Canadian destinations, travel agencies are still generating most of their revenue from travellers going abroad. In 2000, 54.1 per cent of total revenue was generated from sales to foreign destinations compare to 58.2 per cent in 1997. The decline in the share of travelling abroad was mainly due to the decrease in travel to the United States. Table 1.2 illustrates the revenue distribution by destination.

⁷ This is based on the final results of the 1999 survey.

Table 1.2 Percentage Distribution of Revenue By Destination

DESTINATION	YEAR 1997	YEAR 2000
Canadian Destination:		
Tour and Cruise	6.9	16.9
All other travel	34.9	28.9
Total Canadian destination	41.8	45.8
American destination:		
Tour and Cruise	9.0	9.9
All other travel	16.4	12.0
Total American destination	25.4	21.9
All other travel to foreign destination:		
Tour and Cruise	12.8	14.7
All other travel	20.0	17.5
Total foreign destination	32.8	32.2
Total	100.0	100.0

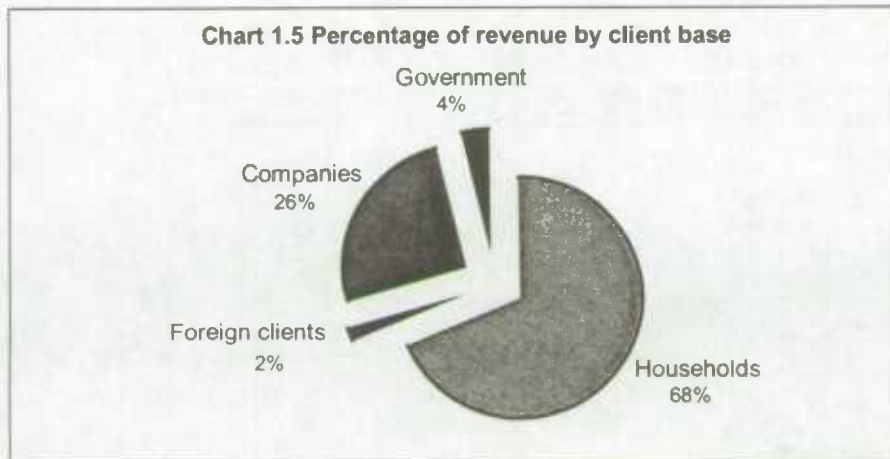
1.3.5. Revenue by client base

Leisure Travel is on the rise. In the year 2000, slightly over two-thirds of all travel agencies' revenues (68.8%) were derived from services to households or individuals travelling for leisure purposes. This represents an increase of 9 percentage points since 1997.

Corporate travel generated 26 per cent of total revenue, which represents a significant decline from the 39 per cent level reported in 1997. The decline in revenue from corporate travel may be due to the introduction of high-tech meeting facilities such as tele-conferencing and video-conferencing.

As for the increase of leisure travel, it could be attributed to the favourable economic conditions that have a positive impact on discretionary spending. During periods of economic growth, consumers expect their income to be higher, which may trigger an increase in expenditure on discretionary items such as travel. Chart 1.5 shows the percentage distribution of revenue by type of client. Revenue derived from sales to foreign clients accounted for 2 per cent of total revenue.

Foreign clients from the United States accounted for 34 per cent of total foreign clients' revenues, much lower than the share that was recorded in 1995 (50%). This decline does not necessarily imply that American customers are not using Canadian travel agencies' services as much as before; rather, it may simply be due to an increase in the number of foreign visitors other than American who use the services of domestic travel agents.



1.3.6. Cost structure of the industry

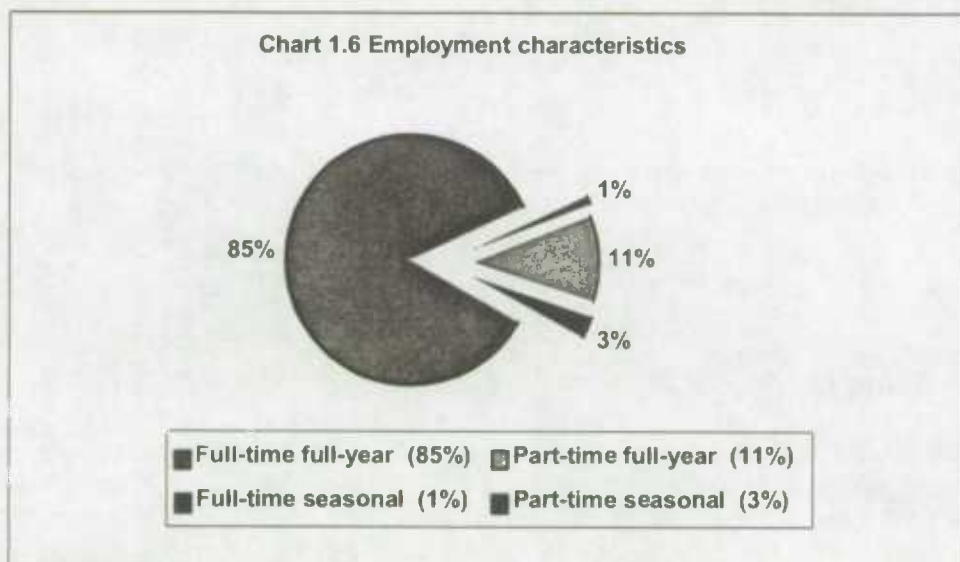
The introduction of advanced technology has little or no effect on the cost structure of the travel agencies industry's operations. Salaries, wages and benefits continue to be the largest operating expense item for travel agencies. In 2000, these labour costs made up over half of the total operating costs. This category was followed distantly by rent / lease of land and buildings at 7.8 per cent. Advertising and sales promotion costs accounted for 6.1 per cent of total operating expenses. Table 1.3 shows the percentage distribution of the operating cost structure for the travel agencies industry in 2000.

Table 1.3 Percentage Distribution of Expenses, 2000

TYPE OF EXPENSE	PER CENT
Wages and Salaries	53.1
Employee benefits	3.5
Rent / lease of land & building	7.8
Rent or lease of vehicles	1.2
Computer services	1.8
Rent or lease of equipment	0.9
Repair and maintenance	0.5
Legal, accounting, consulting fees	3.1
Advertising and sales promotion	6.1
Insurance	0.6
Taxes, permits and licences	1.4
Heat, light, power and water	0.5
Telecommunication, postage	4.2
Travel and entertainment	2.7
Royalties and franchise fees	1.0
Depreciation expenses	2.3
Interest expenses	1.2
Office and other supplies	4.4
All other operating expenses	3.2
Total	100.00

1.4 Employment and remuneration by industry

The travel agencies industry is characterized by the relatively small number of employees per agency ranging from 2 to 20. In 2000, the industry employed an estimated 38,000 full time and part time employees⁸. Employment with full time status still dominates the industry (85%). The proportion of full-time employment and part-time employment has been relatively stable over recent years. Chart 1.6 shows the employment characteristics in year 2000.



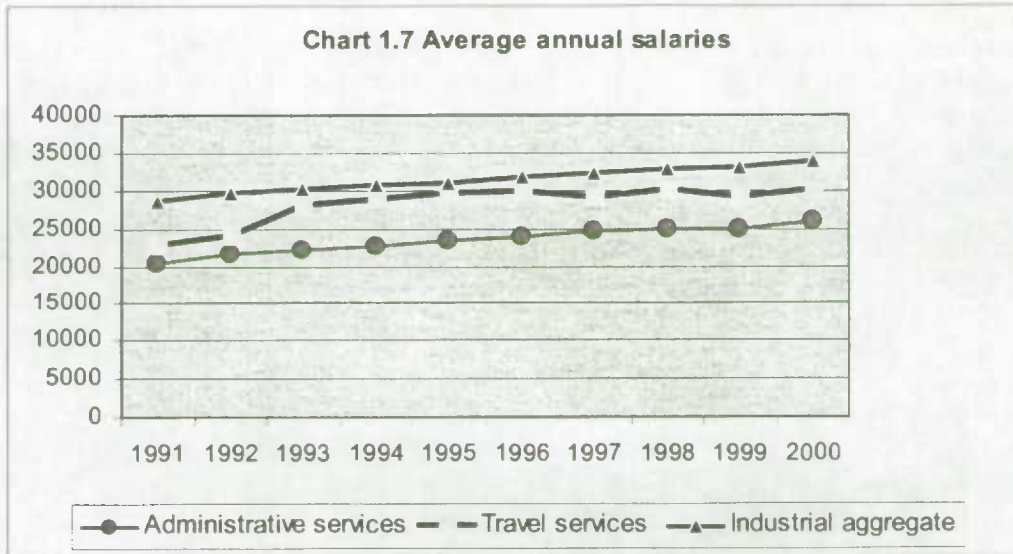
Travel is an activity that is closely tied to the prevailing economic conditions, domestically and abroad. During economic downturns, the travel industry has responded by shedding employees rather than by decreasing wages and salaries⁹.

Although labour-related costs comprise the most significant portion of travel agencies' operating expenditures, average remuneration for the industry's employees is well below the industrial aggregate of the Canadian economy. However, average remuneration was above the administrative services sector, which comprises the travel arrangement industry in the North American Classification System.

As shown in Graph 1.7, the remuneration gap between the travel services industry and administrative services industries has been shrinking whereas the gap with the industrial aggregate has been widening. This can be partly explained by the impact of cuts in commission by suppliers. Although the industry has reacted by imposing service charges, this apparently was not sufficient to offset the erosion of commission rates paid by suppliers.

⁸ Source: National Tourism Indicators 2000. The count does not include working partners or proprietors.

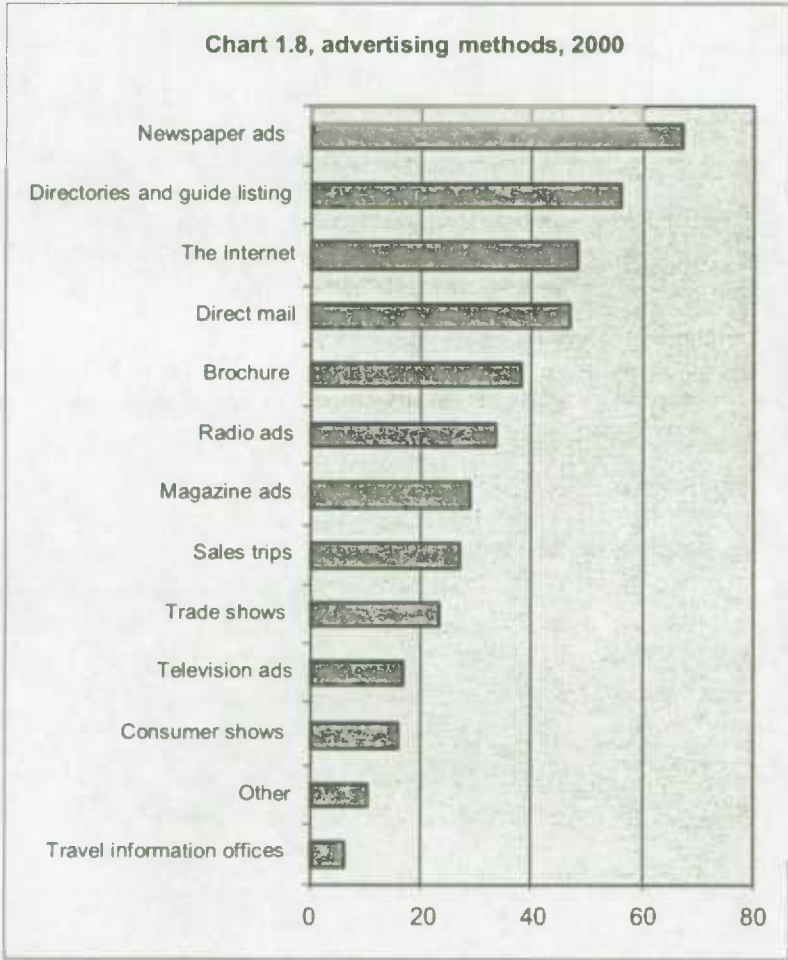
⁹ Profile of the Travel Industry, Canadian Tourism Commission, 1997.



1.5 Advertising methods

Despite the fact that many travel agencies use relatively expensive advertising tools, they earmark only 6 per cent of total operating expenses to advertising. Advertising budgets might appear small, but travel agencies benefit from shared advertising ventures with tour operators and wholesalers, who tend to promote the same products that may be sold by travel agencies. In year 2000, nearly one quarter (24%) of all travel agents marketed their products and services in partnership with other businesses. Their favourite advertising partners were transportation companies (38%), hotels (26%), attractions (26%), restaurants (14%) and other businesses (9%). Given that travel agents are intrinsically intermediaries, it is not surprising to see them advertising in partnership with suppliers of the same goods and services.

All units surveyed used at least one method of advertising to promote their business with the ultimate objective of increasing revenue and market share. A large proportion (80%) of the firms employed multiple methods of advertising. The most popular method was newspaper advertising (68%), followed by directory and guide listing (56%) and the Internet (48%). As anticipated, the use of Internet marketing has increased from 9 per cent in 1995 to 48 per cent in year 2000. Chart 1.8 provides a breakdown of advertising activities by medium used.



1.6 Trade patterns

In the travel services industry, travel agencies and tour operators/wholesalers are extremely interrelated. Reducing costs and risks are the principal reasons travel agents work with tour operators. The relationship between the two industries is commission-based. Tour operators negotiate a rate of commission with travel agencies, which is designed to motivate agents to sell the maximum number of tours.

Travel agencies continue to be the most popular distribution channel of tour packages. In 2000, travel agents sold 75 per cent of all packages (direct sales and Computer Reservation System (CRS)).

The relationship with tour operators is expected to intensify, as more suppliers (particularly airlines) continue to cut commissions and in some cases, eliminate the commission entirely.

1.7 Issues facing the Travel Agencies Industry

1.7.1. Information technology and the travel services industry

Given that travel agencies' services are highly dependent on the transfer of knowledge and information, the new technological breakthroughs that have facilitated the access to information networks containing travel products and services are changing the relationship between travellers and retail travel business. With the availability of the Electronic Ticket Delivery Network developed by travel products suppliers such as airlines, hotels and attractions, travellers accustomed to using technology will employ those skills to research their destinations and make their own travel arrangements.

Independent electronic reservations, coupled with the electronic automated ticket delivery system, may lead to further reductions of the commission rates negotiated with airlines. The impact on the landscape of the industry is difficult to predict, but some travel agents have begun to show concern that stronger competition may lead to a reduction in the number of agencies in operation.

1.7.2. Travel agencies are adding more value

Due to the erosion of commission rates paid by airlines, the industry is adapting by finding new ways of adding value to their travel products and services. Travel agencies are establishing partnerships with travel products' suppliers to ensure that travel products include more than just transportation services. It was evident in Table 1.1 that the share of non-traditional products and services is on the rise.

If this trend continues, travel products will be more composite and travel agencies will have to start to compete with the existing tour operators for a share of the total travel market.

This adaptation will also pose a classification problem for the travel agencies industry. As it stands now, any travel agency that becomes involved in packaging tours may have to be reclassified as a tour operator.

Chapter Two- Tour Operators / Wholesalers Industry

2.1 Economic performance, 2000

- There were 1,212 establishments in the Tour Operators / Wholesalers industry.
- The tour operators industry has been one of the fastest growing industries in the Canadian economy. Revenue of the industry has increased by 13 per cent from 1997 to 1999¹⁰.
- Profit margin of the industry was 6.6 per cent.
- Wages and salaries amounted to only 40 per cent of total operating expenses.
- 86 per cent of the employees were full time.
- 78 per cent of the revenue was generated from sales to domestic individuals.
- The Internet is becoming the favourite method of advertising.

2.2 Tour operators and wholesalers in brief

Tour operators and tour wholesalers are companies that **buy** a range of tourist products in bulk and package it for sale to travellers using travel agencies as the main distributors. The main thrust of the tour operating business is to identify the demand for leisure products and services and try to package the required products and services through negotiation with key suppliers such as transportation companies, accommodation and other suppliers.

Packaging products and services is a dynamic and difficult business. Products and services have to be reviewed regularly in order to keep up with changing market conditions such as new products, new destinations, and evolving travelers' tastes. Moreover, the industry must keep abreast of and adapt to its economic and political environment.

Unlike travel agencies that operate as intermediaries, tour operators assume most of the risk involved because they become the owners of the products and services. If a package of products and services cannot be sold in one set, tour operators may sell the products and services separately to recover some of the cost incurred and to minimize the risk of failure. Tour operator companies including wholesalers can exist under different identities or designations such as receptive operators, receptive agents, motor coach companies, tour wholesalers, inbound operators, outbound operators and other transportation companies.

The industry uses technology (such as computerized reservation systems) extensively in its operations. Tour operators are not as labour-intensive as the travel agencies, with labour costs amounting to 41 per cent of total operating costs¹¹. The majority of tour operators, 96 per cent, are incorporated, with 72 per cent affiliated with transportation firms. The tour operators industry is very competitive. This competition has promoted the introduction of new products and greater specialization in the packaging and sales of tours to specific destinations. The profit margin (before tax) of the industry stood at 6.6 per cent in year 2000¹².

¹⁰ Year 2000 industry financial aggregates are not yet available.

¹¹ Total operating expenses exclude the cost of purchasing travel supplies.

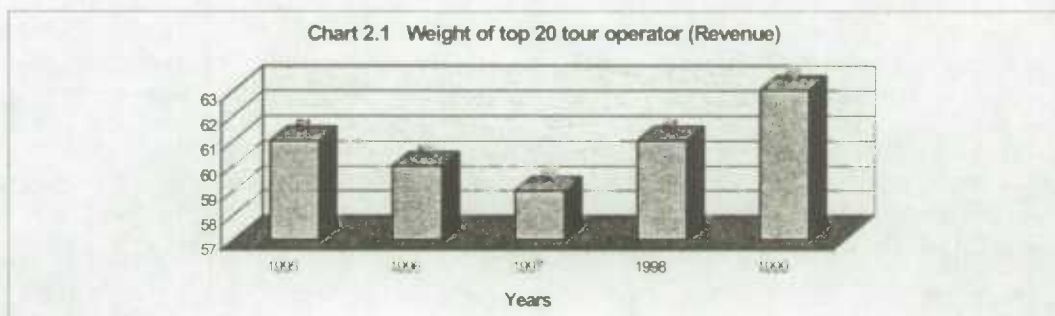
¹² Results are based on the records, which were collected in the survey.

2.3 Industry restructuring

Many industries are restructuring and the travel services industry is no exception. Business integration through mergers and acquisitions is now seen as an industry practice to adapt to growing globalization of the tourism market.

Mergers and acquisitions in the tour operators industry are undertaken both vertically and horizontally. Most of the large tour operators are vertically integrated with other entities such as airlines or accommodation chains. Integration holds many advantages for tour companies. It guarantees full access to supplier's products, especially during periods of high demand. In addition, acquisitions or mergers with entities that may complement the business process, help to ensure the quality control of the products and services. Horizontal integration, which is the merging or acquiring of similar businesses, has the benefit of increasing market share and negotiation power, giving rise to a better profit margin.

The revenues of the largest companies provide further insight on the concentration of the industry. As shown in Chart 2.1 below, the tour operators industry is highly integrated with the top 20 companies accounting for 63 per cent of the industry's total revenue. The share of the top 20 has been increasing since 1997. Therefore, the horizontal integration is on the rise. It is outside the scope of this survey to determine whether the inter-industry (vertical) integration has changed.



Nationally, the tour operators industry is concentrated in three provinces: Ontario, Quebec and British Columbia. Together these provinces accounted for 73 per cent of all establishments and 83 per cent of total revenue of the industry. The distribution of establishments by province has not experienced notable change since 1997.

2.4 Revenue structure

2.4.1. Sources of revenue

Revenue in the industry has been growing steadily for the past 8 years. In 1999, total revenue reached \$4.74 billion. Revenues have increased by 11 per cent between 1998 and 1999. The main reason for the growth in revenue was the favourable economic and political conditions that prevailed during the late nineties. Usually, economic growth, coupled with political stability, has the potential to create a perfect environment for the promotion of tourism.

Tour operators / wholesalers draw their revenue mainly from the sale of tour packages either directly to clients or to retailers such as travel agents. Most of the revenue was generated, as it has always been, from the sales of tour packages. In 2000, 74 per cent of total revenue was derived from the sale of tour packages. Table 2.1 shows the distribution of revenue by type of products. The only source of revenue that is growing quickly is the "other revenue"¹³ source. It went from 0.4 per cent in 1997 to 7.5 per cent in 2000. This change is possibly due to the high degree of integration of the industry. Another reason is that due to the low profit margin in the tour operators / wholesalers industry, firms are diversifying in order to increase their "bottom-line".

Table 2.1 Percentage Distribution of Revenue by Type

SOURCES OF REVENUE	PER CENT	
	1997	2000
PACKAGES REVENUE:		
Tour packages	69.4	69.9
Cruise packages	5.7	4.1
Total Packages revenue	75.1	74.0
TOUR WHOLESALE REVENUE:		
Tour packages	17.1	9.5
Cruise packages	0.0	0.6
Transportation fees	7.4	6.1
Other wholesale travel packages	0.0	0.2
Total wholesale revenue	24.5	18.5
All other revenue	0.4	7.5
Grand Total	100.0	100.0

2.4.2. Revenue by destination

Tour packages to foreign destinations still dominate the industry. Demand for tours outside Canada generated 64 per cent of total revenue in year 2000. A notable development was the increase of tour sales to Canadian destinations. According to the latest results from surveyed units, the share of revenue derived from sales of tours to Canadian destinations has increased by nearly 40 per cent since 1996. The increase in sales to Canadian destinations was matched by a 50 per cent decline of sales to US destinations.

¹³ It was left to the respondents to specify the types of revenue to be included in this category.

When traveling on a tour, people always try to get the most for their dollar, because the tour price tends to be relatively high (bundle of goods and services). The exchange rate may play a significant role in the choice of destinations for most travelers. A high exchange rate is usually interpreted as an additional cost. Therefore, the shift in destination may be explained by the continuous increase in the exchange rate gap between the American and Canadian currencies. Another contributing factor in the shift to Canadian destinations is the emphasis in the marketing by tourism organizations that tends to promote Canada as the destination of choice.

As can be seen in Table 2.2, both tour and cruise travel and all other travel to Canadian destinations have increased. Travel to Canadian destinations may get even stronger during the next few years, as the result of the worldwide instability and security concerns. In response, travelers tend to stay close to their familiar environment.

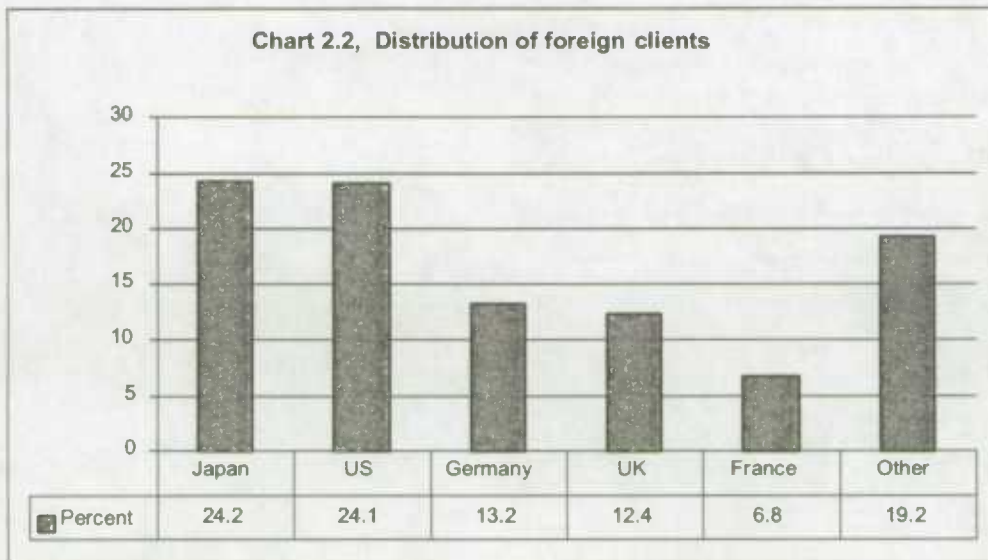
Table 2.2 Percentage Distribution of Revenue by Destination

DESTINATION	PER CENT		
	1996	1997	2000
CANADIAN DESTINATION:			
Tour and Cruise	15.2	17.4	27.6
All other travel	10.7	4.4	9.5
Total Canadian destination	25.9	21.8	36.1
AMERICAN DESTINATION:			
Tour and Cruise	13.8	16.5	4.3
All other travel	11.7	4.5	8.1
Total American destination	25.5	21.0	12.4
TRAVEL TO OTHER FOREIGN DESTINATION:			
Tour and Cruise	32.2	38.5	22.2
All other travel	16.4	18.7	28.4
Total other foreign destination	48.6	57.2	51.6

2.4.3. Revenue by client base

Domestic households or individuals travelling for leisure purposes remain the most important clients of tour operators. The industry generated the bulk of its revenue from sales to household individuals travelling for leisure, with 83 per cent of total revenue in 2000. Corporate tour purchases paled in comparison at 5 per cent of total revenue. Revenue derived from sales to foreign clients amounted to 12 per cent of total revenue. As can be seen in Chart 2.2, in 2000, Japan and the US were the most important foreign client groups who purchased tour and other travel services from domestic tour operators.

Chart 2.2, Distribution of foreign clients



2.5 Business cost

There are two types of costs associated with the tour operator business: direct costs and indirect costs. Direct costs include the cost of the tour package components, such as transportation, accommodation and commissions paid to distributors and other suppliers that are directly related to the tour products. The survey did not ask for a detailed cost structure of the direct costs. In the tour operators industry, direct costs account for nearly 80 per cent of the total tour operators' expenses.

The indirect costs include wages and salaries, benefits, rent and other operating costs. Table 2.3 highlights the indirect cost structure of the industry in year 2000. Wages and salaries are the largest expense item of the indirect costs.

The cost structure of the industry has been relatively stable. The only major difference between the cost structure in the year 2000 and that of 1997 is the share of advertising cost. In the year 2000, the share of advertising cost reached 19 per cent, compared to 13.9 per cent in 1997. An increase in the number of establishments in the industry may have created a strong competitive environment. Thus, tour operators were obliged to spend more on advertising in order to keep their market share.

Table 2.3 Percentage Distribution of Operating Expenses (indirect cost)

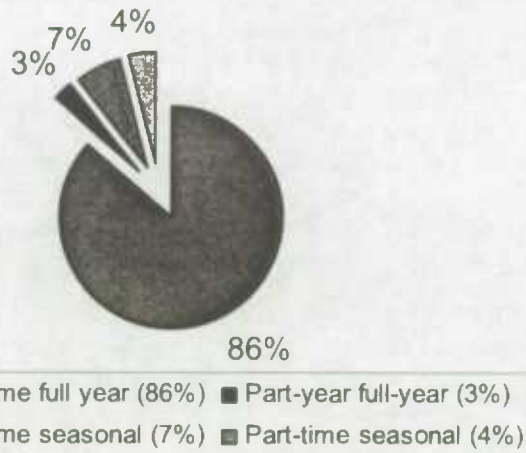
TYPE OF EXPENSES	PER CENT
Wages and Salaries	40.0
Employee benefits	3.8
Rent / lease of land & building	3.0
Rent or lease of vehicles	0.6
Computer services	5.9
Rent or lease of equipment	1.9
Repair and maintenance	0.7
Legal, accounting, consulting fees	2.6
Advertising and sales promotion	19.1
Insurance	0.6
Taxes, permits and licences	0.9
Heat, light, power and water	0.2
Telecommunication, postage	4.2
Travel and entertainment	2.3
Royalties and franchise fees	0.1
Depreciation expenses	5.3
Interest expenses	1.6
Office and other supplies	1.6
All other operating expenses	5.7
Total	100.0

2.6 Employment profile

Tour operators are generally larger employers than travel agencies. The average number of employees of a tour operator establishment was 28 employees. According to the survey, the industry employed little over 9 thousand employees including full and part time in year 2000.

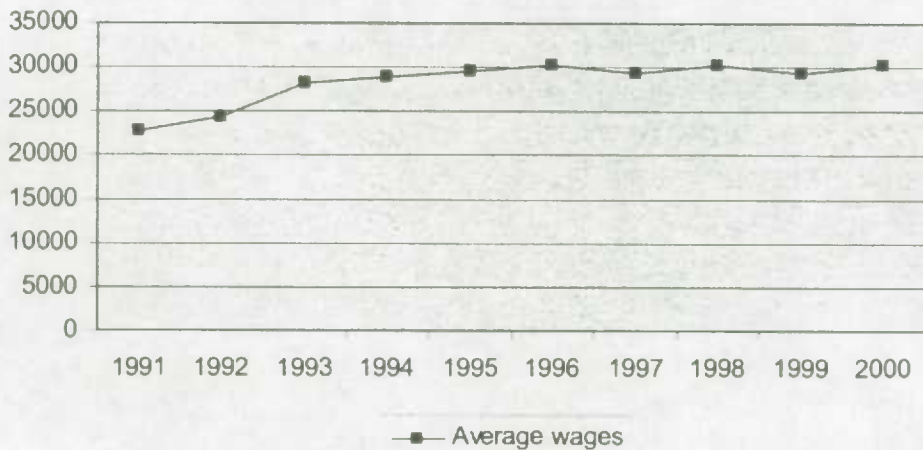
The majority of employees in the tour operators / wholesalers industry are full-time, full year employees (86%). One characteristic of this industry is that 11 per cent of total employment is comprised of seasonal employees. This is due to the business organization of the industry, where some tour operators tend to specialize in "niche" markets such as ski adventure tours, which tend to be very active during one or two seasons and may close their doors and "hibernate" for the rest of the year. Chart 2.3 highlights the percentage distribution of employment profile of the tour operators industry.

Chart 2.3 Employment profile, 2000



Remuneration in the industry has increased substantially (26%) between 1991 and 1996. Since then, it has been stable at nearly \$30,000.00 per year. Travel services industry remuneration is one of the highest in the category of administrative services. Chart 2.4 shows the trend of average annual wages of the travel services industry.

Chart 2.4 Average annual wages, 2000

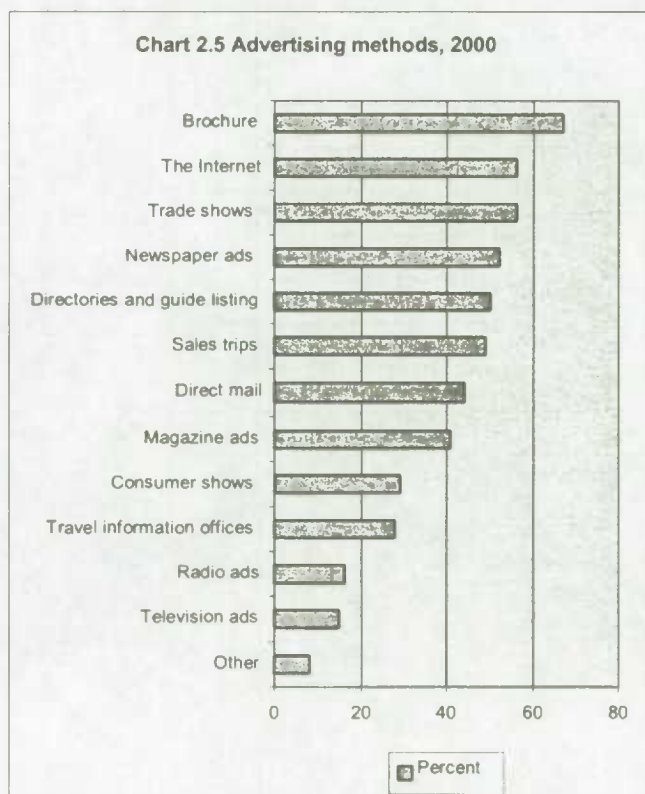


2.7 Marketing Methods

In 2000, tour operators spent more on advertising. Two primary factors may explain the increase in marketing expenditure. First, the industry is becoming highly competitive; the number of tour operators has increased by 30 per cent since 1997. Therefore, tour operators have to increase their advertising in order to keep their market share. Second, until the year 2000, the global economic environment was optimistic. Usually, high economic growth is translated into a higher level of affluence, which in turn has a direct relationship with spending on leisure items such as travel. It is only logical for the tour operators to increase spending on advertising when the demand for travel is highly elastic (one dollar spent on advertising may yield many dollars in revenue in the form of increased demand).

Chart 2.5 highlights the advertising methods used by tour operators. For all of the surveyed units, almost all the tour operators used multiple method of advertising. The obvious reason is that tour operators' clients are diverse (families, various ages). Therefore, there is a genuine need to use many methods of advertising to reach a variety of potential travellers.

Tour operators are always in search of the best method to advertise their products and services. The most popular methods have not changed significantly from previous years with the exception of the adoption of the Internet: Brochures (67%), Internet (56%), trade shows (55%) and newspapers (52%). As expected, the Internet is quickly becoming the favourite method of advertising. In 1997, only 34 per cent of tour operators used the Internet to advertise their products.



2.8 Trade patterns

2.8.1. Distribution of products and services

Tour operators sell their products using many distribution outlets. Travel agents continue to be their major distribution method. In 2000, 75 per cent of all packages were sold by travel agencies. There is a vested interest for travel agents to sell tour packages. Tour operators tend to pay travel agents a much higher commission for the sale of packages than airline companies do for airfare tickets.

With cuts in commissions by the airlines and recent news of totally eliminating the commission by certain airlines, travel agents may try to cater more to the need of tour operators or to become a competitor of the tour operators. However, if the eradication of commissions by airlines leads to the collapse of a large number of travel agents, tour operators may lose an important distribution outlet.

In 2000, 7.5 per cent of total tour and cruise revenues was generated using the Internet as a method of distribution.

2.8.2. Type of tour packages sold

Tour operators are always prepared to package tours to accommodate consumers' desires (expected demand). The packaging process has been difficult in the past because of the large number of suppliers of different sizes, different capabilities and different performance. The introduction of information technology has facilitated this task. Now information transfer and communication with suppliers have become easier simply because tourism products, which are information and explanation intensive, adapt readily to a digitized means of communication.

Perhaps, this is a blessing in disguise: If tour operators manage to package their products at a much lower cost, they may pass part of the savings to the travellers. In addition, travellers and tour operators may gain flexibility in changing itineraries and customizing the products in a very short time frame. The introduction of information technology will gradually affect the type of products and services, which are sold.

In the past, the demand for tours, which visit resort destinations, has been the major source of revenue, and the year 2000 was no exception. Revenue generated from the sale of tours to resorts generated 56 per cent of tour and cruise revenue.

The most noticeable change in the sale of tour packages is the growing share of adventure and outdoor travel. In 1997, total sales of adventure travel generated only 4.2 per cent of tour package revenue. Whereas in the year 2000, adventure travel generated close to one quarter (22%) of the industry's revenue from tour packages¹⁴.

Adventure travel became one of the most important products in 2000 for tour businesses classified as inbound¹⁵ tour operators. Table 2.4 shows the distribution of revenue from tours as classified by type of tour sold. The values clearly show that a tour in Canada is most likely to be an adventure/ outdoor tour or a city tour.

¹⁴ The results are based on the panel data

¹⁵ An inbound tour operator is defined as a business, which generates 70 per cent or more from revenues of Canadian destinations.

Table 2.4 Percentage distribution of tour packages revenue by type of tour (2000)

	TOTAL INDUSTRY	INBOUND	OUTBOUND
Adventure and Outdoor	22.0	34.2	19.8
City Touring	11.3	34.0	6.0
Cultural	5.3	3.2	5.7
Sports	0.8	0.3	0.9
Resorts	56.0	16.9	64.9
Educational	2.8	4.9	2.0
Others	1.7	6.5	0.7
Total	100.0	100.0	100.0

2.8.3. Organization of packages

Independent and escorted tour packages have always generated the bulk of revenue. In 2000, the two products generated over 90 per cent of tour package revenue. The only difference between 2000 and 1997 is that, the share of the independent tour has grown significantly. In 1997, independent tours and escorted tours generated 31 per cent and 50 per cent, respectively, of total package revenues. In 2000, these shares switched. Two possible explanations are that the needs of travellers are changing, or that tour operators are promoting the sale of independent tours more in order to lessen their involvement after sale. Table 2.5 shows the distribution of tour package revenue by the mode of organization. Here again, there is a striking difference between travellers to Canadian destinations (inbound) and travellers going abroad (outbound).

Table 2.5 Distribution of revenue by the way tours are organized (2000)

	TOTAL INDUSTRY	INBOUND	OUTBOUND
Escorted	34.4	50.1	28.3
Motorcoach	7.6	17.0	4.1
Independent	54.8	27.8	65.5
Special Interest	2.7	3.7	1.8
Others	0.6	1.4	0.3
Total	100.0	100.0	100.0

2.8.4. High season for tour operators

Before the introduction of information technology, travellers used to spend a considerable amount of time planning and studying how and when to travel. One major reason is that travel products cannot be tested before consumption in order to assure optimum quality. Information technology may shorten the research period but may not affect the timing in terms of when to travel.

Most travellers prefer travelling during the winter and summer. The tour operators industry has generated the bulk (85%) of its revenue during these two seasons.

The preference for winter and summer travel is more typical of outbound operators than it is of inbound operators. According to the results from the 2000 survey, inbound operators were busy all year long. Table 2.6 shows the distribution of tour package revenue by season. The results mirror those produced in 1997.

Table 2.6 Distribution of the tour packages revenue by season (2000).

	TOTAL INDUSTRY	INBOUND	OUTBOUND
Summer	39.5	21.7	36.5
Fall	8.4	27.4	5.7
Winter	46.0	31.5	52.7
Spring	6.1	19.5	5.1
Total	100.0	100.0	100.0

2.9 Trends affecting the industry

In the tour operators industry, varying destinations and restructuring products are commonplace. The changes and trends affecting the industry originate from both the demand and supply side. Changing consumers' behaviour puts a lot pressure on the industry to evolve. Usually the success of any industry is measured by how quickly the industry can adjust to the changes in the market place.

Some of the strategic trends affecting the industry are adaptability of the major suppliers' tour packages and information technology.

2.9.1. Adaptability of the airline industry

The airline industry plays an important role in the life of travel agencies and tour operators. For the average tour package product, the cost of airline seats represents nearly 50 per cent of the total vacation cost.

In Canada, the government has been very active in creating a competitive environment in the airline industry. In 1987, the Deregulation Act was passed. The intent was to boost traffic demand and to alleviate the general environment of uncertainty that surrounded the airline industry in Canada.

Deregulation of the airline industry has had a significant impact. It has led to cross-ownership of air carriers and spawned marketing alliances between tour operators, airlines and wholesalers. It also boosted travel to and from Canada.

In 1995, the Open Skies Agreement between Canada and the USA was signed. It also has boosted cross-border traffic. Deregulation combined with the Open Skies Agreement has resulted in relatively lower fares and more frequent flights. For tour operators, this was a great opportunity to negotiate more competitive fares and to create excess capacity for their clients.

But the adaptability and fitness of the airline industry has been in question. The recent failure of airline companies in Canada and the rest of the world may cause a major problem for tour operators who are always anxious to serve the needs of their clients.

2.9.2. Information technology

As a global industry, tourism links worldwide suppliers of tourism goods and services with travellers who are distributed everywhere on the planet.

With information technology, tourists are becoming better informed about existing products and services by many different methods. They can compare prices and products, and ask for better services, including timely information.

Any knowledge about tourist behaviour can be critical for tour operators (supply side). With limited information about consumers (the demand side) of travel, suppliers (tour operators in our case) may design a package based on some knowledge of past travellers' behaviour. If the assumption of the suppliers is proven correct, the product (tour package) may fit the demand, thus, yielding a market. But if the predictions of the supplier were not right, the supplier may have to lower the price of the package in order to create enough interest in the product.

Information technology may lessen the probability of failure of products and services. With the constant update of timely information about tourist behaviour and taste, the supplier can not only adjust the supply of packages to accommodate the demand, but the operator may also have the flexibility of customizing packages to the same destination.

From this perspective, information technology may facilitate a continuous restructuring of the tour operators' products and services, such as the creation of new products, further segmentation of the market, and linkage with other products and suppliers. In addition, information technology allows the attractive presentation of the products and services, such as detailed pictures or videos of the consumer products.

Appendices

Glossary of terms

Travel Agencies

Businesses in this industry are primarily engaged in selling tickets, marketing destinations, furnishing travel information, acting as agents in arranging tours, booking accommodations and transportation for travellers or acting as independent agencies for transportation companies.

Tour Operators

Businesses in this industry are primarily engaged in developing, designing and wholesaling travel tour plans and package vacation tours.

Total revenue

Gross Business Income before taxes. Excludes GST, provincial sales taxes and all other taxes collected by the business for remittance to a government agency.

Full-time, full-year employee

A regular employee who worked more than 30 hours per week for a full year as observed by the business.

Full-time, seasonal employee

A regular employee who worked more than 30 hours per week for only part of the year as observed by the business.

Part-time, full-year employee

A regular employee who worked less than 30 hours per week for a full year as observed by the business.

Part-time, seasonal employee

A regular employee who worked less than 30 hours per week for only part of the year as observed by the business.

Profit

Total operating and non-operating revenue less total operating expenses.

Profit Margin

Profit Margin= Profit * 100 / Total Revenue

Annual Survey of Travel Arrangement Services, 2000

▼ Reference number ▼

Confidential when completed

Français au verso

Authority

The survey is conducted under the authority of the Statistics Act, Revised Statutes of Canada, 1985, chapter S19.

Completion of this questionnaire is a legal requirement under this Act.



Correct pre-printed information if necessary using the corresponding boxes below:

001	Legal name	004	Number and street		
002	Business name	005	City	006	Province or State
003	C/o	053	Country	007	Postal code

Please read carefully before completing the questionnaire

Coverage Please complete the questionnaire for the business unit(s) described in the pre-printed area above. For this purpose, a "business unit" is defined as the lowest level of the firm for which separate records are kept for such details as revenue, expenses and employment.

Survey Objective The survey objective is the collection and publication of data necessary for the statistical analysis of the travel arrangement services industry. The information from the survey can be used by businesses and trade associations for market analysis and assessment of industry performance, operating characteristics and trends, by government to develop national and regional economic policies, by other users involved in research or policy making and by Statistics Canada for maintaining important data input to the preparation of the Canadian System of National Accounts.

Confidentiality Statistics Canada is prohibited by law from publishing any statistics which would divulge information relating to any identifiable business without the previous written consent of that business. **The data reported on this questionnaire will be treated in strict confidence, used for statistical purposes, and published in aggregate form only.** The confidentiality provisions of the Statistics Act are not affected by either the Access to Information Act or by any other legislation.

Questions and Return Procedures We ask that you complete and return questionnaire within 30 days of receipt to:

**Statistics Canada
Operations and Integration Division
2nd floor, Jean Talon Bldg, Ottawa, Ontario K1A 0T6**

This survey questionnaire can also be sent to Statistics Canada using the following facsimile communication: **1-888-605-2493**

Statistics Canada advises you that there could be a risk of disclosure during the facsimile communication process. However, upon receipt of your facsimile, Statistics Canada will provide the guaranteed level of protection afforded to all information collected under the authority of the Statistics Act.

If you have questions or require assistance in completing this questionnaire, please call our toll free number: **1-800-916-9316** and a representative of Statistics Canada will gladly answer your queries.

Duplicate Questionnaires If you receive more than one copy of this questionnaire for the same business, please complete the one that is correctly labelled and return it with the duplicate(s), writing "DUPLICATE" on the relevant form(s).

Note of Appreciation Canada owes the success of its statistical system to a long-standing co-operation involving Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued co-operation and goodwill.



1. Business Activity

- a) Please describe the nature of your firm's business activity in 2000: 021 _____
- b) Has the principal business activity in 2000 changed from 1999? 022 Yes No
 ↓
 If yes, please provide details in the "Comments" section on page 11.
- c) Please check (✓) below the one industry which most accurately describes your firm's principal source of operating revenue.
- 023 561510 Travel Agencies
 561520 Tour Operators
- Other (please specify)
 032 _____

2. Form of Organization

- a) Type of organization (please check **one** only):
- 027 1 Sole proprietorship 2 Partnership 3 Incorporated company 4 Co-operative
 5 Joint venture 6 Government business entity 7 Government 8 Non-profit
- b) Is the sole purpose of this business unit to provide services to your parent company, an affiliated company or a professional practice?
 025 1 Yes – If yes, please name the company or professional practice 033 _____
 3 No
- c) Please enter your nine-digit Business Number (if incorporated)
 034 [][][][][][][][][][]
- d) Is this business affiliated with a:
 030 1 Chain (please specify) 059 _____
 2 Franchise (please specify) 060 _____
 3 Transportation firm (please specify) 061 _____
 4 Accommodation company (please specify) 062 _____
- e) Is this business member of a cooperative or consortium?
 042 1 Yes
 3 No
- f) Did this business unit participate in any joint venture(s) during the reporting period?
 A joint venture refers to a specific commercial undertaking entered into jointly by two or more parties or companies, who agree to contribute the necessary capital and share in profits or losses of the project in agreed proportions. The association terminates either upon completion of the undertaking or at a specific time.
 028 1 Yes – If yes, please go to g) 3 No – If no, please go to Question 3, Reporting Period
- g) Are detailed revenue and expenses for the business unit's share in the joint venture(s) included in this questionnaire?
 035 1 Yes 3 No
 036 _____
- h) Please provide the name of the joint venture. _____
- i) Is this joint venture:
 037 1 Incorporated – If incorporated, please go to j) 3 Unincorporated – If unincorporated, please go to k)
- j) Business Number of joint venture (if incorporated) 038 [][][][][][][][][][]
- k) If it is an **unincorporated** joint venture, please provide the length of time of the joint venture.
 039 [][][][] YYYY [][][] MM [][][] DD 040 [][][][] YYYY [][][] MM [][][] DD
 From To
- l) Venture partner(s) and Business Number(s) (if incorporated)
- | Venture partner(s) | | Business Number(s)
(if incorporated) | |
|--------------------|-------|---|--------------------------------|
| 041 | _____ | 043 | [][][][][][][][][][] |

If you participated in more than one joint venture or if more space is required, please enclose a separate page.

3. Reporting Period

Please report information for your **most recent available 12-month fiscal period** ending between January 1, 2000 and March 31, 2001. Please indicate below the period covered by this questionnaire.

From 230

YYYY	MM	DD

 To 231

YYYY	MM	DD

Period of Operation If you did not operate this business for a full year, please check (✓) the reason below:

- 235 Seasonal operation Ceased operation (please specify) 046 _____
 New business in 2000 Temporarily closed (please specify) 047 _____
 Change of fiscal year end
 Change of ownership (please provide name and address of the other owner)

045 _____

Effective date of change ▶

236

YYYY	MM	DD

Please report for your 2000 fiscal year, as reported in section 3, on page 3.

4. Total Revenue

- Please report all answers in **Canadian dollars**.
- Please **exclude** GST and all other taxes collected by you for remittance to a government agency.

If your firm was active only as a **Travel Agency**, please complete only **Part I** below.
 If your firm was active only as a **Tour Operator**, please complete only **Part II** below.
 If your firm was active in **both types of business**, please complete both Parts I and II.

4.1 Travel Agency Activity - Part I

a) Gross value

Report the gross revenue from travel activities

– What is your best estimate of the percentage of the gross revenue from box 101 for each of the following:

Tour packages

Cruise packages

Other activities

Total

Dollars (omit cents)
101
Percent (%)
097
098
099
100 %

b) Total Commission

Report the commissions earned from retail travel activity (e.g. sales of tour and cruise packages, accommodation, tickets, vehicle rentals and insurance)

– What is your best estimate of the percentage of total commission from box 102 for each of the following:

Tour packages

Cruise packages

Transportation Fares (e.g. air and rail tickets, including Eurail passes, boat and ferry bookings, including charters, etc.) Exclude fares that are part of tour or cruise packages.

Accommodation Exclude accommodation that is part of tour or cruise packages.

Vehicle Rentals Exclude rentals that are part of tour or cruise packages.

Insurance Products (e.g. health, baggage and cancellation insurance)

Other Commissions (e.g. attractions, travellers' cheques, etc.) *please specify*

064 _____

Total

Dollars (omit cents)
102
Percent (%)
103
104
105
106
107
108
109
100 %

4.I Travel Agency Activity - Part I - Concluded

c) Revenue from other sales

Include sales of merchandise (e.g. guides, maps, passport photos, luggage, etc.) *please specify*

065 _____

d) Service fees Include non-commission charges to clients, e.g. research fees, long-distance telephone calls on behalf of customer, etc. *please specify*

066 _____

e) All Other Revenue Include interest revenues, franchise fees and royalty payments received

f) Total Revenue from retail travel agency activity

Must equal total dollar value of items b, c, d and e

Dollars (omit cents)
110
111
112
130

4.II Tour Operator / Tour Wholesaler Activity - Part II

Please note that your costs for all units of travel purchased from a supplier (e.g. carrier, hotel, sightseeing operator, etc.) should be reported in Section 6.

a) Total Package Revenue

Report the gross value of tour and cruise package sales

- What is your best estimate of the percentage of the gross revenue from box 113 for each of the following:

Tour packages

Cruise packages

Total

Dollars (omit cents)
113

Percent (%)
114
115
100 %

b) Tour Wholesale Revenue

If your establishment sold travel products (e.g. airline seat tickets, tour or cruise packages) to other travel agencies on a wholesale basis, report that revenue here.

Your costs for all units of travel which you sold as a wholesaler (e.g. purchases from tour operators, carriers, hotels, sightseeing operators, etc.) should be reported in Section 6.

- What is your best estimate of the percentage of this revenue from each of the following:

Tour packages

Cruise packages

Transportation Fares (e.g. air and rail tickets, including Eurail passes, boat and ferry bookings, including charters, etc.) Exclude fares that are part of tour or cruise packages.

Other Wholesale Travel Packages, Fares, etc. *please specify*

067 _____

Total

Dollars (omit cents)
120

Percent (%)
116
117
118
119
100 %

c) All Other Revenue

Include interest revenues, franchise fees and royalty payments received

d) Total Revenue from Tour Operating / Wholesale Activity

Must equal total dollar value of items a, b and c

Dollars (omit cents)
121
125

Please report for your 2000 fiscal year, as reported in section 3, on page 3.

5. Revenue by Destination

What is your best estimate of the percentage of your revenue from travel to:

Canadian Destinations:

- a) tour and cruise package
- b) all other travel to Canadians destinations

American Destinations:

- c) tour and cruise package travel
- d) all other travel to American destinations

All Other travel to Foreign Destinations

- e) tour and cruise package travel
- f) all other travel to others foreign

Total (total of boxes must equal 100%)

Percent (%)
131
132
133
134
135
136
100 %

6. To be completed by Tour Operators and Wholesalers Only

- a) Please report in Canadian dollars the total cost of all units of travel purchased from a supplier(s) (carrier, hotel, sightseeing, etc.) and all sub-contracted and purchased costs (including labour) which form part or whole of your total sales of tour packages, cruise packages, bookings, etc.
- b) Commission paid to travel agencies

Dollars (omit cents)
201
203

7. Client Base

Please report (estimate if necessary) the **percentage** of your revenue derived from the following clientele:

Domestic Clients

- a) Households or individual (for leisure purposes)
- b) Companies or individual (for business purposes)
- c) All levels of governments

Foreign clients

- d) All foreign visitors (for leisure or business purposes)

Total (must add to 100%)

Percent (%)
180
181
183
185
189 100 %

Please report (estimate if necessary) the **percentage** breakdown of revenue from sales to **foreign visitors** (Box 185 above) by their country of origin.

- U.S.
- U.K.
- France
- Germany
- Japan
- Other Foreign

Total (must add to 100%)

Percent (%)
401
402
403
404
405
406
407 100 %

8. Operating Expenses

- Please report all answers in **Canadian** dollars.
- Do not include capital expenditures.
- Please include GST, except the portion that is refundable by government.
- **If you prefer, you may attach a copy of your income statement and proceed to Section 9.**

- | | |
|--|-------------------------|
| | Dollars
(omit cents) |
| a) Salaries and wages paid to employees for whom you issued a T4 supplementary form; include vacation pay, bonuses and commissions | 160 |
| b) Employee benefits paid for all employees for whom you issued a T4 supplementary form; include employer's contributions to pension, medical/life, employment insurance and workers' compensation plans | 161 |
| c) Rent and/or lease of land and buildings | 162 |
| d) Rent and/or lease of motor vehicles | 163 |
| e) Computer services purchased including rent/lease of computer equipment, data processing and software development | 164 |
| f) Rent and/or lease of other machinery and equipment | 165 |
| g) Repairs and maintenance | 166 |
| h) Legal, accounting, management and consulting fees | 167 |
| i) Advertising and sales promotion | 168 |
| j) Insurance | 169 |
| k) Taxes, permits and licenses (exclude income taxes) | 170 |
| l) Heat, light, power and water | 171 |
| m) Telephone, telecommunications, postage and courier fees | 172 |
| n) Travel and entertainment | 173 |
| o) Royalties and franchise fees | 174 |
| p) Depreciation and amortization | 175 |
| q) Interest expense | 176 |
| r) Office and all other supplies and materials used in the business (do not include supplies charged directly to customers – include those under Section 6) | 177 |
| s) All other operating expenses excluding bad debts . Include fees paid to contract workers. <i>(Please specify major items or attach a separate sheet)</i> | 178 |
| 051 <input style="width: 650px; height: 15px;" type="text"/> | 179 |
| t) Total Operating Expenses (sum of items (a) to (s)) | |

9. Employment

Please report the **average number** of persons employed by this firm during the 2000 reporting period.

a) **Paid Employees**
Employees to whom you paid salaries and wages as shown in Operating Expenses, (Section 8, Box 160)

Full Year Employees (12 Months)	Part Year Employees (Seasonal)	Total Number
198	199	152
200	202	151
		153

- **Full-time Employees** Worked more than 30 hours per week

- **Part-time Employees** Worked less than 30 hours per week

b) **Working proprietors and/or working partners of unincorporated businesses**

10. Marketing Information

Please answer the following questions (as best you can), relating to the **marketing practices** of your establishment during the **2000** reporting period.

Please report which of the following advertising methods you used in **2000** to promote your business. Please check (✓) below where applicable (more than one box may be checked):

Directories and Guide Listing

Radio Ads

Newspaper Ads

Magazine Ads

Television Ads

Brochures

Direct Mail

Travel Information Offices

Trade Shows/Market places

Consumer Shows

The Internet

Sales trips

Other (please specify) 068 _____

271
272
273
274
275
276
277
278
279
280
281
282
283

Do you market your products in partnership with other business interests?

211 1 Yes 3 No



If yes, with which of the following agencies? (check as many as apply)

Governments

Industry associations

Hotels

Attractions

Transportation companies

Restaurants

212
213
214
215
216
217

11. Tour and Cruise Packages

If your firm reported revenue from the sales of tour packages or cruise packages (see Section 4) please answer the following:

A) Please report (*estimate, if necessary*) for 2000:

a) the number of individual packages sold

Number
259

b) average price in **Canadian dollars** per person of most popular package sold

Dollars (omit cents)
260

B) Type of Package Sold

Please estimate the **percentage** of your tour and cruise sales for each of the following products:

a) Adventure/Ecotours/Outdoor

Percent (%)
141

b) City experience/touring

142

c) Cultural

143

d) Sports

144

e) Resorts

145

f) Learning/educational

146

g) Other (*please specify*)

069

147

h) **Total** (must add to 100%)

148	100 %
-----	-------

C) Distribution Channels

Please distribute as best as you can in percentages sales of your tour packages and cruises for the following distribution channels:

a) Direct sales

Percent (%)
230

b) CRS Computer Reservations Systems (e.g. airline systems)

234

c) Other electronic information services (e.g. Check-Inns)

240

d) Other Wholesalers

228

e) Travel agencies

232

f) Company-owned retail outlets

233

g) The Internet

246

h) Alliance with other suppliers (e.g. transportation companies, hotels)

249

i) Direct to tour operators in foreign countries

237

j) Special interest groups (e.g. associations)

238

k) **Total** (must add to 100%)

239	100 %
-----	-------

D) Duration of Packages

Please report (*estimate, if necessary*) the average duration of tour packages or cruises sold – check (✓) **one only**

a) less than 1 week

241	<input type="radio"/>
-----	-----------------------

b) 1 to 2 weeks

242	<input type="radio"/>
-----	-----------------------

c) 2 to 3 weeks

243	<input type="radio"/>
-----	-----------------------

d) 3 to 4 weeks

244	<input type="radio"/>
-----	-----------------------

e) more than 1 month

245	<input type="radio"/>
-----	-----------------------

Based on your experience, in recent years, has the average duration of tour packages and cruises – check (✓) **one only**

a) increased

251	<input type="radio"/>
-----	-----------------------

b) decreased

252	<input type="radio"/>
-----	-----------------------

c) not changed

253	<input type="radio"/>
-----	-----------------------

12. Tour Packages

If your firm reported revenue from the sales of tour packages (see Section 4 Part II) please answer the following:

Please report (*estimate, if necessary*) the **percentage** of your sales of tour packages derived from:

	Percent (%)
a) Escorted tours	221
b) Motorcoach tours	222
c) Independent tours	223
d) Special interest tours	224
e) Other (please specify) 070 _____	225
	226
f) Total (must add to 100%)	100 %

Please report (*estimate, if necessary*) the **percentage** of revenue from tour packages occurring in:

	Percent (%)
a) Summer	254
b) Fall	255
c) Winter	256
d) Spring	257
e) Total (must add to 100%)	100 %

13. Provincial/Territorial Distribution

- Please report all answers in **Canadian dollars**
- Business unit is defined as the lowest level of the firm for which separate records are kept for such details as revenues, expenses and employment.

Number
024

- a) Please report the number of permanent business units operated in Canada during the reporting period.
- b) Do you have permanent business locations in **more** than one province or territory?

300 3 No – Please go to Section 14
 1 Yes – Please complete 13 (c)
 ↓

c) Please report the following data for the provinces or territories in which you have units.

Province or Territory	Business Units (Number)	Total Revenue \$ (omit cents)	Salaries, Wages and Employee Benefits \$ (omit cents)	Employees (Number)	Total Operating Expenses \$ (omit cents)
Nfld.	301	314	327	343	357
P.E.I.	302	315	328	344	358
N.S.	303	316	329	345	359
N.B.	304	317	330	346	360
Que.	305	318	331	347	361
Ont.	306	319	332	348	362
Man.	307	320	333	349	363
Sask.	308	321	334	350	364
Alta.	309	322	335	351	365
B.C.	310	323	336	352	366
Nunavut	340	341	342	353	367
N.W.T. (without Nunavut)	311	324	337	354	368
Yukon Territory	312	325	338	355	369
Total	313	326	339	356	370

Should equal Box 024, Section 13	Should equal the sum of items 4.1 (f) and 4.11 (d)	Should equal the sum of Boxes 160 and 161, Section 8	Should equal the sum of Boxes 151, 152 and 153, Section 9	Should equal Box 179, Section 8
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14. Certification

I certify that the information contained herein is complete and correct to the best of my knowledge.

Signature of authorized person	Title
--------------------------------	-------

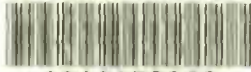
Name of person to contact for further information (please print)	
054 <input type="checkbox"/> Mr. <input type="checkbox"/> Mrs.	First Name
054 <input type="checkbox"/> Miss <input type="checkbox"/> Ms.	055
	Last Name
	056

E-mail address	Company's Home Web page address (URL)
057	058

Date	Day	Month	Year	Area code	Telephone number	Ext.	Fax

How long did you spend collecting the data and completing this form? 801 hours

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