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Canadian Tourism Commission - United States Market Analysis

May 2006

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Executive Summary

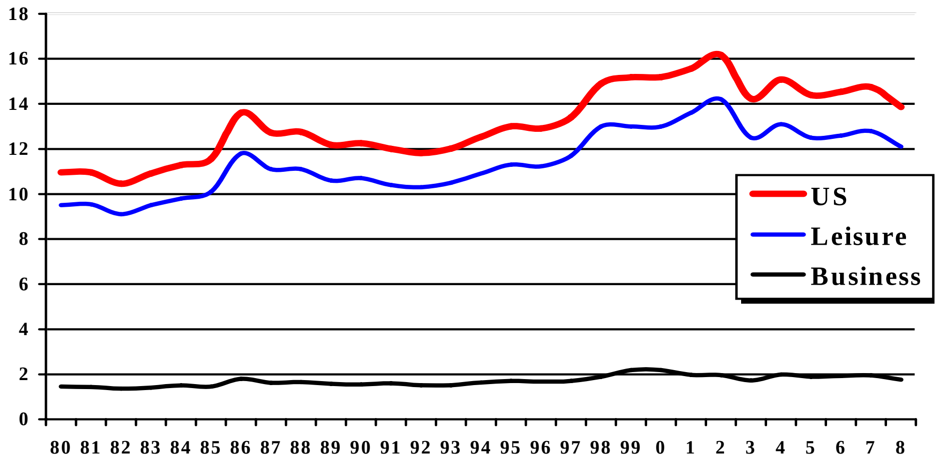
What is the Big Picture?

- Target Audience: 192.7 M
- Primary: Age 35 – 54: 125.6M & Age 55 +: 67.1 M
- Secondary: Age 18-34: 29.2 M
- By 2010, target audience forecast: 204 M
- US is 2nd largest source for international travel expenditures
- Canada's largest single source for visitors and expenditures
- Total US outbound leisure travel: 51 M
- Mexico: 16 M
- Canada: 12.5 M (overnight)
- Europe: 9.6 M
- Canada's share of US outbound leisure: 24%
- Mexico's share of market: 31%
- Europe's share of market: 19%
- Total overnight leisure spending in Canada: $6.1 B

The US Market at a Glance

- Auto travel from US two-thirds of total
- Non-auto travel slowly increasing its share
- Almost half of leisure travel (46%) during the summer
- Average spend per night increased to $121 in 2004
- Largest share of US leisure visitors coming from the East North Central region (Illinois, Indiana, Michigan, Ohio, Wisconsin) followed by Mid-Atlantic (New Jersey, New York, Pennsylvania)
- Direct air capacity to Canada has stabilized around 15 to 16 million seats
- US economy has overcome several shocks lately (e.g. hurricanes, energy prices, high debt and deficit) but remains vulnerable to macro conditions

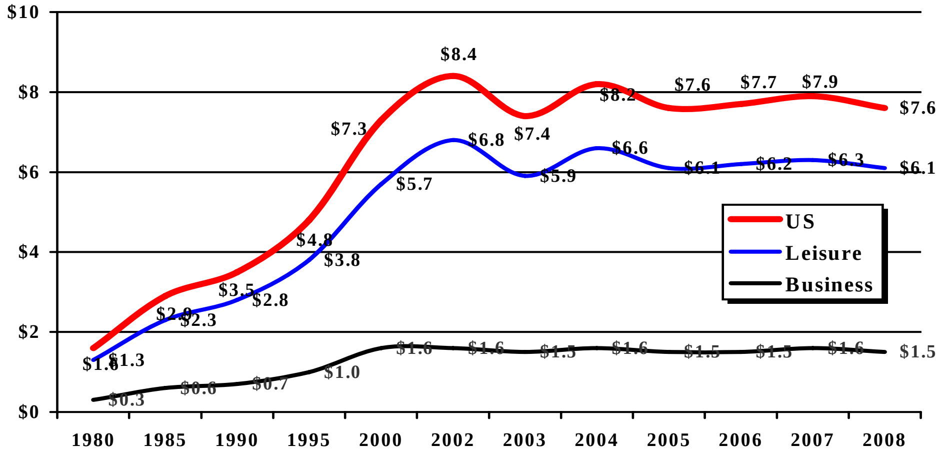
How is the US Performing? (By overnight trips)



Counter to US domestic volume trends, volume of US residents traveling for overnight leisure to Canada peaked in 2002 (versus 2004 in US) and has declined 12% since 2002.

The 2003 SARS crisis in Canada had a dramatic effect on travel, lowering visitor numbers and shifting the mix of travel purposes and age groups. The youngest travellers continued to visit. The middle aged greatly reduced their leisure visits but increased their family visits apparently offsetting volume declines but not replacing lost hotel room nights. Senior travellers reduced their weekend getaways and retained their group tour commitments.

How is the US Performing? (By overnight receipts ($B))



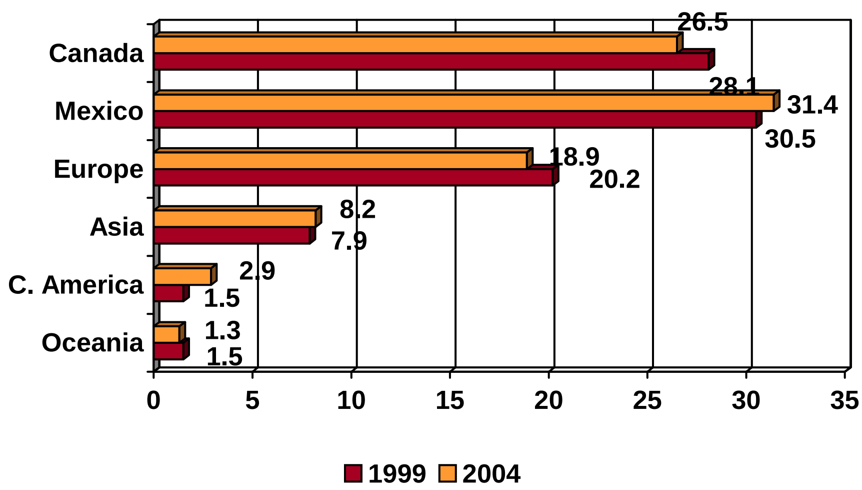
** Note that trend may seem exaggerated in the first part of the graph due to a change in scale between 1980 to 2000 and 2003 to 2008.*

Canada's origin states and DMA vary greatly by age segment:

- The top origin DMAs for 18-34 age travellers to Canada as determined by total spending from the market to Canada are Buffalo, Seattle, New York City, Detroit and Cleveland.
- The top origin DMAs for the 35-54 age travellers to Canada as determined by total spending from the market to Canada are Seattle, New York City, Boston, LA and Chicago.
- The top origin DMAs for the 55+ age travellers to Canada as determined by total spending from the market to Canada are New York City, LA, Boston and Chicago.

How is the US Performing? (By market share)

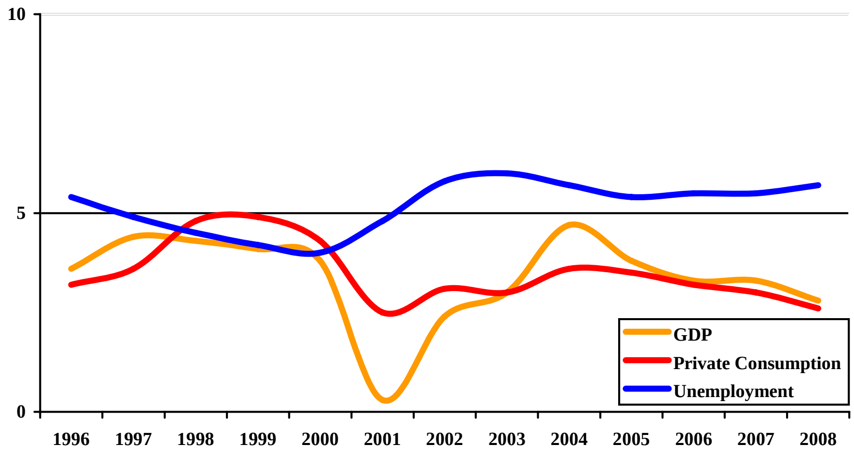
United States Outbound Travel - Market Shares %



Canada Market Share: Canada's market share of U.S. overnight leisure travel volume peaked in 2002 (a year of steep US outbound volume decline) and has continued to decline with a levelling of the rate of decline between 2003-2004. Shares of U.S. overnight leisure hotel room nights have continued to decline since 2002.

- Locations that are considered more exotic and interesting continue to capture the US travellers attention and wallet with Europe, Mexico and the Caribbean posing the main competitive threats
- In all markets (border, mid and southern states) Canada's number one competition is US Domestic followed by Europe and Mexico in border states and Europe and Caribbean in Southern states
- Only 4 in 10 see barriers to travel to Canada, while 7 in 10 see barriers to Europe
- U.S. Domestic Volume Trends: The U.S. travel industry reached record levels for total and all leisure segments in 2004 for each of the four key travel bases: travel parties, travellers, person-days, and direct spending. Previous highs were set in 2000 for most segments and remain the high year for business segments (total business, overnight business, day business). Total travel parties increased 2.7% to 1.30 billion in 2004, total travellers increased 4.2% to 2.80 billion, total person-days increased 4.7% to 6.18 billion, and traveller spending increased 6.4% to $625 billion

What is the US's Economic Outlook?



S.W.O.T. Analysis

Strengths

- U.S. likes Canada, positive image attributes, but simply forgotten
- #2 Nation Brand
- Four season destination with a wide variety of unique seasonal products
- Canada attracts a high-yield visitor, 23% of US outbound target market valued at approximately $20 billion USD
- Southern market travel to Canada occurs at similar levels across all age groups
- Unaided 60% of travellers see no barriers to travel to Canada (4 in 10)
- Travellers age 55+ rate Canada higher on most attributes*
- Huge source of traveller Direct flight capacity is forecast to increase to 17,998,000 seats, an increase of 13.5% in 2006

Weaknesses

- Significantly lower consideration in winter for all Canada travellers age 35+
- Majority of travel to Canada occurs in summer months (45%)
- Significantly lower unaided ad awareness among all ages of non-Canada travellers

Weaknesses

- U.S. outbound market rates Canada below expectations for all attributes, except athleticism, belonging/ friendship, and independence
- Consideration declines with distance from Canada
- Consideration of Canada as a weekend getaway US vacation
- North – South corridor travel patterns
- Low non-paid and pop culture awareness/connection
- (Awareness gaps) as not unique, not interesting, nothing new
- Travel Barriers:
    - bad weather 40%
    - Other more interesting places to see (31%)
    - Cost focused air (20%), hotel (18%), and value (17%) (universal concern across all markets, intensity grows significantly with distance)
    - Price of gas (only significant for border markets 20%)
    - Feeling of "been there done that" (16% - declines with distance)
    - Border crossing issues (12% only significant for border markets)
    - Cultural/political differences (insignificant at less than 5%)
- Border markets are familiar with product but has "been there done that" syndrome, hence choosing domestic travel options
- Canada lags all major competing markets in total awareness and ad recall, declines with distance from border
- Canada's share of voice was less than 5% in 2004 (ad spend)

Opportunities

- Repackage product to address the unique, interesting and authentic to fulfill demand
- Reprofiling high potential customers
- Potential to refine 2007 Marketing strategy from a US national perspective (versus geo markets/ DMAs') with horizontal program approach to leverage yield niches and specific product categories
- Generate repeat visitations and referrals (viral eMarketing strategies)
- High potential to target Non-Canada travellers represent 77% of US outbound, vast potential to tap, $17.47 billion USD

Opportunities: Continued

- High consideration for gay travellers & ski
- Canada is rated as the #1 overseas ski destination
- 7 in 10 see travel barriers to Europe
- Infinity Marketing with complementary product categories for discretionary dollars e.g. home improvements, cars, fashion provide cross sell marketing opportunities
- High use of Internet: provides ease of access, path to purchase, build marketing intelligence
- PR/MR- for content distribution, to generate awareness/exposure and to reduce perception gaps
- Keep Exploring brand leverages the travel destination attributes* sought
- Outbound International travel growing from the US
- Canada attracts an educated and higher income target market, less influenced by travel barriers

Threats

- US consumers focussed on products not perceived to be in Canada
- Increased competition from US domestic travel followed by Europe (Mid / Southern) and Mexico, Caribbean (Border, Mid/Southern)
- Europe is strong competitor in spring, summer, fall, Europe's appeal is universal across all age groups
- Transportation costs are a concerning barrier for travellers age 25-34
- Universal for all ages, "other more interesting places" is the number one reason not to visit Canada
- Visitor satisfaction rates strong but on the decline
- Inexpensive domestic and international flights from US to other destinations
- WHTI effects- forecasted decline of 7 million visitors, primarily from border states
- Factors external to marketing:
- Rising fuel prices and the rising dollar (a 1% drop in US visitation equates to $61M decline in leisure receipts)
- Increasing airline and transportation costs

Threats: Continued

- US outbound rates Canada below expectations on travel attributes* except for friendship/ belonging
- Operators may review Canada product against passport requirements and potentially reduce inventory as a result
- Same day drive volume in dramatic decline. Lower income (drive) border state traffic negatively impacted by strong Canadian dollar, fuel prices, passport requirements,
- -8.9% decline in 2004, -12.2 decline in 2005 (estimates)

S.W.O.T. Analysis - Drivers of Visitation (Ratings)

Core Requirements	Preferred Destinations' Ratings	Canada Ratings	U.S. Ratings	Europe Ratings	Relative Competitive Status
Authentic Experience	Most Imp to 55+	-12	-5	17	Weakness – 35+ Rate Hi
Insight into Other Cultures	50%+ rate Hi, esp. Canada travelers	-14	-17	27	Weakness, higher rating among 35+
Unique Sense of Place	Almost 2/3 rate Hi, esp. 55+	-17	-11	17	Weakness, Product/ Awareness Gap ratings up with age
Safety	Uniform Demand	-6	-9	-33	Relative Strength
Exploration	64% rate Hi, esp. 18-34	-7	4	14	Weakness. Strength among 35-54 & 55+ Canada travelers
Niche Requirements	**Ratings for Preferred Destinations**	**Canada Ratings**	**U.S. Ratings**	**Europe Ratings**	**Relative Status Regarding Competition**
Romantic Atmosphere	65% of 18-34 rate Hi	-13	4	14	Weakness - Big Awareness Gap, All CDN TVL rate 57%+
Independence	Half rate Hi	-2	19	4	Relative Strength, but Awareness Gap

Key Driver Attributes	Ratings for Preferred Destinations	Canada Ratings Vs. Importance	U.S. Ratings Vs. Importance	Europe Ratings Vs. Importance	Relative Status Regarding Competition
Beach Lake Waterfront	2 of 3 Demand Hi Rating	-26	11	-21	Weakness
Peaceful-Relaxing	3 of 4 Demand Hi Rating	-17	-7	-24	Relative Strength, but Awareness Gap
Ease of Getting Place to Place	3 of 4 Demand Hi Rating	-22	-1	-19	Relative Parity with Europe
Variety of Restaurants	60% Demands Hi Rating	-8	18	15	Weakness -Awareness Gap

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United States Market Analysis

Economic Environment

THE US ECONOMY										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP growth	4.1%	3.8%	0.3%	2.4%	2.7%	4.2%	3.5%	3.3%	2.4%	3.0%
Private Consumption growth	5.0%	4.3%	2.5%	3.1%	2.9%	3.9%	3.6%	3.4%	2.7%	2.8%
Unemployment Rate	4.2%	4.0%	4.8%	5.8%	6.0%	5.5%	5.1%	4.8%	5.0%	5.0%
Inflation Rate Change	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	2.4%	1.7%	1.9%
Exchange Rate ($Cdn/$US)	1.486	1.486	1.548	1.570	1.401	1.302	1.212	1.17	1.16	1.16
Year-to-Year Change	0.2%	0.0%	4.2%	1.4%	-10.8%	-7.1%	-6.1%	-3.6%	-0.8%	0.6%

- The US economic growth is expected to decelerate further up to 2007 as housing will continue to weaken and consumers will be pulling back.
- With solid employment growth, unemployment will edge down a little to 4.8% but higher than the low reached in 2000.
- Domestic demand, which has largely contributed to maintaining the US economy afloat, will slow down with a private consumption growth rate drop to 2.7% in 2007.
- The weakening of the US dollar against the Canadian dollar continued with a drop of 6.1% in 2005 for a third consecutive decline. This trend is expected to continue through 2006 and into 2007.

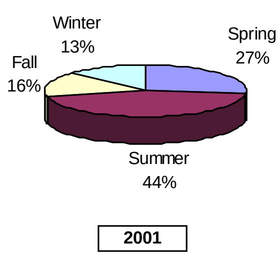
Leisure Travel Trends & Characteristics

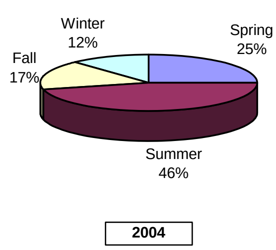
	1999	2000	2001	2002	2003	2004	2005
Outbound Leisure Trips*(‘000,000)	46.1	50.4	50.4	46.5	45.0	49.4	51.0
Year-to-Year Change (overnight)	7.0%	9.3%	0%	-7.7%	-3.2%	9.8%	3.2%
Leisure Trips to Canada (‘000,000)	13.0	13.0	13.6	14.2	12.5	13.1	12.5
Year-to-Year Change	2.3%	0.3%	4.8%	4.1%	-11.9%	4.6%	-4.4%
Auto Leisure Trips to Canada (‘000,000)	9.1	8.9	9.3	10.0	8.6	8.86	8.27
Year-to-Year Change	3.4%	-2.2%	4.5%	7.5%	-14%	3%	-6.7%
Non-Auto Leisure Trips to Canada (‘000,000)	3.9	4.1	4.3	4.2	3.9	4.2	4.2
Year-to-Year Change	2.6%	5.1%	4.9%	-2.3%	-7.1%	7.7%	0.0%
Canada’s Market Share	28.1%	25.8%	27.0%	30.5%	27.8%	26.5%	24.5%
Leisure Receipts ($M)	$5,432	$5,715	$6,443	$6,833	$5,928	$6,584	$6,139
Year-to-Year Change	7.7%	4.3%	12.2%	6.5%	-13.2%	11%	-6.8%

**US total leisure outbound estimated at 80% of total US outbound (business and leisure)*

Leisure Travel Trends & Characteristics

- United States outbound travel fell after the September 11, 2001 events and subsequent economic conditions.
- In 2002, Canada's share of the US market improved briefly as Americans sought safe destinations close to home. Canada's share has been falling since, as Americans are returning to more distant destinations.
- Data from the US Department of Commerce Office of Travel and Tourism Industries, which tracks US outbound air travel (all purposes), shows that Europe's share of the US market peaked in 2000 at almost 22%, but has since retreated to 19%. Mexico's share has been holding between 31% and 32%, while Oceania (principally Australia) is between 1% and 2% of the US outbound market.
- The vast majority of US trips to Canada are by auto – 8.3 million estimated for 2005 compared to 4.2 million for non-auto. However, through much of the late 1990s the growth in non-auto leisure trips outpaced auto travel. While this situation changed briefly after 2001, growth in non-auto has again started to outpace auto travel, gaining 2% of market share since 2000.
- In 2004, United States leisure travel to Canada was primarily for pleasure/holiday purposes (67.2%), while visiting friends or family accounted for 21.2%; travel for other purposes represented 11.5% of United States leisure travel to Canada.
- Leisure auto travel in the summer period has held at 45% from 2001 to 2004. Summer leisure air travel has increased from 39% to 42% over the same period.
- Leisure travel seasonal patterns continue to show a strong summer peak (46%). Some gains were made towards four-season travel to 2001, but Americans have returned to visiting Canada in the summer.





Leisure Travel Trends & Characteristics

- In 2004, United States leisure travellers spent on average $503 per person-trip compared to $481 in 2002 and $356 in 1996. Average spending per night increased slightly from $90 in 1996 to $121 in 2004.
- Leisure air travellers spent the most with a high of $956 per trip and $167 per night. Auto travellers spent $393 per trip and $100 per night. Average spending by travellers using all other modes was $399 per trip and $129 per night.
- The average number of nights has remained about the same: 4.0 nights in 1996, 4.1 nights in 2002, and 4.2 nights in 2004.
- Average party size has also remained relatively constant at 2.3 people.

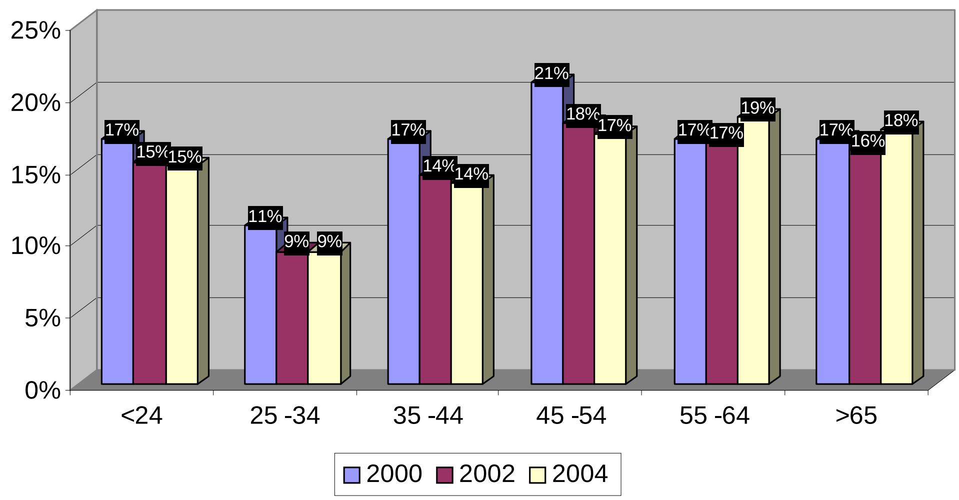
Share of US Leisure Travel to Canada by Region of Residence, 1999 to 2004

	1999	2000	2001	2002	2003	2004
Total	100.0	100.0	100.0	100.0	100.0	100.0
East North Central	25.3	24.8	25.0	24.7	23.4	23.7
Mid Atlantic	20.2	19.7	20.1	20.7	19.1	20.6
Pacific	19.3	19.7	19.3	18.1	19.0	18.5
New England	11.8	12.1	12.1	12.3	12.8	12.3
South Atlantic	7.5	7.3	7.7	8.5	8.5	8.9
West North Central	6.4	6.2	6.3	5.8	6.8	6.4
Mountain	4.7	5.1	4.5	4.7	5.1	4.6
West South Central	2.7	2.9	2.9	2.9	2.9	2.7
East South Central	1.5	1.4	1.3	1.3	1.5	1.4

**Definitions of region provided in Appendix A*

- The East North Central region supplies the largest share of US leisure visitors to Canada followed closely by the Mid Atlantic and Pacific regions.
- There have been some fluctuations in market share over the 1999 to 2004 period, with the South Atlantic gaining the most market share (1.4%).

Overnight Leisure Travel Proportion by Age Range



- United States leisure travellers aged 35 to 54 (31%) and 55+ (37%) which represented the largest share of total travellers to Canada in 2004. The 55 to 64 age group is more than double its US population proportion of 9%.

<u>CTC Age Targets</u>

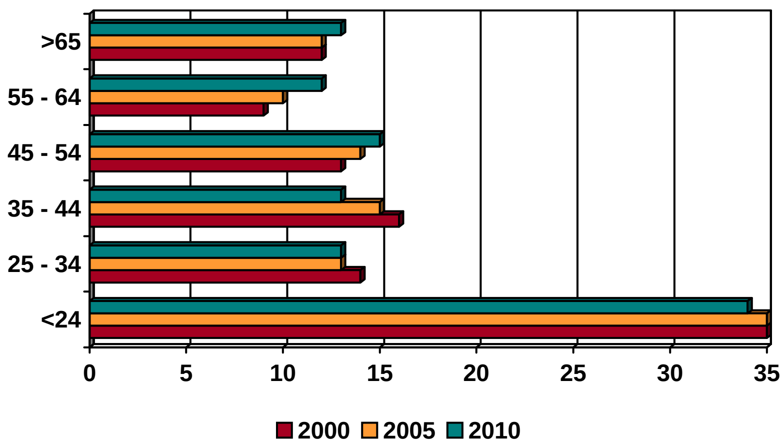
- 35 – 54 year old, higher education, no children, with HHI of $75K+
- 55+-year-old, higher education, no children, with HHI of $75K+
- Secondary: 18-34, no children

Population Forecasts

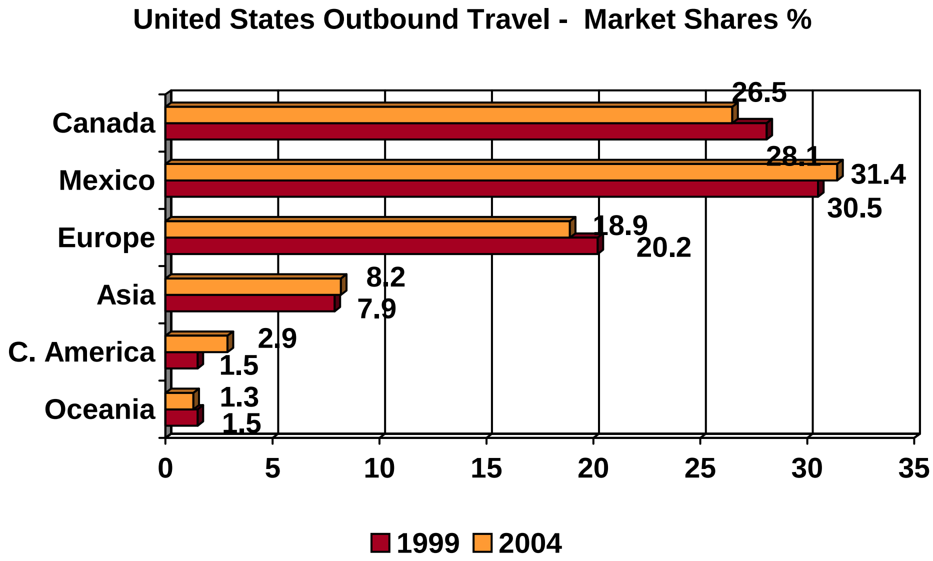
- Population forecast for United States shows that the population is aging; the proportion of Americans over 54 is expected to increase from 21% in 2000 to 25% in 2010.

	2000 (million)	2005 (million)	2010 (million)
<24	99.7	102.8	104.9
25 – 34	39.8	39.6	41.6
35 – 44	45.1	43.6	41.1
45 – 54	38.0	42.4	44.8
55 – 64	24.4	30.4	36.2
>65	35.1	36.7	40.2
Total	282.1	295.5	308.9

United States Population Forecasts %



Competitive Environment



- Although Canada gained some market share in 2001 and 2002, Canada's share fell over 2% from 1999 to 2004.
- Europe also lost market share over this time, falling 1.3% to 18.9%.
- Markets that gained share from 1999 to 2004 included Mexico (0.9%), Asia (0.3%), and Central America (1.4%).
- In general, Americans retreated closer to home after 2001. As in 2005, in 2006 they are expected to start traveling somewhat further although the weakened dollar and high fuel prices could dampen the recovery.

US Competitive Matrix

Destination	CTC	Australia	Mexico	Caribbean	France	Italy	California	New York	Florida	Hawaii	UK
Brand Position	The premier 4 season destination to connect with geographic, cultural & urban experiences.	Where the bloody hell are you?	n/a	n/a	Social/ Physical	-Physical/ (Social-Personal) in Sicily -Intellectual/ (Social-Personal) in Italy	-Physical/ Social California owns Diversity--but it's our unique lifestyle that makes people want to come here	-Intellectual/ Social (New York City) -Physical/ Social (the rest of the state)	Physical/ social	-Physical/ Social -focus on escape and experience of vacation type	Intellectual/ (Social/ Personal) -focusing on the culture, pageantry and quirkiness of the Britain, and the golfing in Scotland
Objective	Brand Awareness consideration & conversion	Generate Consumer inquiry for Aus.	Generate Consumer inquiry for Mexico	Generate Consumer inquiry for CB	Rekindle relationship with Americans.	n/a	Increase travel within their own state, and within the US with a focus on travellers from San Francisco, Stimulate positive top of mind awareness of Calif. as a 'premiere' destination	Regain consumer confidence in visiting NY state leverage the people of NY to show unity, resilience and strength	Refocus confidence in US travel, post 9/11 and making Floridians stay close to home	n/a	Drive consumers to educate themselves about the destination, and create brand awareness

US Competitive Matrix

Destination	CTC	Australia	Mexico	Caribbean	France	Italy	California	New York	Florida	Hawaii	UK
Timing	April - June	March/April Aug/Sept	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Distribution Channels	Trade Shows, Pure Canada Magazine, E-Marketing	Online, Retail Agents, Direct to Wholesale, Direct to Product, Aussie Specialist program	Magazine, gorilla, TV	Print, rest TBC	-very little media, though \$2k online in NY in 2002 -book now and save call to action -seasonal messaging -DM -online	-TV, online, newsprint, and radio -mainly a TV presence	Print Online	-TV, radio, Magazine, Newspaper, small online presence	-online advertising is by far the largest spend with over \$3.4 million spent in 2003 -also do some TV, radio, and newsprint	-advertise close to home, where short flights are available (LA & San Fran) -spent about \$1 million on online, with decreased overall spending in the last 4 years -print and radio are most popular for close to home -the further East the advertising moved, the more TV that was included in the mix	-majority of media spend is invested in online advertising -advertise most heavily in Boston and NY, then LA, Phil, and San Fran

US Competitive Matrix

Destination	CTC	Australia	Mexico	Caribbean	France	Italy	California	New York	Florida	Hawaii	UK
Tactics	Print, Inserts, Online, Radio, Partnerships, Events, Media and Public Relations,	National TV, Magazine, Cinema inl. Ausfilm, National Geographic campaign, Brand Retail =Air Pass, newspaper, direct mail, online, mag, Aussie Media Week January. 3 Trade events	n/a	n/a	n/a	Some NYC and little Phil, mainly TV	-Boston (74% radio, 25%TV) -LA (75% radio, 24%TV, 1% mag) -NY (90% radio) -Phil (75% newsprint, 25% magazine) -San Fran (75% Radio, 20% TV, 4% newsprint, 1% magazine) -Focus on lifestyle and celebrity power	-advertise closer to home (Boston, Phil, and NY state -TV and radio are most used -most $ spent in NY state, then in Boston/Phil/LA/San Fran	-advertise mainly close to home -TV is the most used medium (70% of spend goes to TV) -in LA & Phil. Radio is the biggest spend (to compete with Calif) -NY has biggest newspaper & TV -online spend is decreasing	-soft call to action and a focus on a geographically strategic approach (talking up the hot weather in cold climates, and the activity in the warm climates) to provide differentiation	n/a

US Competitive Matrix

Destination	CTC	Australia	Mexico	Caribbean	France	Italy	California	New York	Florida	Hawaii	UK
Tactics		National TV, Magazine, Cinema inl. Ausfilm, National Geographic campaign, Brand Retail =Air Pass, newspaper, direct mail, online, mag, Aussie Media Week January. 3 Trade events	n/a	n/a	n/a	Some NYC and little Phil, mainly TV	-Boston (74% radio, 25%TV) -LA (75% radio, 24%TV, 1% mag) -NY (90% radio) -Phil (75% newsprint, 25% magazine) -San Fran (75% Radio, 20% TV, 4% newsprint, 1% magazine) -Focus on lifestyle and celebrity power	-advertise closer to home (Boston, Phil, and NY state -TV and radio are most used -most $ spent in NY state, then in Boston/Phil/LA/San Fran n/a	-advertise mainly close to home -TV is the most used medium (70% of spend goes to TV) -in LA & Phil. Radio is the biggest spend (to compete with Calif) -NY has biggest newspaper & TV -online spend is decreasing	-soft call to action and a focus on a geographically strategic approach (talking up the hot weather in cold climates, and the activity in the warm climates) to provide differentiation	n/a
Partners	Air Canada, AMEX, Gourmet, Continental	AMEX= $6million, DM, Card Members, Airpass	N/a	n/a	Air France, Maison de France, Rail Europe	n/a	n/a		n/a	n/a	n/a

US Competitive Matrix

Destination	CTC	Australia	Mexico	Caribbean	France	Italy	California	New York	Florida	Hawaii	UK
Niches	Gay, Ski, High End Fishing	Verticals: Gay, youth, escorted, family, romance, luxury	n/a	n/a/	Heritage, Romance, special deals and packages	Heritage, Romance, Spontaneity, travel package and online deals	wine, ski, golf, sun/surf, students, fun vacations, cuisine	Shopping, Canadian $ at par, ski vacations, and family vacations	Gay/Lesbian, diving, romance, fun/beach, golf, discount/deal travel, Disney world, student/family, golf	Cuisine, beaches, golf, romance, surfing, and travel deals	Gay, golf, sports, history, royals, castles, luxury hotels, Irish cuisine, Irish friendliness
Results	U.S. visits to Canada have declined for the past 3 years (2002 - 2005)	2nd largest international market by spending	n/a	n/a	disjointed look-celebrities, sepia mixed with colour, inconsistent theme	lack of consistency in advertising. Unique Italian and Sicilian campaigns	n/a	n/a	n/a	-good consistency in online and offline creative -tag and logo have strong positioning and all advertising falls from TV	-consistent work, with a bit of a story to it -good variety in the creative put out by the British Tourist Authority
Growth Forecast	-6% overnight leisure	6.2% annually to 2013	11.76%	11.87%	11.30%	9.93%	n/a	n/a	n/a	n/a	9.93%

* source AC Nielsen, US

** based on top 20 domestic and international spenders in the US in 2005

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 331M or 68% of the North American population
  - North America has 23% of global users and usage has grown 109% since 2000
- 203.8M people in the United States are internet users which is 68% of the population
  - The United States has 90% of the North American population of internet users and usage has grown 114% since 2000

Additional information regarding internet use in the United States (source: PhoCusWright, Inc):

- An estimated 29% of all leisure/unmanaged business travel is booked online
  - This is expected to grow by 14% per year for the next 2 years
- Online leisure/unmanaged business travel is valued at an estimated $65B for 2005
  - This is expected to grow by 20% per year for the next 2 years

Travel Forecasts to Canada

- Growth of the total US outbound market is expected at a rate of 3.9% over the coming year. A decline to Canada is forecast.
- A CTC/Conference Board report on the WHTI suggests that Canada could start feeling the impacts as early as this year due to confusion over its implementation.

	2003	2004	2005	2006	2007	2008
Overnight Leisure Trips to Canada ('000,000)	12.5	13.1	12.5	11.8	11.1	10.5
Year-to-Year Change	-11.9%	4.6%	-4.4%	-6.0%	-6.0%	-6.0%

Airline Capacity from United States:

	1999	2000	2001	2002	2003	2004	2005	2006
Air Seat Capacity (000's)	16,002	16,939	17,478	15,111	15,138	15,083	15,856	17,998
Year over year change	-	5.9%	3.2%	-13.5%	0.2%	-0.4%	5.1%	13.5%

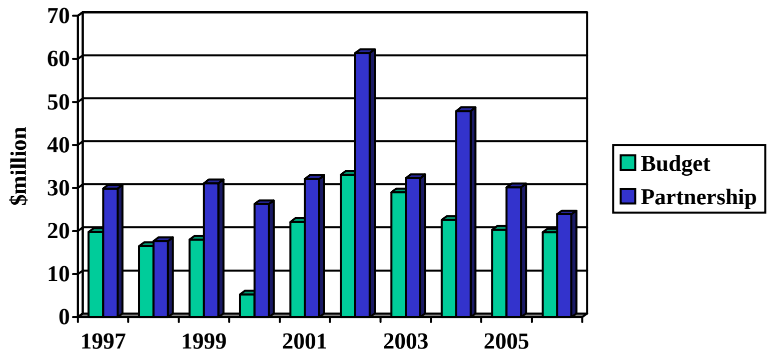
- Air capacity from the US into Canada stabilized at approximately 15 million seats from 2002 to 2005, but could see a large increase (13.5%) in 2006.

Financial Breakdown

	1999 (million)	2000 (million)	2001 (million)	2002 (million)	2003 (million)	2004 (million)	2005 (million)	2006 (million)
CTC Program Budget allocation*	$18.0	$5.3**	$22.1***	$33.1****	$29.0*****	$22.6	$20.3	$19.7
Partnership Funding	$31.1	$26.3	$32.1	$61.4****	$32.3	$47.9	$30.2	$23.9
Total	$49.1	$31.6	$54.2	$94.5	$61.3	$70.5	$50.5	$43.6

* *Excludes DFAIT costs and salaries.*
** *9-month period due to new fiscal year timing*
*** *Transition year*
**** *Includes, one-time New Reality dollars/partnership*
***** *Includes Iraq/SARS summer recovery campaign funds*
***** *Forecast*

CTC Versus partner Funding



2006 Total US

Total USL Budget	OPEX In-market	OPEX HQ	Program In-market	Program HQ	TTL Program as %age of TTL Budget
$19,716,610	$1,860,857	$579,753	$3,725,000	$13,551,000	88%

Partner Funding Analysis

	Cash	In-kind & Parallel	Total
1999/2000	$29,158,600	$1,965,193	$31,123,794
2000/2001	$25,381,185	$979,156	$26,360,341
2001	$30,448,429	$1,681,327	$32,129,756
2002*	$59,427,317	$1,958,646	$61,385,963
2003	$26,730, 639	$5,578,126	$32,308,765
2004	$6,507,842	$41,356,103	$47,863,945
2005	$4,550,778	$25,642,759	$30,193,537
2006	$1,809,027	$29,981,008	$31,800,000

Includes New Reality partnerships

Deleted: 75
Deleted: 2
Deleted: 093
Deleted: 958
Deleted: 23,852,985

2006 Canadian/In-Market Partners

Canadian Partners (HQ)		In-Market Partners		Total
Cash	In-kind & Parallel	Cash	In-kind	
$1,759,027	$22,093,958	$50,000	$7,897,050	$31,800,000

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Summary

- The US economy is expected to remain sluggish through 2006 in the face of rising interest rates, falling home sales, and high government debt. However, the weakened dollar could help give the economy a boost with an expected expansion in exports.
- A CTC/Conference Board report on the WHTI suggests that Canada could start feeling the impacts as early as this year due to confusion over its implementation.
- Growth of the total US outbound market is expected at a rate of 3.9% over the coming year.
- Air capacity is expected to see healthy growth over the coming year and should not be a constraint on travel.
- The strengthening Canadian dollar in comparison with the US dollar could negatively impact travel from the US as past experience has shown a correlation between a falling US dollar exchange rate and lower visitation from the United States.

Sources:

- **Changing U.S. Travel Trends to Canada (**DK Shifflet and Associates Ltd.)
- Stats Canada
- CTC Market Research and US Leisure Marketing Department

Appendix A:

Leisure Travel Trends & Characteristics: *Regional Definitions*

NEW ENGLAND
U.S. STATE OF RESIDENCE :
CONNECTICUT
MAINE
MASSACHUSETTS
NEW HAMPSHIRE
RHODE ISLAND
VERMONT

MID ATLANTIC
U.S. STATE OF RESIDENCE :
NEW JERSEY
NEW YORK
PENNSYLVANIA

SOUTH ATLANTIC
U.S. STATE OF RESIDENCE :
DELAWARE
DISTRICT OF COLUMBIA
FLORIDA
GEORGIA
MARYLAND
NORTH CAROLINA
SOUTH CAROLINA
VIRGINIA
WEST VIRGINIA

EAST NORTH CENTRAL
U.S. STATE OF RESIDENCE:
ILLINOIS
INDIANA
MICHIGAN
OHIO
WISCONSIN

WEST NORTH CENTRAL
U.S. STATE OF RESIDENCE:
IOWA
KANSAS
MINNESOTA
MISSOURI
NEBRASKA
NORTH DAKOTA
SOUTH DAKOTA

EAST SOUTH CENTRAL
U.S. STATE OF RESIDENCE:
ALABAMA
KENTUCKY
MISSISSIPPI
TENNESSEE

WEST SOUTH CENTRAL
U.S. STATE OF RESIDENCE:
ARKANSAS
LOUISIANA
OKLAHOMA
TEXAS

MOUNTAIN
U.S. STATE OF RESIDENCE:
ARIZONA
COLORADO
IDAHO
MONTANA
NEVADA
NEW MEXICO
UTAH
WYOMING

PACIFIC
U.S. STATE OF RESIDENCE :
CALIFORNIA
OREGON
WASHINGTON