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Canadian Tourism Commission - Canada Market Analysis

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May 2006

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**Canadian Tourism Commission
Travel to Canada from Canada**

Executive Summary

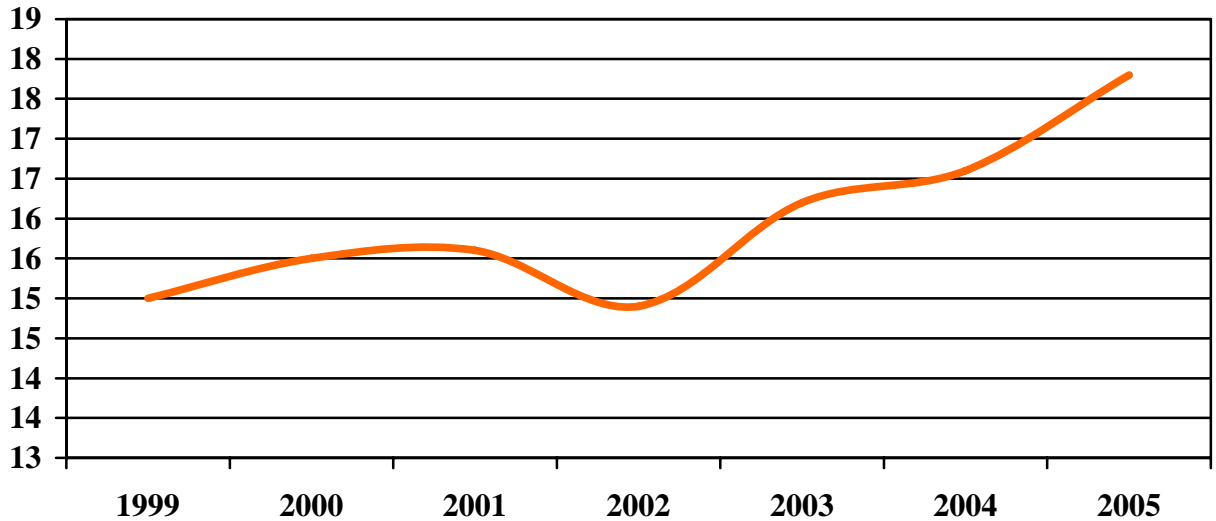
What is the Big Picture?

- Target audience 35 and older: 17.7M
- By 2010, target audience forecast: 19M
- Total outbound travel: 21.1M
- Canada's interprovincial market share out of province trips: 45.8%
- Total spend in Canada: \$11.7B
- Canada is 8th in the world for international tourism expenditures (WTO, 2005)

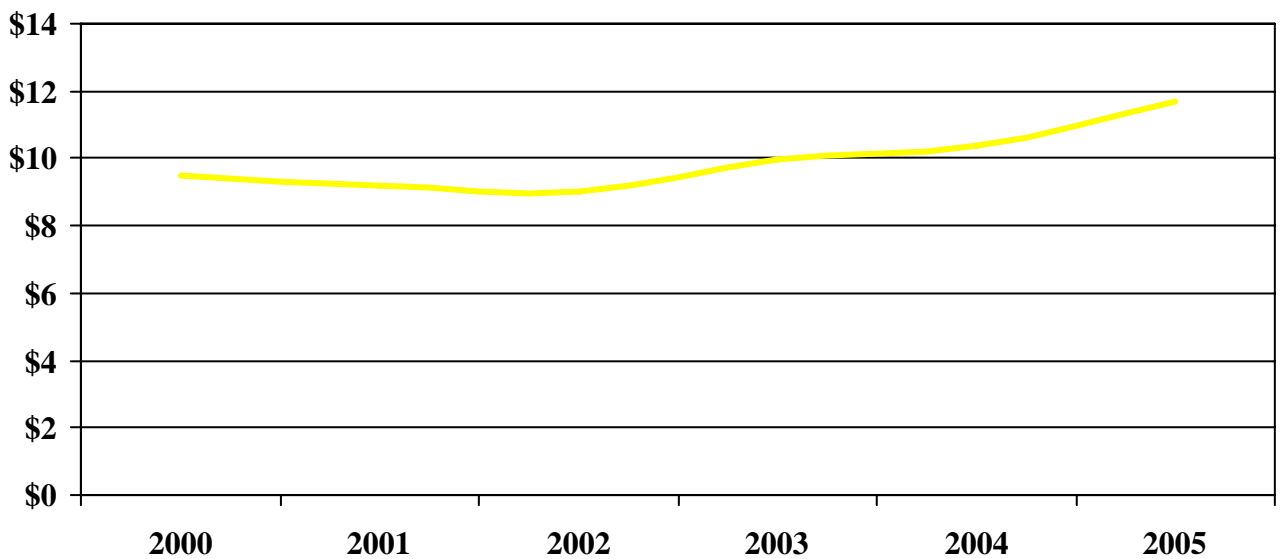
Canada Market at a Glance

- Economic conditions in Canada are positive and expected to continue over the next 3 years
- Travel focused on the summer (36%) then fall (23%) and spring (22%)
- 36% of interprovincial travel is for visiting friends and relatives, 34% is for pleasure/holidays
- Average spend per trip is \$627
- Travelers aged 35 to 44 and 45 to 54 accounted for the largest shares of interprovincial trips (17% each)
- Interprovincial travel holding around 46% of all out-of-province travel
- High fuel prices and increasing interest rates could moderate travel spending in 2006

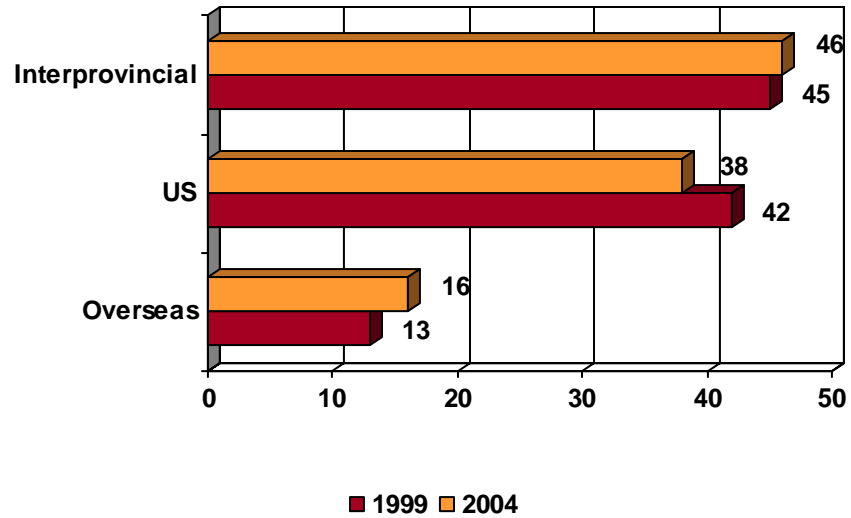
Interprovincial Travel (M)



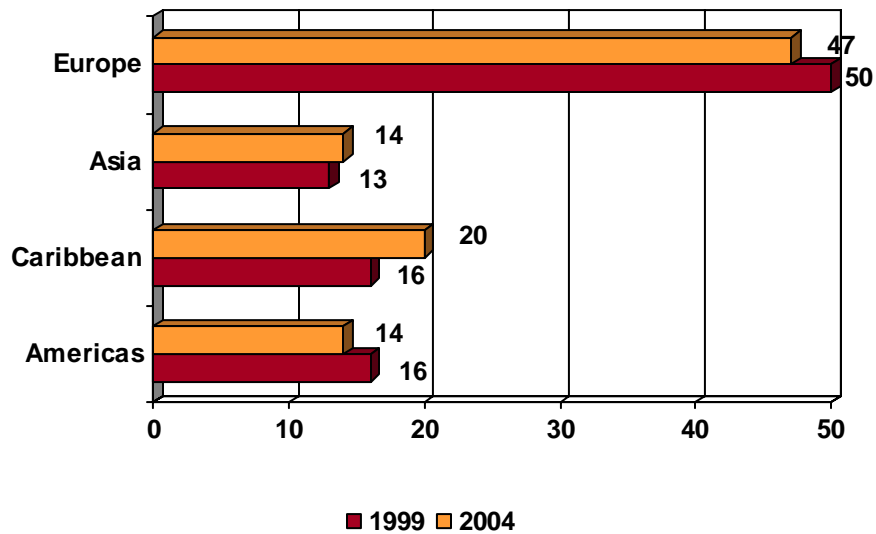
Interprovincial Travel (\$B)



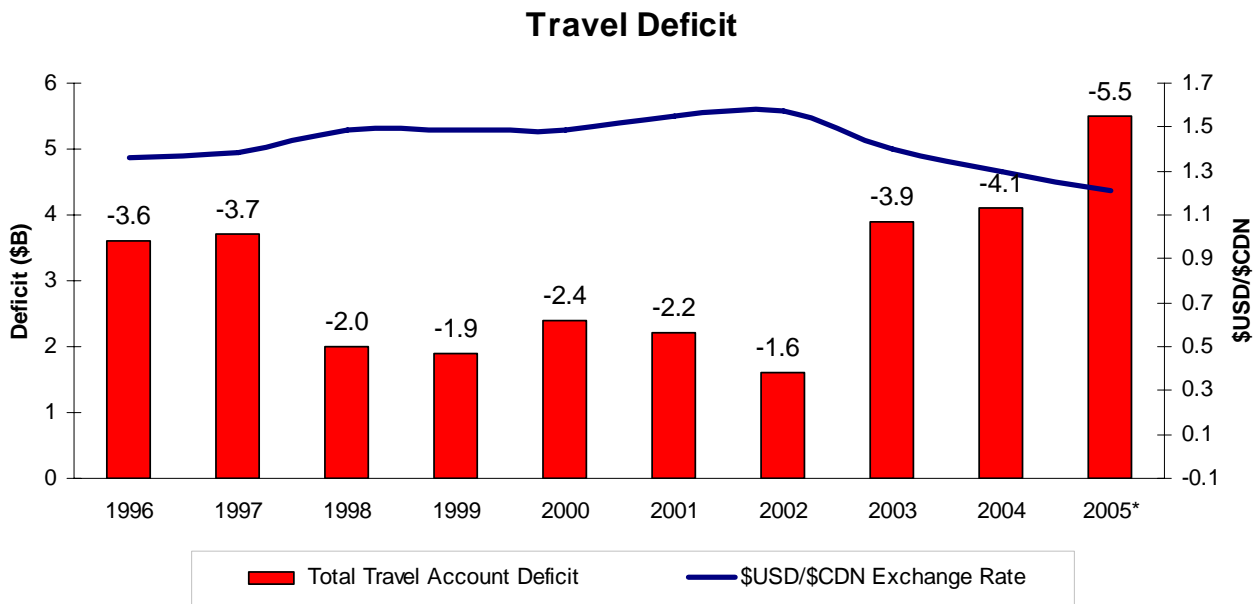
Out of Province Travel by Canadians - Market Share %



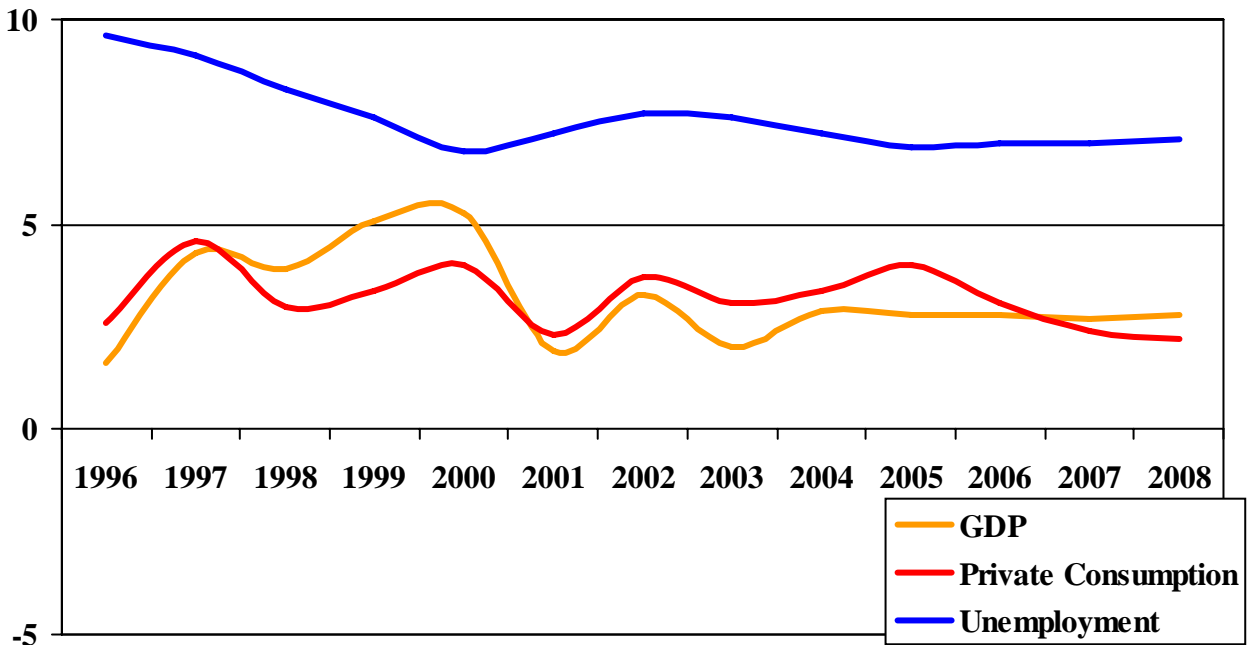
Travel by Canadians - Overseas Market Share %



How is Canada Performing?



What is Canada's Economic Outlook?



What are the Key Drivers for Canada in 2006?

Strengths

- Major partner investment supporting this market
- Booming economy
- High level of air access within Canada
- Competitive airline market
- Solid Canada program leveraged by non-traditional partnership, media relations and PR
- Travel intentions by Canadians has improved within the country and advance bookings are expected to grow by 4.5%
- Group travel is expected to outpace FIT travel in 2006

Weaknesses

- High propensity for outbound travel
- Soft marketing dollar investment by CTC in Canadian market
- Vast distances for travel access across Canada
- Difficulty to measure outbound travel intentions (CTC not currently capturing data in this area)

Opportunities

- WHIT initiative may reduce the propensity to travel to US
- Opportunity to travel is high and economic climate strong

Threats

- Increasing strength of the Canadian dollar making travel abroad more affordable, therefore resulting in leakage, increased outbound travel volume and estimated \$2.45 billion financial losses
- Travel deficit reached \$5.5 billion in 2005, the highest in 10 years
- Marketing by foreign destination in Canada increased by 53 % from 2000 – 2004
- Canada share of voice has dropped to 1% in 2005 (2003 - 2%, 2004 - 4%)
- Rising fuel costs



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Canada Detailed Market Analysis

Economic Environment

THE CANADIAN ECONOMY										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP Growth*	5.5%	5.2%	1.8%	3.1%	2.0%	2.9%	2.8%	2.8%	2.7%	2.8%
Private Consumption	3.9%	4.0%	2.3%	3.7%	3.1%	3.4%	4.0%	3.1%	2.4%	2.2%
Unemployment Rate	7.6%	6.8%	7.2%	7.7%	7.6%	7.2%	6.9%	7.0%	7.0%	7.1%
Inflation Rate Change*	1.7%	2.7%	2.5%	2.2%	2.8%	1.8%	2.2%	1.8%	1.4%	1.7%
Exchange Rate* (\$Cdn/U/\$)	0.67	0.67	0.65	0.64	0.71	0.77	0.83	0.86	0.86	0.86
Year-to-Year Change		0.02%	-4.10%	-1.37%	12.1%	7.66%	7.40%	3.79%	0.82%	-0.55%

* Global Insight Data

- The Canadian economy continues to perform well in spite of the appreciation of the Canadian dollar versus the American dollar
- Consumer views for present and future finances remain unchanged
 - A slight drop in consumer confidence was recorded in December 2005, after a couple of months of gains
- Unemployment remains relatively stable, holding around 7%.
- Private consumption is expected to maintain strength although it could weaken slightly in 2007 and 2008.
- The Canadian dollar has increased against the \$US and is expected to stabilize at around \$0.86 US.

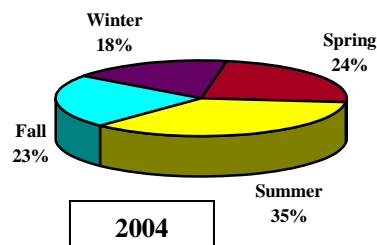
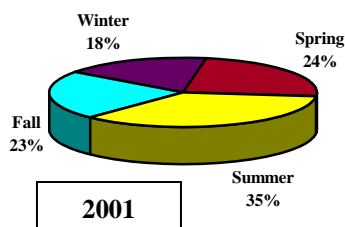
Leisure Travel Trends & Characteristics

	1999	2000	2001	2002	2003	2004	2005
Outbound Trips (M)	18.4	19.2	18.4	17.7	17.7	19.6	21.1
Year-to-Year Change	4.5%	4.3%	-4.2%	-3.6%	0.0%	10.7%	7.7%
Inter-provincial Trips (M)*	15.0	15.5	15.6	14.9	16.2	16.6	17.8
Year-to-Year Change	0.2%	5.2%	1.1%	-4.4%	8.7%	2.5%	7.2%
Interprovincial Share of Travel**	44.9%	44.7%	45.9%	45.7%	47.8%	45.9%	45.8%
Inter-provincial Receipts (\$B)***		9.5	9.2	9.0	9.97	10.4	11.7
Year-to-Year Change			-3.2%	-2.2%	10.7%	4.3%	12.5%

** Represents the interprovincial travel share of total travel by Canadians. Total travel includes the sum of overnight interprovincial and outbound trips.

*** Based upon CTC preliminary estimates.

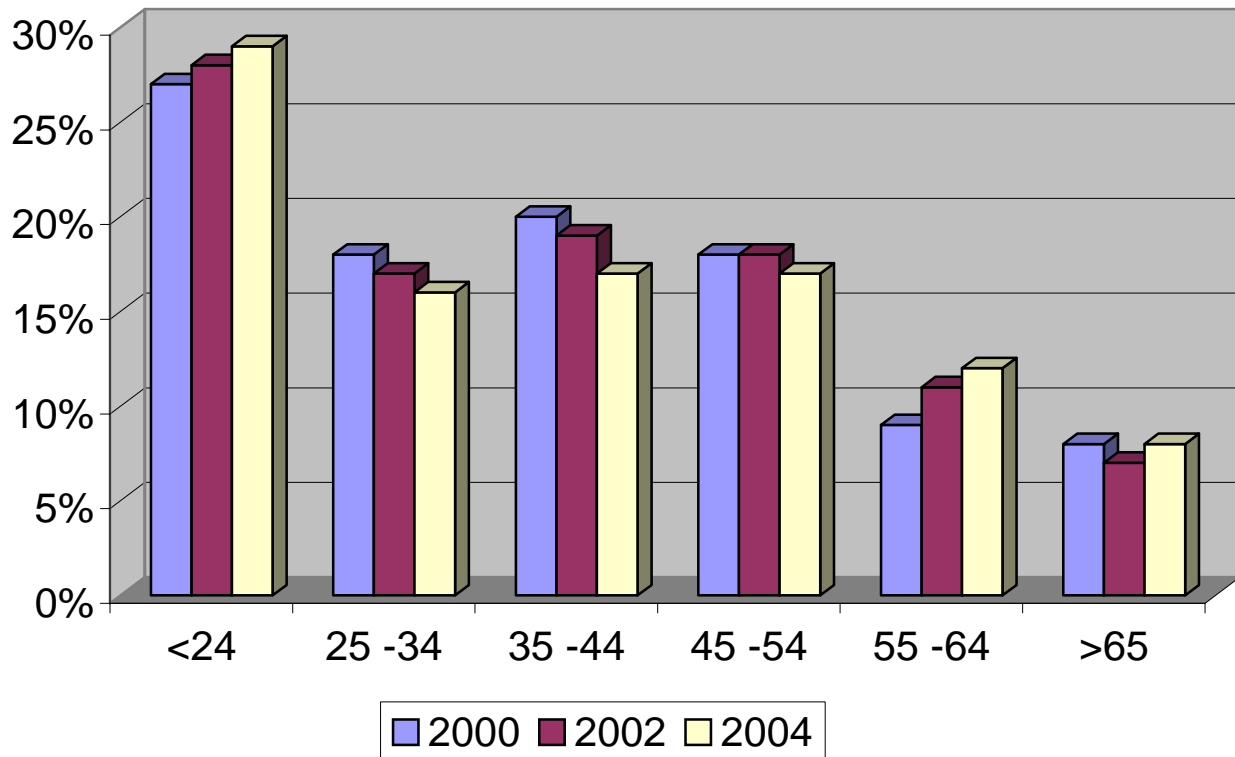
- Canadian outbound travel reached a high of 19.2 million trips in 2000, dipped 3.6% in 2002 and 2003, but has since rebounded past 1999 levels to over 21 million trips.
- Interprovincial data shows a dip in travel in 2002, but an improvement from 2003 to 2005.
- Interprovincial receipts also dipped in 2002, but have recovered and are growing faster than number of interprovincial trips.
- In 2004, interprovincial trips were primarily for visiting friends or family (36%), while pleasure/holiday purposes accounted for 34%; business travel represented 15%, while travel for other purposes including attending a conference or convention resulted in 15%.
- Travel seasonal patterns continue to show a strong summer peak (36%).



- In 2004, interprovincial travellers spent on average \$627 per trip;
- The average number of nights stayed decreased moderately from 5.3 nights in 1996 to 4.3 nights in 2002, then remained essentially the same for 2004

- Travellers aged 35 to 44 and 45 to 54 (17%) accounted for the largest shares of interprovincial trips in 2004, followed closely by the 25 to 34 age group (16%), and the 55 to 64 year-olds (12%).

Overnight Leisure Travel Proportion by Age Range



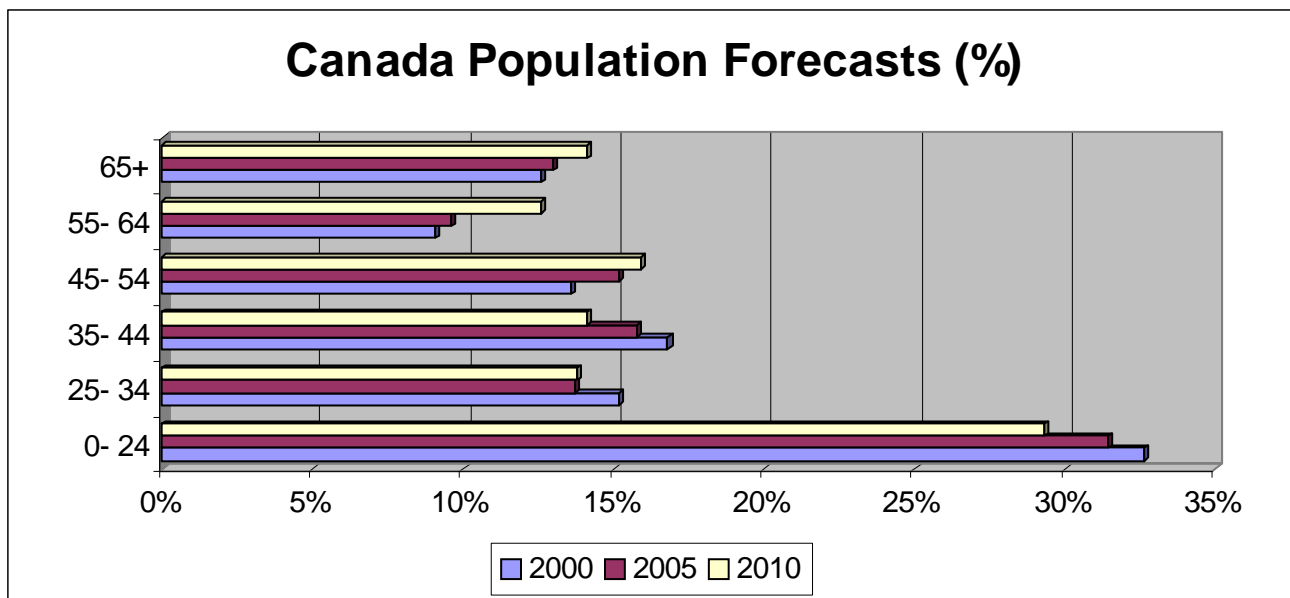
CTC Age Targets

- Adults 35+ with a bulls eye of 44+
- HHI \$ 80M+
- Post Secondary Education +
- Mode of transportation
 - Primary: travel by car
 - Secondary: travel by air
- Primary leisure holiday (not business or visiting friends or relatives)
- Average stay 7-10 days
- Seasonality: travel in Q3 (July, August, September)
- Key markets: Toronto, Montreal, Vancouver (These three cities account for half all US outbound travellers)

Population Forecasts

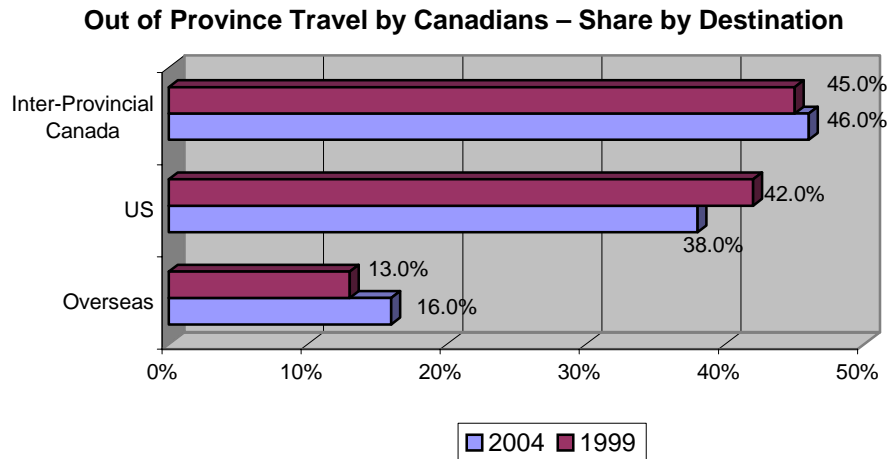
- Population forecast for Canada show that the population is aging; the proportion of Canadians over 54 is expected to increase from 21.7% in 2000 to 26.7% in 2010; the 45 to 54 age group will also increase in share (13.6% vs. 15.9%);
- Many other countries are also experiencing this aging trend. In Japan for example, the share of the population over the age of 54 is forecast to expand from a 27.3% share in 1996 to 36.6% in 2010. In France this age group will represent 29.7% in 2010, up from 24.6% in 1996.

	2000 (million)	2005 (million)	2010 (million)
<24	10.1	10.1	9.8
25 – 34	4.7	4.4	4.6
35 – 44	5.2	5.1	4.7
45 – 54	4.2	4.9	5.3
55 – 64	2.8	3.5	4.2
>65	3.9	4.2	4.7
Total	30.9	32.2	33.4

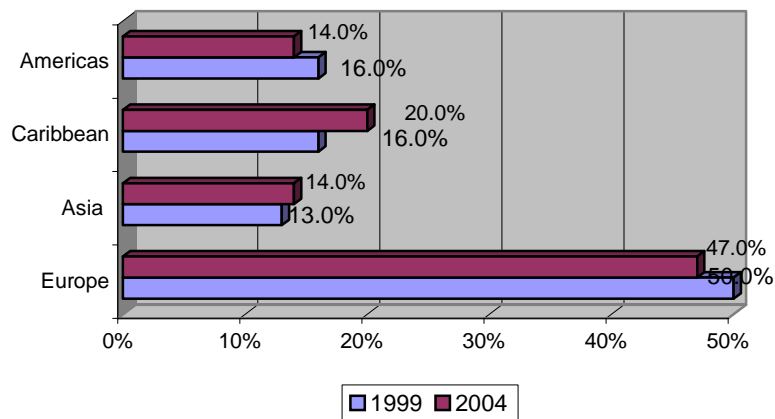


Competitive Environment

- Interprovincial travel as a share of total, out-of-province travel by Canadians has stabilized around 45% to 46% since 1999
- Travel by Canadians has dropped to the Americas (Central and South) and Europe, but has grown to the Caribbean and Asia



Travel by Canadians – Share by Overseas Destinations



Internet Usage

According to Internet World Stats (www.internetworldstats.com):

- World internet usage is estimated to be 1,023M users or 15.7% of the world population
 - Usage of the internet globally has grown 183% from 2000 to 2005
- Usage of the internet in North America is estimated at 226M or 68% of population
 - North America has 23% of global users and usage has grown 109% since 2000
- 22M people in Canada are internet users which is 68% of the population
 - Canada has 10% of North America's population of internet users and usage has grown 72% since 2000

Travel Forecasts to Canada

- According to the CTC Business Outlook for the spring 2006, advance bookings are expected to grow at 4.5%
- Group travel is expected to outpace FIT travel (5.2% versus 3.8%)
- Alberta/BC are expected to lead in growth of interprovincial travel, followed by Atlantic, Ontario/Quebec, then Saskatchewan/Manitoba
- High fuel prices and rising interest rates are expected to moderate travel spending in 2006
- The December 2005 Canadian Travel Intentions Survey shows that overall intention to take a holiday has improved over the previous 3 months

Airline Capacity in Canada:

	2001	2002	2003	2004	2005	2006
Air Seat Capacity (000's)	48,782	42,232	44,603	30,639	32,877	33,705
Year over year change	7.9%	-13.4%	5.6%	5.3%	7.3%	2.5%

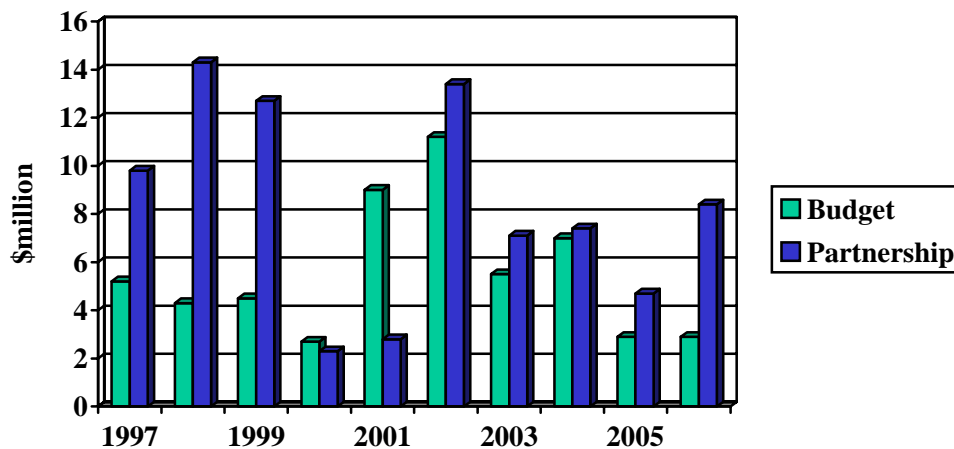
- Domestic air capacity has grown for the past three years and should continue its growth through 2006
- Air Canada domestic traffic has continued to fall as capacity is transferred to Air Canada Jazz
 - Jazz capacity has increased markedly since 2004 (over 70%) Intervista 2006 report
- In spite of rising fuel costs, both Air Canada and WestJet are reporting much improved results through 2005 and into 2006

Financial Breakdown

	1999 (million)	2000 (million)	2001 (million)	2002 (million)	2003 (million)	2004 (million)	2005 (million)	2006 (million)
CTC Program Budget allocation*	\$4.5	\$2.7**	\$9.0***	\$11.2****	\$11.9*****	\$7.0*****	\$2.9	\$2.9
Partnership Funding	\$12.7	\$2.3	\$2.8	\$13.4	\$5.9	\$7.4	\$4.7	\$8.4
Total	\$17.2	\$5.0	\$11.8	\$24.6	\$17.8	\$14.4	\$7.6	\$11.3

- * Excludes DFAIT costs and salaries.
- ** 9-month period due to new fiscal year timing
- *** Transition year and one-time funds of 2.5 million
- **** One-time funding of 5.5 million
- ***** Includes \$6 million of \$7.5 million one-time funding
- ***** Includes remaining \$1.5 million of \$7.5 million one-time funding

CTC Verses partner Funding



2006 Total Canada

Total Program	Program/ Operating Compensation	Operating	DFAIT	Compensation F/C	Sub-Total	Total
\$2,905,000	93%	\$60,000	0	\$160,000	\$220,000	\$3,125,000

Partner Funding Analysis

	# Of partners	Cash	In-kind & Parallel	Total
1999/2000	113	\$12,699,347*	\$30,000	\$12,729,347
2000/2001	151	\$6,992,874	\$37,600	\$7,000,474
2001	91	\$2,729,514	\$84,680	\$2,814,193
2002	119	\$3,952,949	\$70,448	\$4,023,396
2003	117	\$1,636,645	n/a	1,636,645
2004	74	\$454,374	\$4,300,000	\$4,754,374
2005	23	\$5,580,494	\$57,498	\$5,637,992

* 9 million of the 12 million in Cash represents non-traditional partnership investments from Chrysler and Home Hardware

2006 Canadian/In-Market Partners

Canada Program	In-Market Partners	Total
	Cash and In-kind	
\$ 2,905,000	\$8,405,000	\$11,310,000

Summary

- The travel deficit reached \$5.5 billion in 2005, the highest in 10 years
- The Canadian economy is expected to continue to perform well through the next 3 years in spite of the stronger Canadian dollar versus the US
 - Unemployment is holding steady at 7%
 - Private consumption may weaken over the next 3 years as consumers feel the effects of higher fuel prices and interest rates
- Canadians are traveling abroad more as they take advantage of the stronger Canadian dollar
 - By share, Canadians are going to the Caribbean and Asia in place of the Americas (Central and South) and Europe
- Canadians still have a strong preference for summer travel (36%) followed by fall (23%) spring (22%) and winter (19%) (winter / summer slight increases over 2001 – 2004)
- Travel intentions by Canadians has improved and advance bookings are expected to grow by 4.5%
- Group travel is expected to outpace FIT travel in 2006.