

Ontario Tourism Outlook

Presented to:

Ontario Ministry of Tourism

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Presented by:

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Outline of the Presentation

- 
- **Global Insight Overview**
 - **The “Great Moderation”**
 - **The World & US Outlook**
 - **What Does This Mean for Travel & Tourism?**
 - **WHTI, Oil Prices, Bird Flu and Other Things That Keep You Up at Night**
 - **Ontario Travel & Tourism Outlook**
 - **Q&A**

Global Insight

- Premier country intelligence, economic analysis & forecasting, and consulting organization globally
- Most comprehensive coverage of countries, regions, and industries available from any single source
- Common analytical framework and a consistent set of assumptions
- Broad range of capabilities include:
 - Consumer Market Sizing
 - Market Risk Assessment
 - Retail & Consumer Spending Forecasts
 - Demographic Analysis
 - Performance Benchmarking
 - Strategic & Tactical Planning Tools
- Global Insight has the best track record among commercial forecasters.

Travel & Tourism Practice

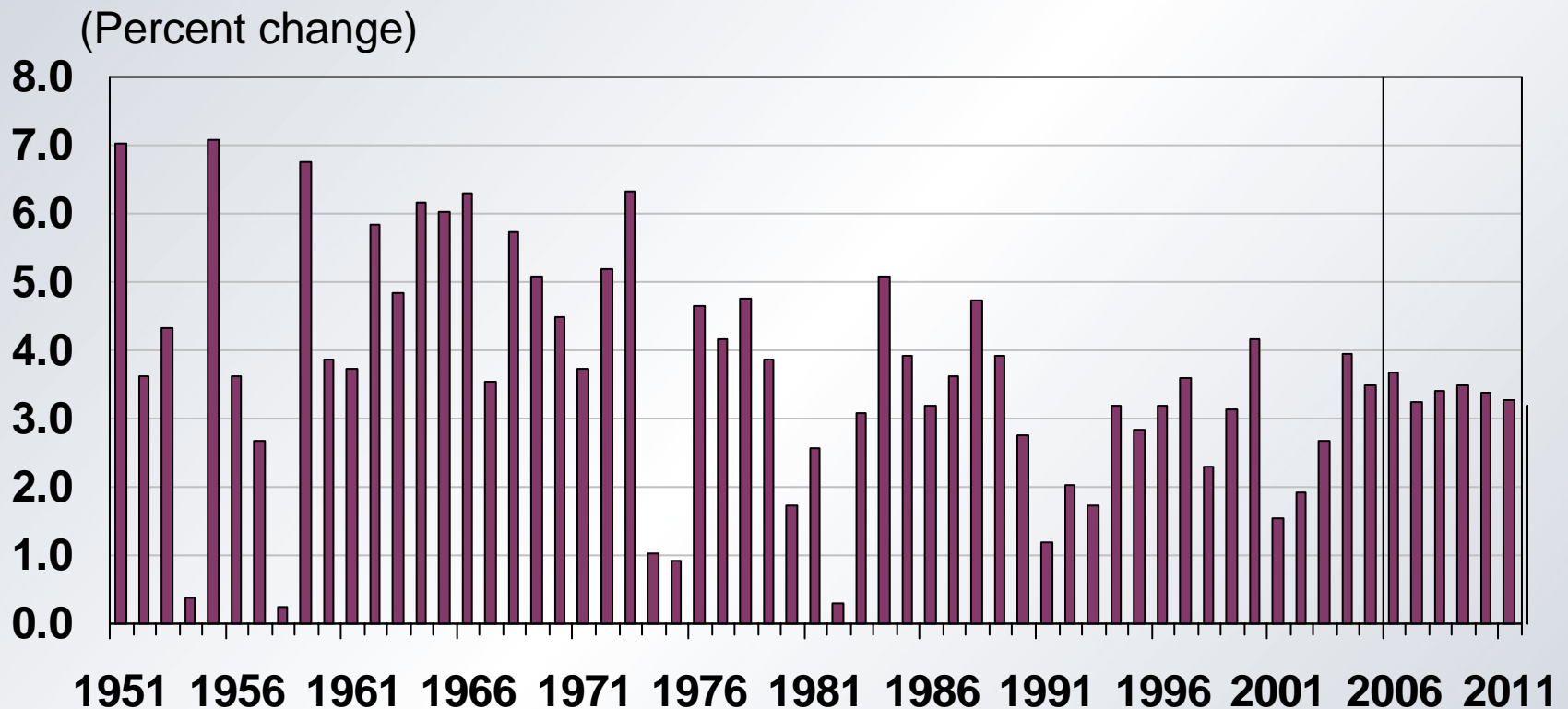
- **Visitation & Spending Forecasts** –by category and by country, region, state, or U.S. city. Market size, growth, and share.
- **Market Feasibility & Investment Facilitation** market analysis & research, demand/supply review, policy evaluation, development cost analysis.
- **Destination Impact & Concession Support** economic impact of the construction and operations of individual facilities –resort, convention center, entertainment venue, event...
- **Tourism Economic Impact & Tourism Satellite Accounting** conforming to the UN/WTO standards. What does travel & tourism contribute to jobs, wages, spending, and taxes within a national or local economy?
- **Tourism Policy Analysis** travel & tourism policy evaluation and rationalization.

The background of the slide features a person in a grey suit jacket pointing their right index finger at a newspaper. The newspaper is open to a page with various financial charts and tables. At the top right, there is a world map. The text on the newspaper is partially legible, including sections like 'THE STOCK MARKET', 'BOND', 'INTEREST RATES', and 'FOREIGN MARKETS'. A headline at the bottom right of the newspaper reads 'Cash returns to stock markets'.

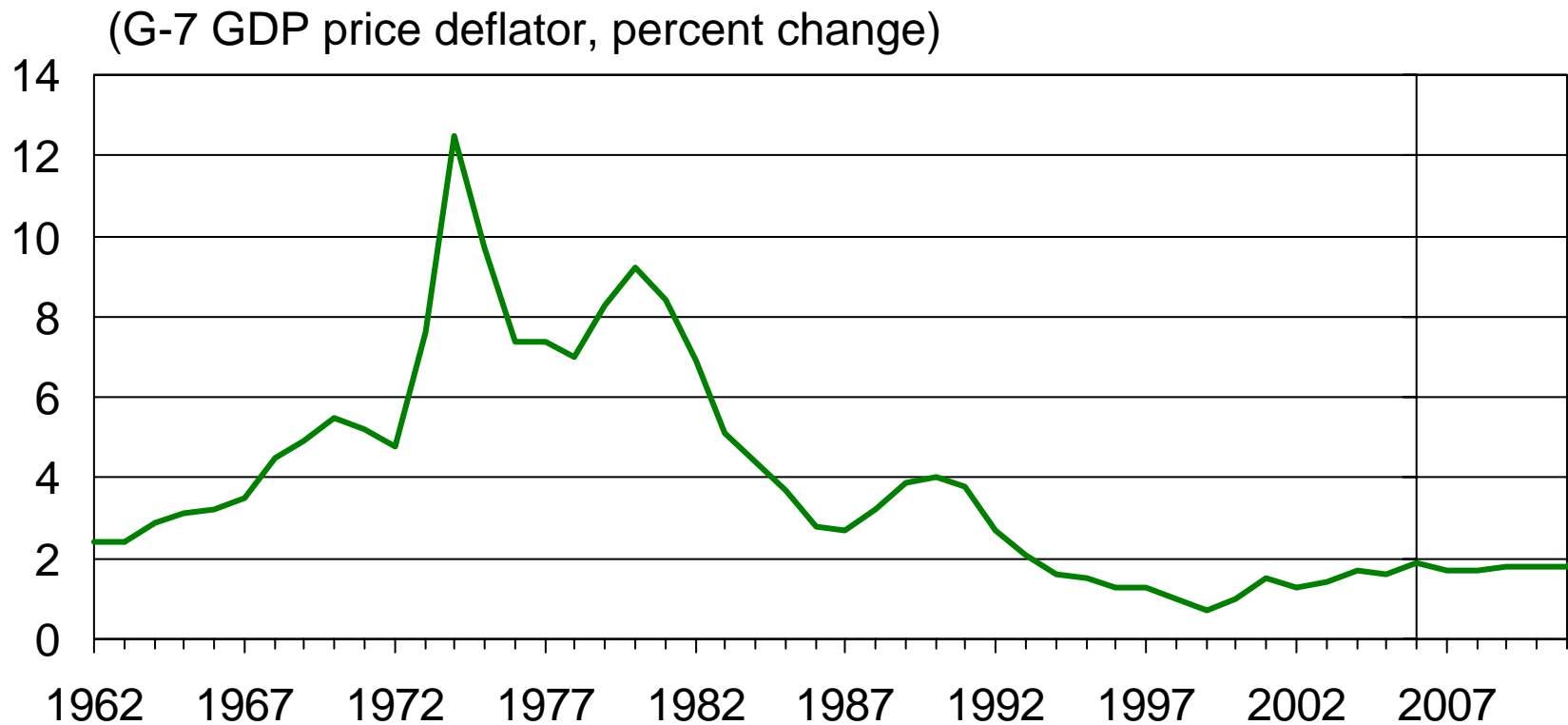
The “Great Moderation”

**A Permanent Feature of the World Economy
or
A Temporary Phenomenon?**

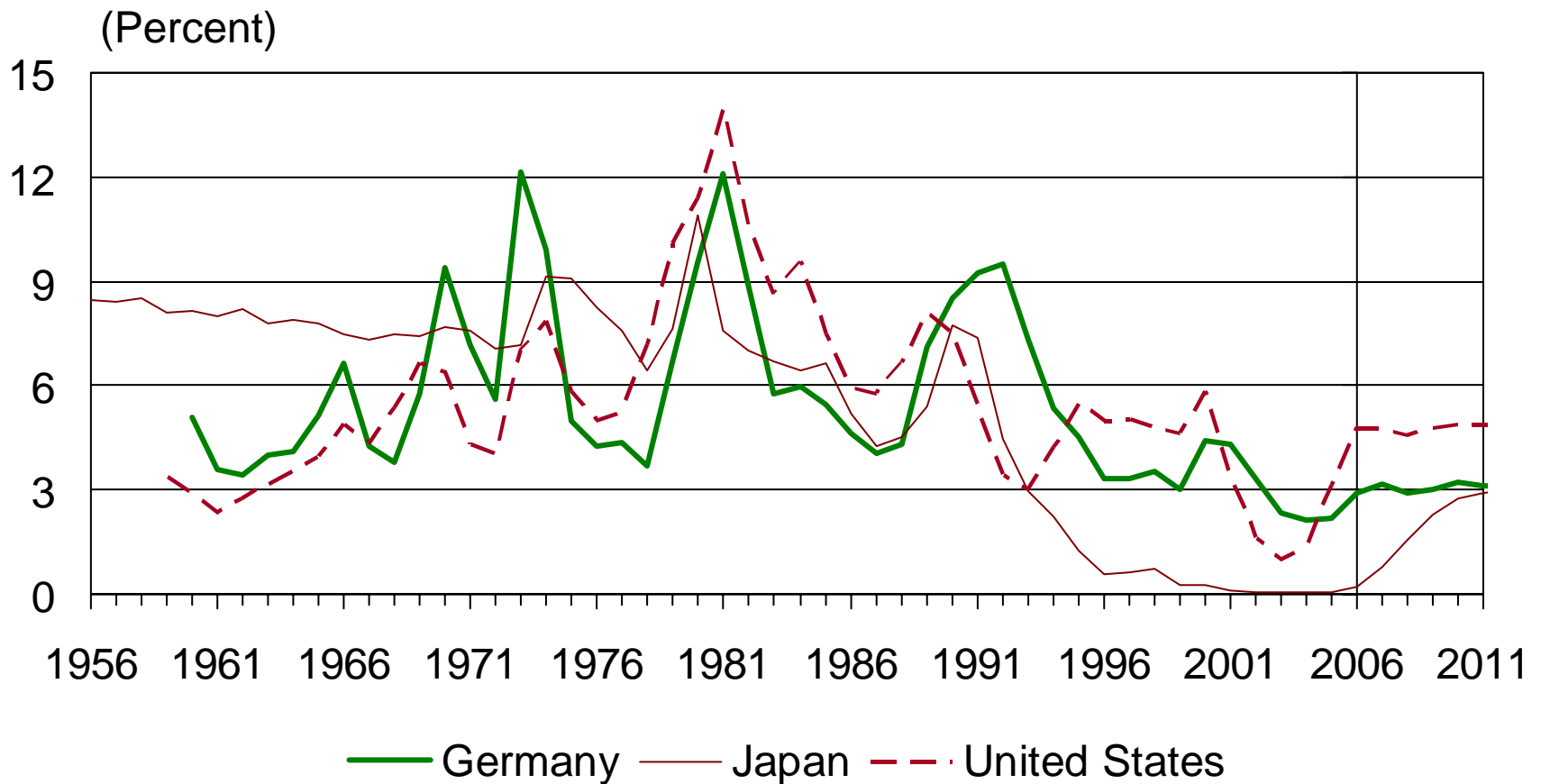
The “Great Moderation” – World Real GDP Growth



The “Great Moderation” – G-7 Inflation



The “Great Moderation” – Short-Term Interest Rates



The “Great Moderation” – Plausible Explanations

- **Better macro policies (especially monetary policies)**
- **Greater reliance on capital markets**
- **Increased global competition (including the deflationary impact of China’s rise in manufactured goods markets)**
- **Deregulation and increased domestic competition**
- **The rise of the service sectors**
- **Rapid technological changes, and improved productivity growth in some countries**

The “Great Moderation” – What Could End It?

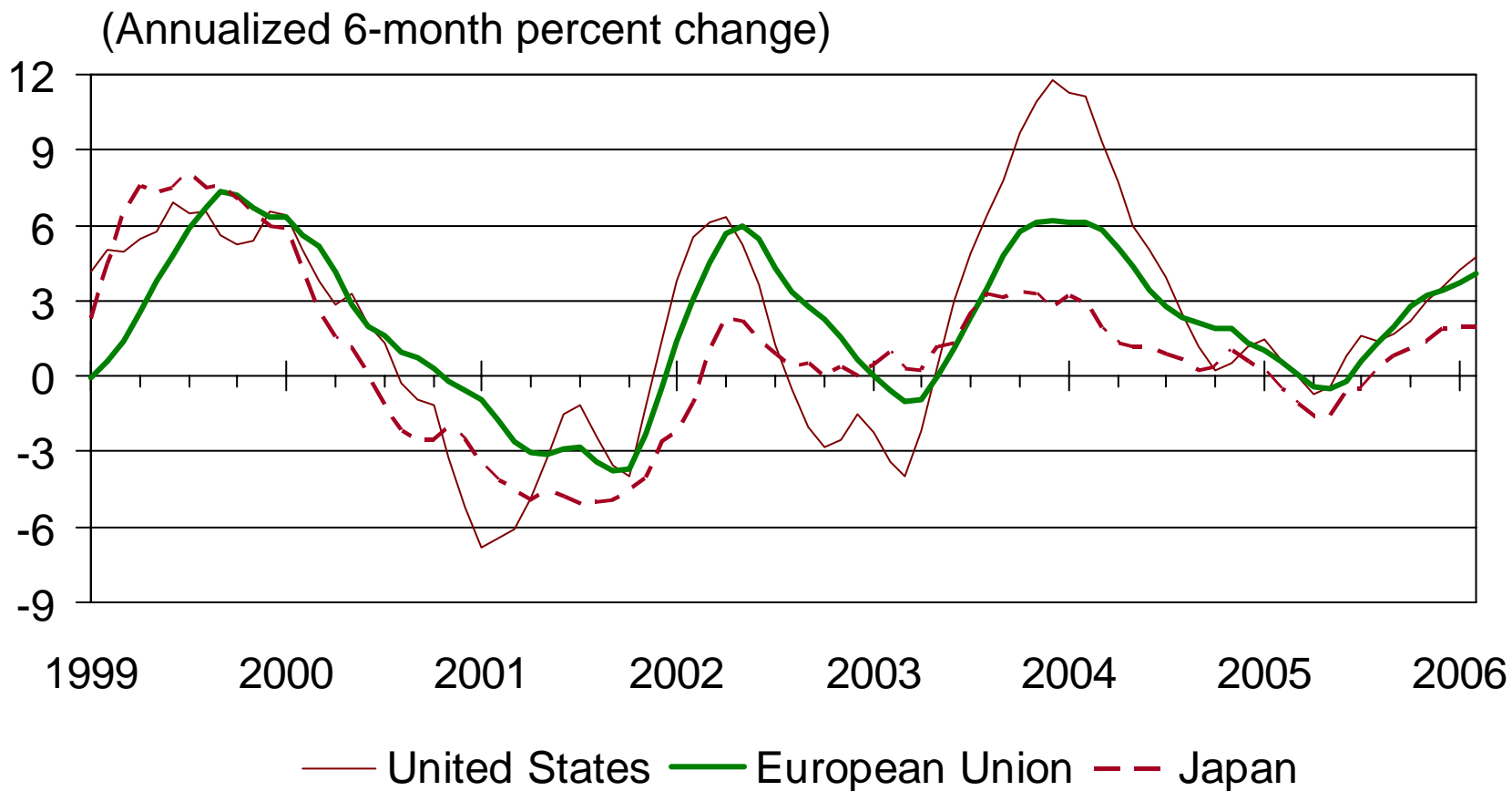
- **Much higher oil prices and an increase in inflation rates** – what matters is not so much how high oil prices get, but how they get high
- **A sharp rise in long-term interest rates**, which could lead to a housing crash
- **The ever-rising U.S. current account deficit** and a “hard” landing of the dollar – how serious of a threat is this really?
- **Protectionism**
- **A significant drop in commodities prices** could hurt many emerging economies
- **Macro policy mistakes**
- **Bottom line:** Chances are good that the “Great Moderation” will last a while longer, because the underlying causes are more structural than cyclical

Is the Risk of a Boom-Bust Rising?

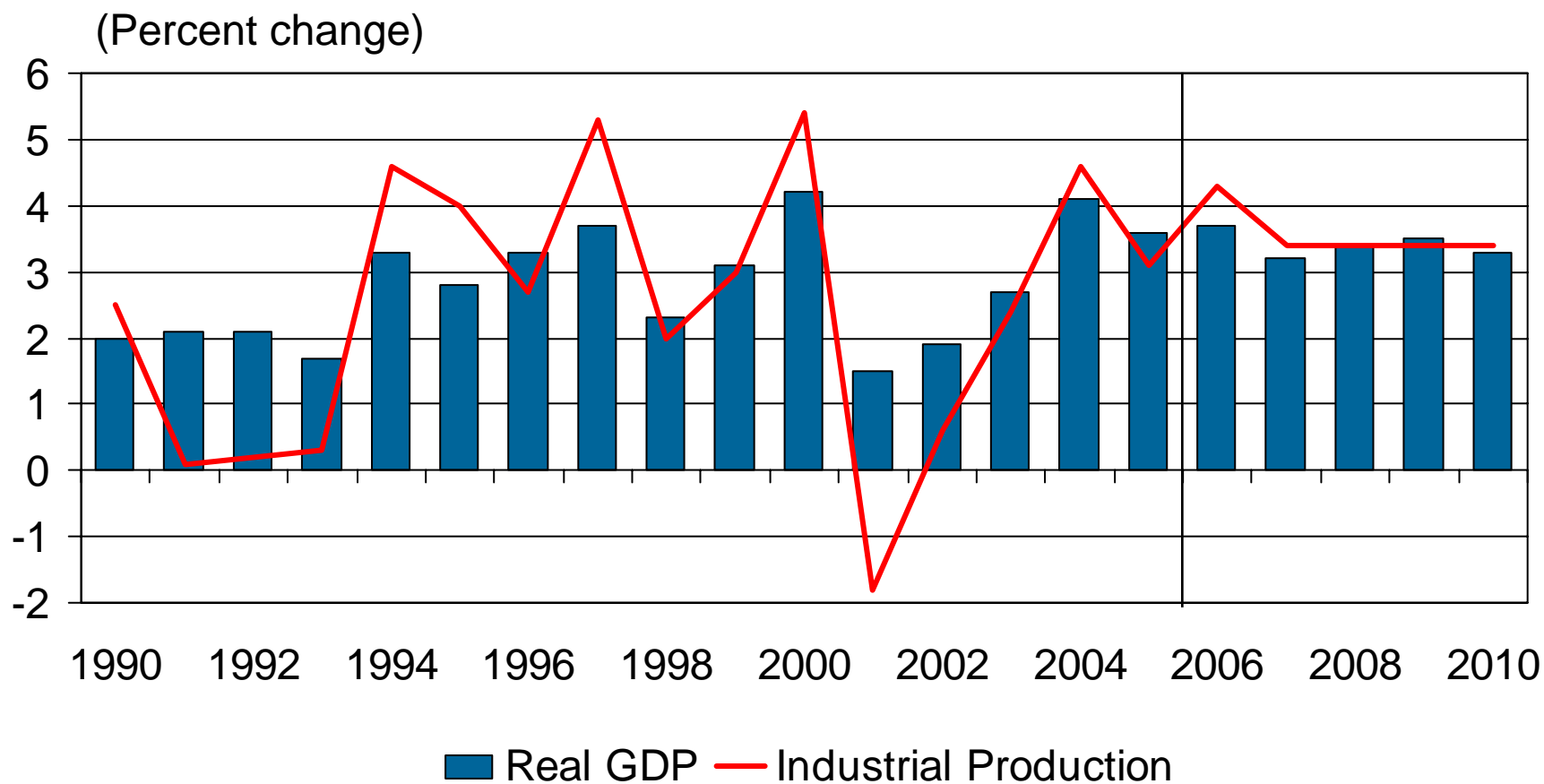
Yes....

- 2006 will be the third year of above-trend global growth
- U.S. growth will be strong in the first half – how much of a **housing**-induced slowdown in the second half?
- Eurozone growth has rebounded – **but for how long?**
- Japan's recent growth rate has been remarkably strong – **but can it last?**
- There appears to be no slowing in **China's boom**
- Record or near-record **commodity prices** are helping many emerging markets

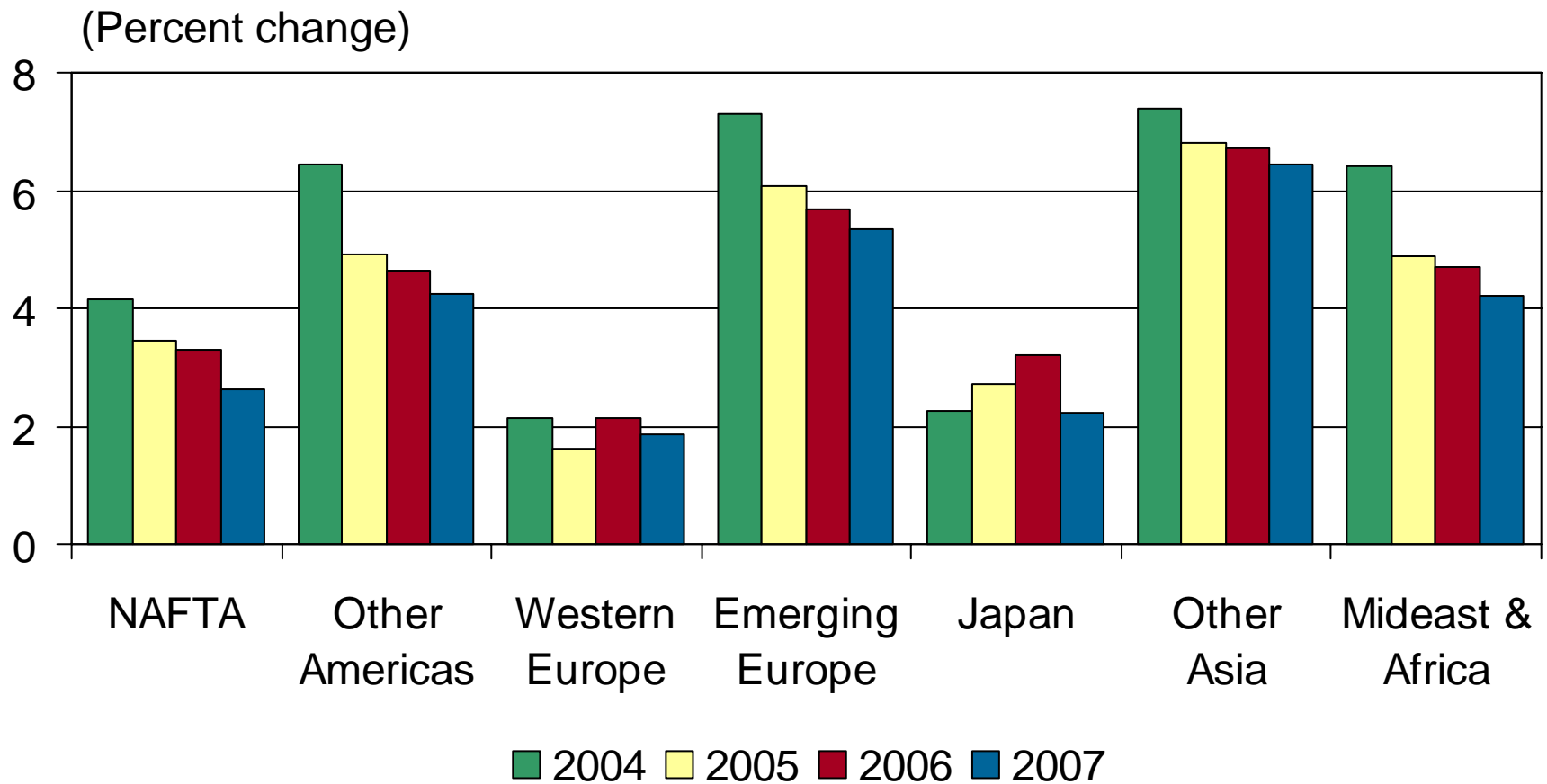
OECD Leading Indicators Signal Acceleration



Growth in the World Economy



Real GDP Growth Is Still Uneven Across the World



World Real GDP Growth Contributions

	Percent of World Growth, 2000–05	Percent of World Growth, 2005–25	Percent of World GDP in US\$, 2005
Asia-Pacific	37	37	24
China	15	18	5
India	4	4	2
Japan	8	5	10
United States	29	28	28
Western Europe	15	14	30



The US Economy at a Crossroads

Why the U.S. Expansion Will Slow

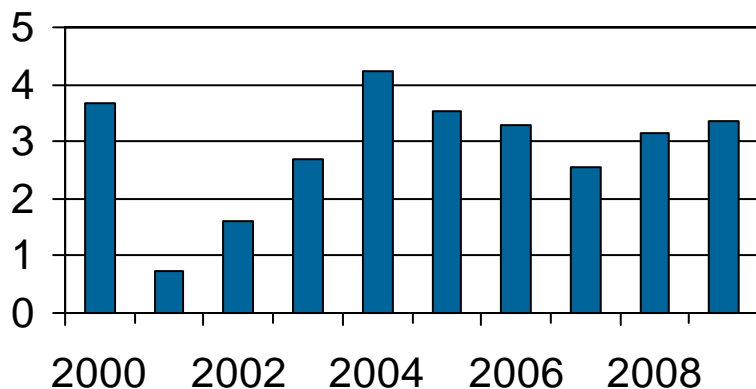
- The consumer spending boom will moderate in response to rising interest rates, high energy prices, and a cooling housing market
- Home sales and construction will decline as affordability has deteriorated; house prices will flatten out
- Business fixed investment has strong momentum; nonresidential construction is poised to advance at last
- The trade deficit will keep rising, although improved foreign growth is helping exports; renewed dollar depreciation is likely
- The federal budget deficit will deteriorate again

Real GDP is projected to grow 3.3% in 2006.

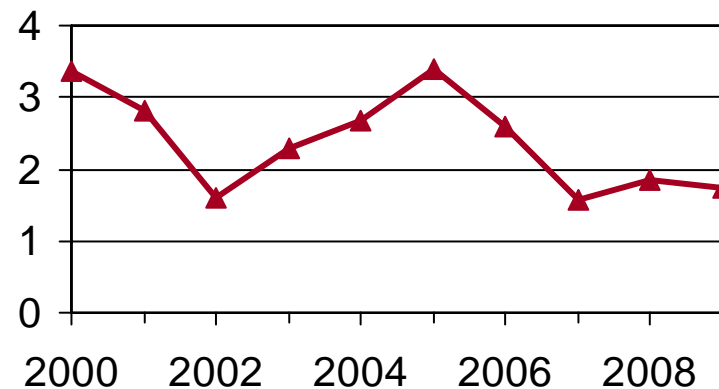
United States

(Percent)

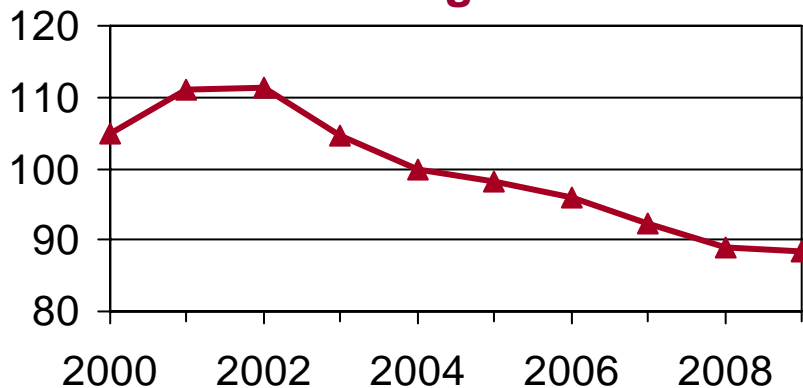
Real GDP Growth



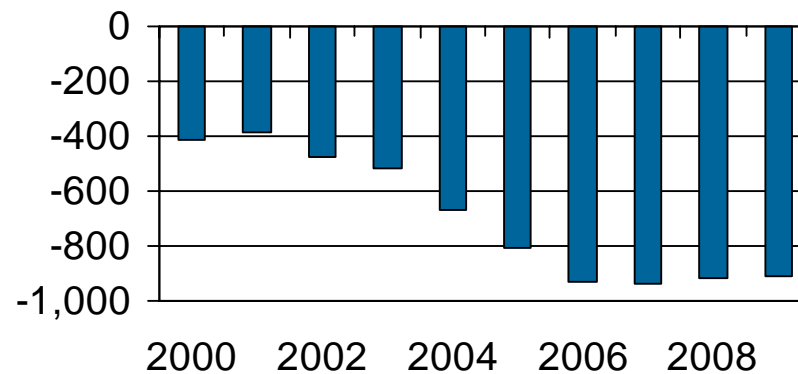
Inflation



Real Exchange Rate*



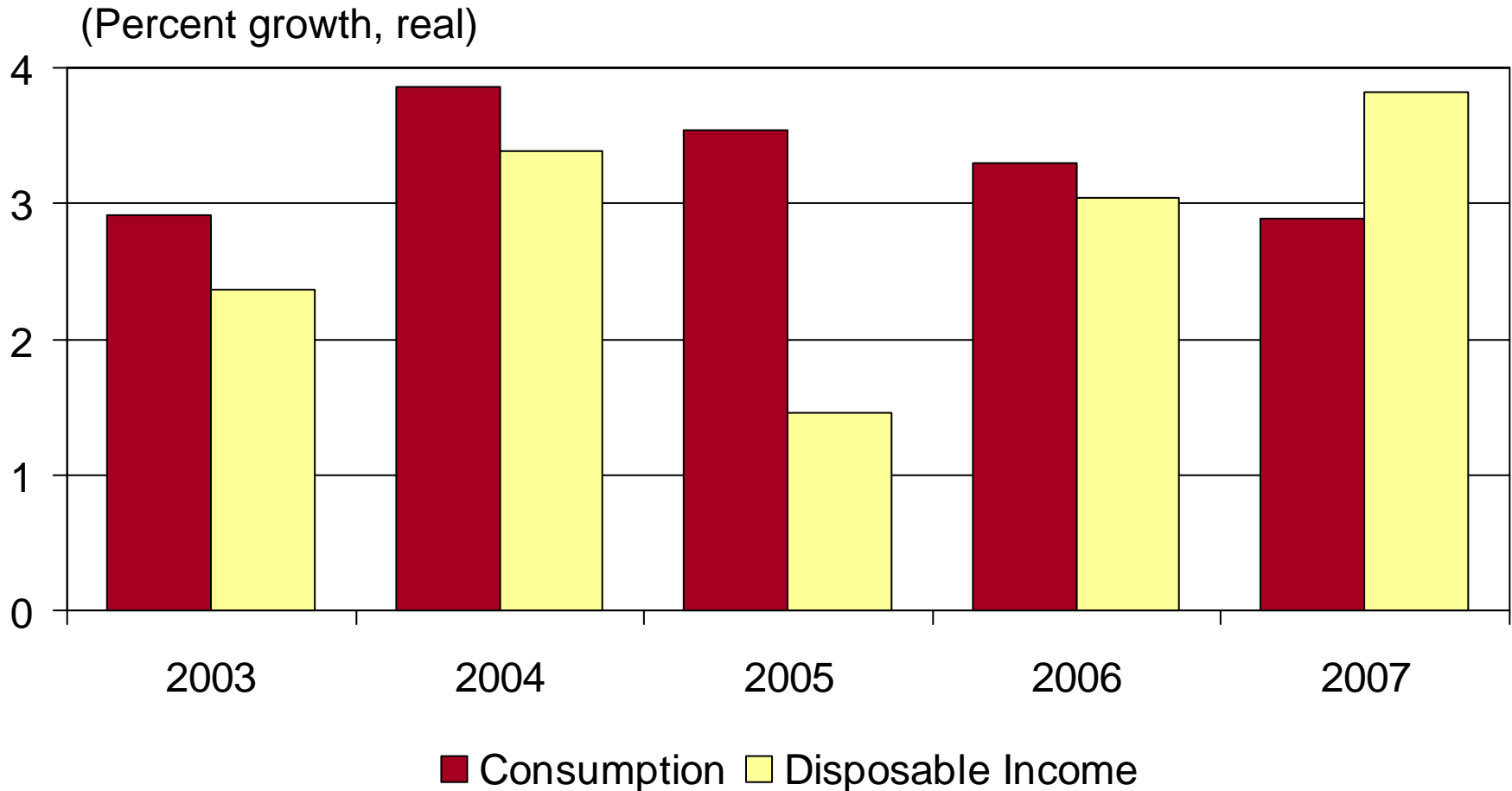
Current Account Balance**



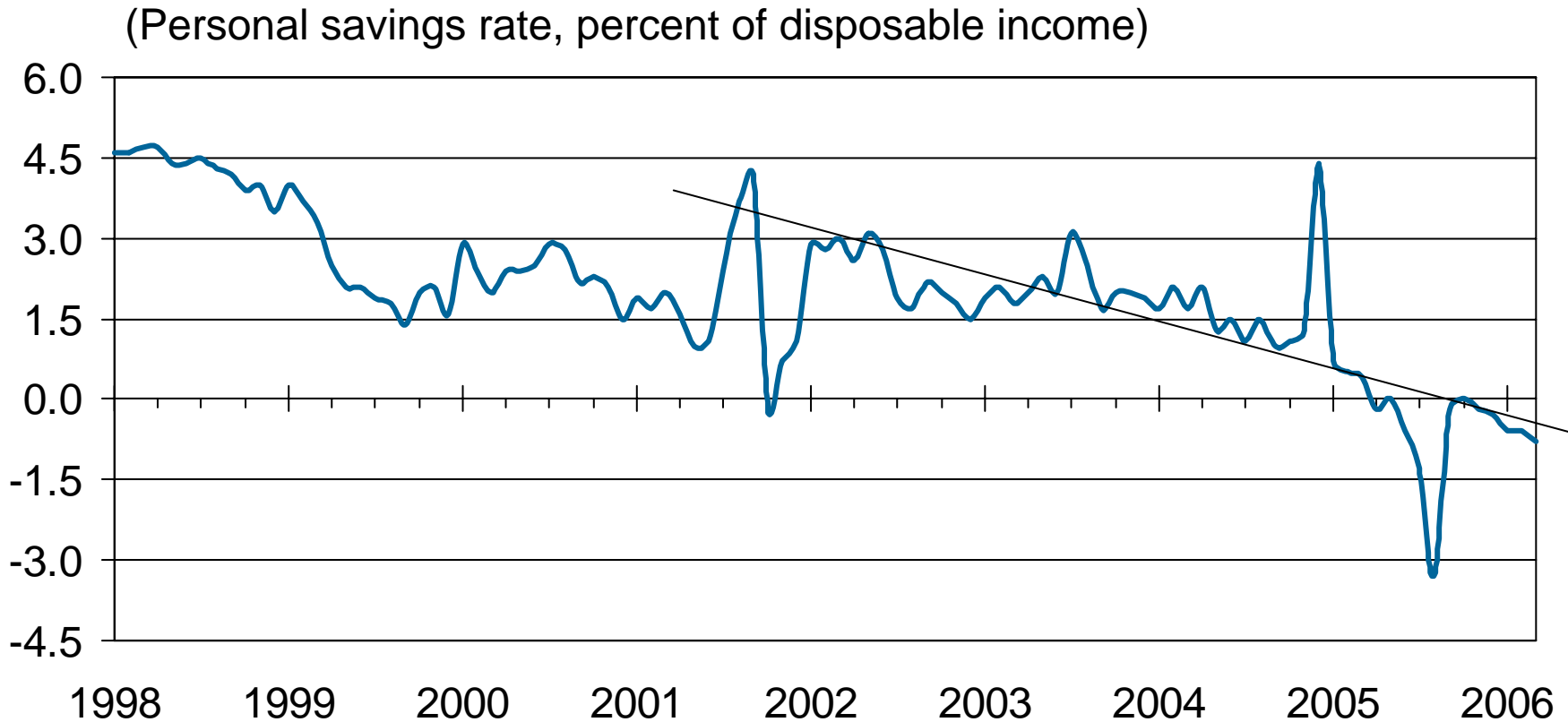
*FRB broad index, March 1973=100

**Billions of U.S. dollars

Consumer Spending, Fueled by a Strong Housing Market, has Outpaced Income Growth

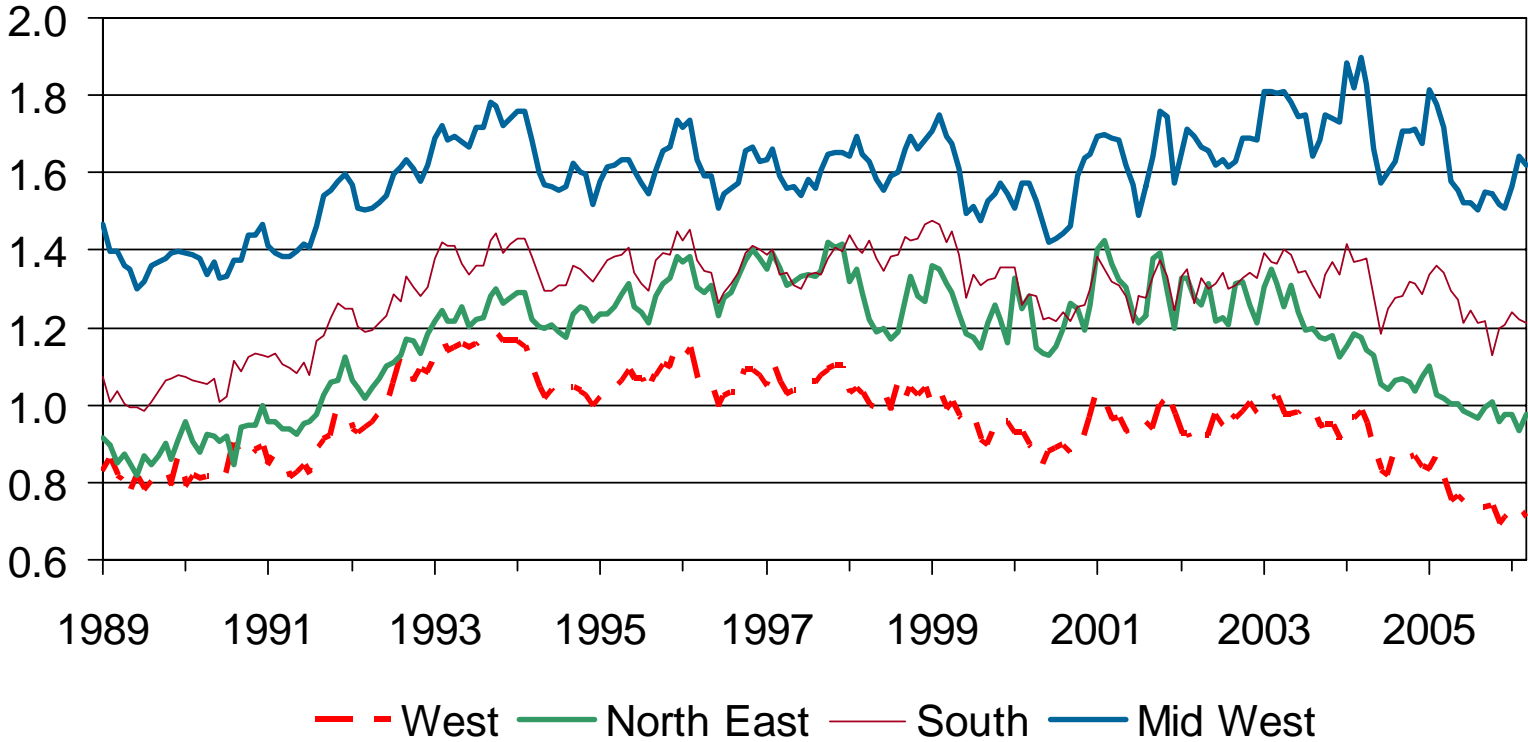


The Personal Saving Rate Has Fallen Below Zero As Consumers Have Stretched Their Budgets



Affordability Is Becoming a Major Problem in Some Regions

A higher index means homes are more affordable



Source: National Association of Realtors

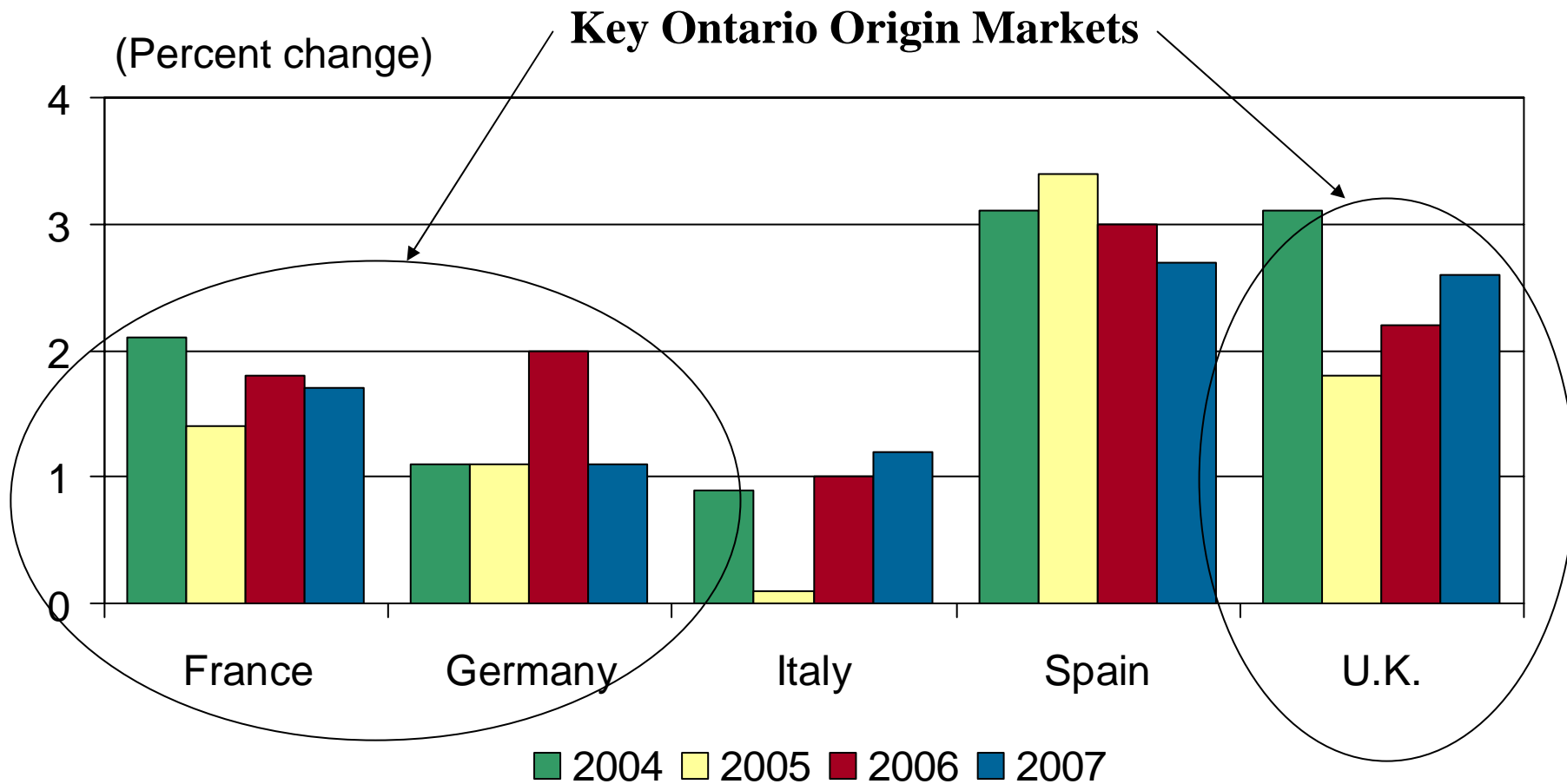


Other Key Outbound Economies

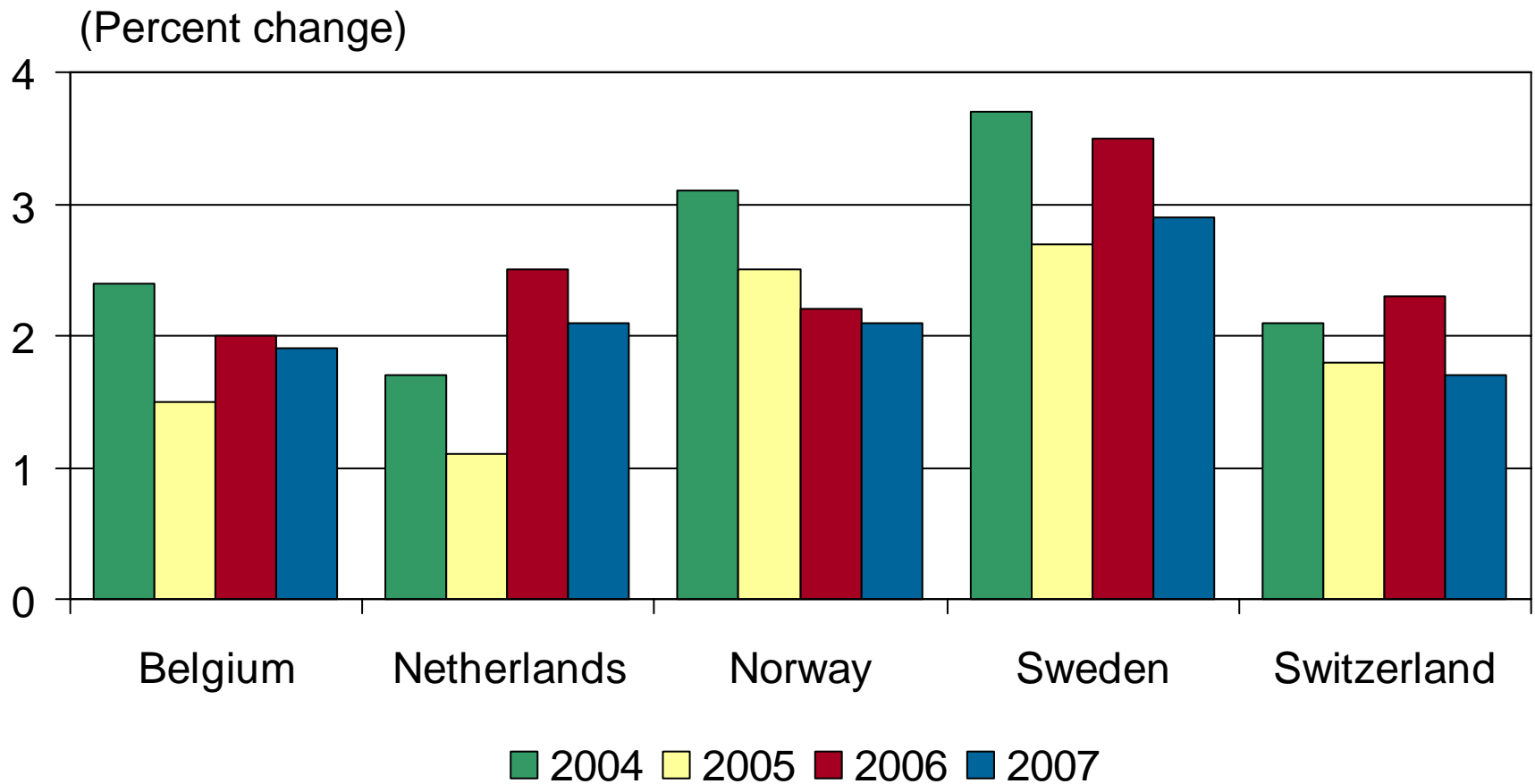
Eurozone – How Long Will the Rebound Last?

- **Good news: Capital spending and exports have strengthened**
- **Good news: Inflation remains tame**
- **Key uncertainty: When will consumer spending pick up?**
- **Business confidence remains much stronger than consumer confidence**
- **Business surveys are stronger than the hard data**
- **Headwinds**
 - *Rising interest rates*
 - *A stronger euro*
 - *Tighter fiscal policy*
 - *Political turmoil and paralysis*

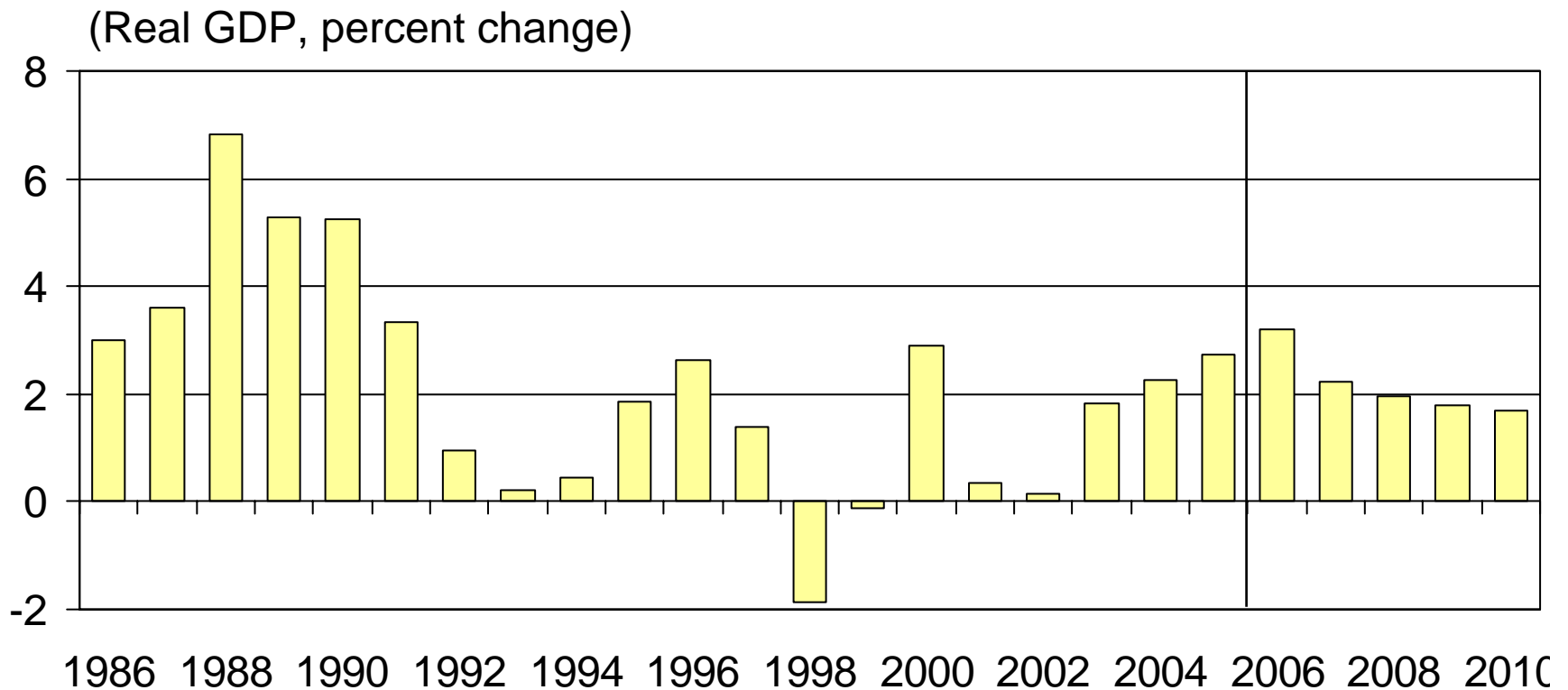
Real GDP Growth Rates Vary Across Europe



Real GDP Growth Rates Vary Across Europe



After the “Lost Decade,” Japan Moves Forward



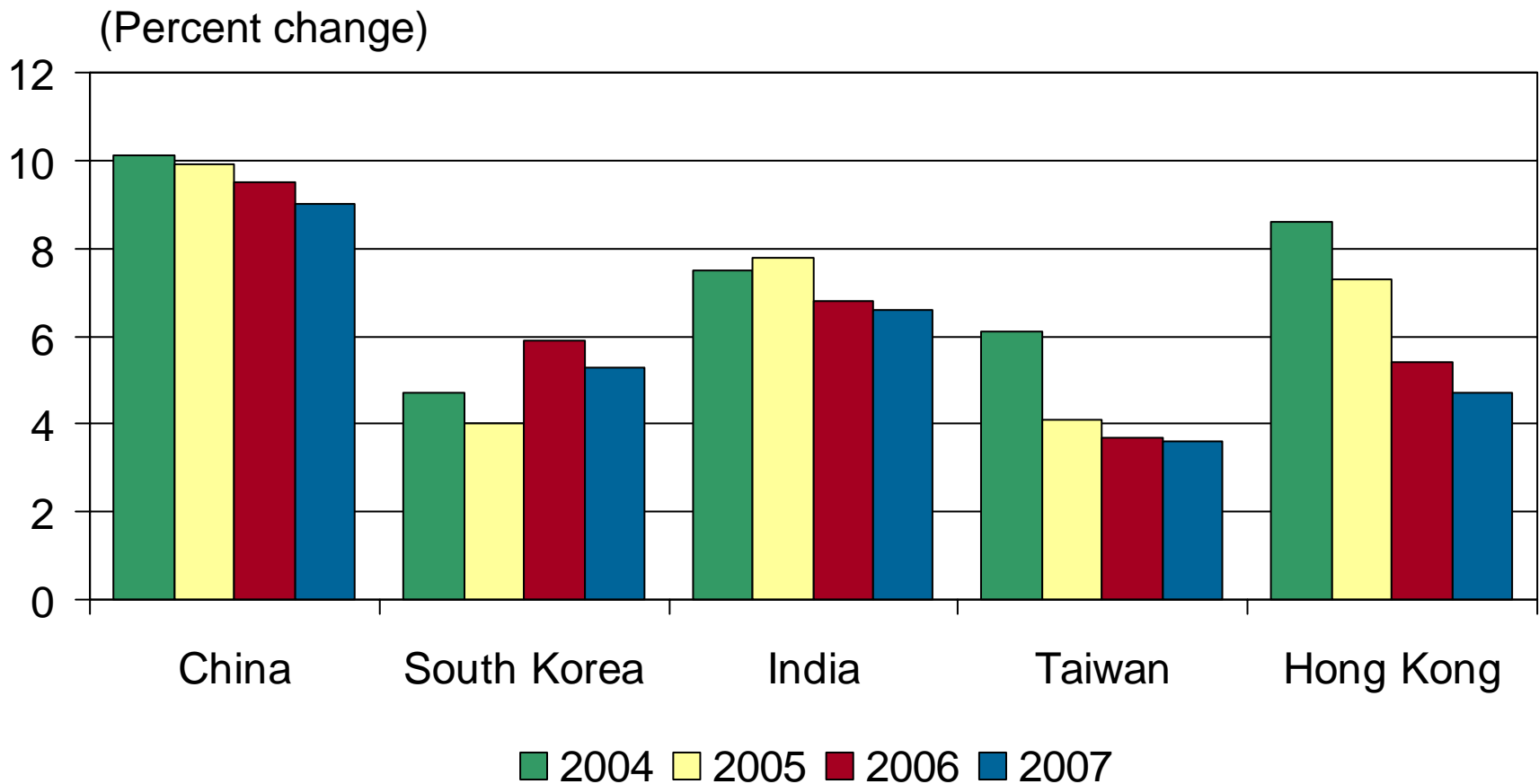
Japan – Good Progress, But Many Challenges Lie Ahead

- **Corporate and financial restructuring has come a long way – but the adjustment is still incomplete**
- **A more pro-active monetary policy is bringing an end to the era of deflation**
- **The growth rebound has been broad-based**
- **Short-term challenges**
 - ***A stronger yen***
 - ***Higher interest rates***
 - ***Tighter fiscal policy***
- **Long-term challenges**
 - ***Rapidly aging population***
 - ***High debt levels***
 - ***Inefficient service sector***

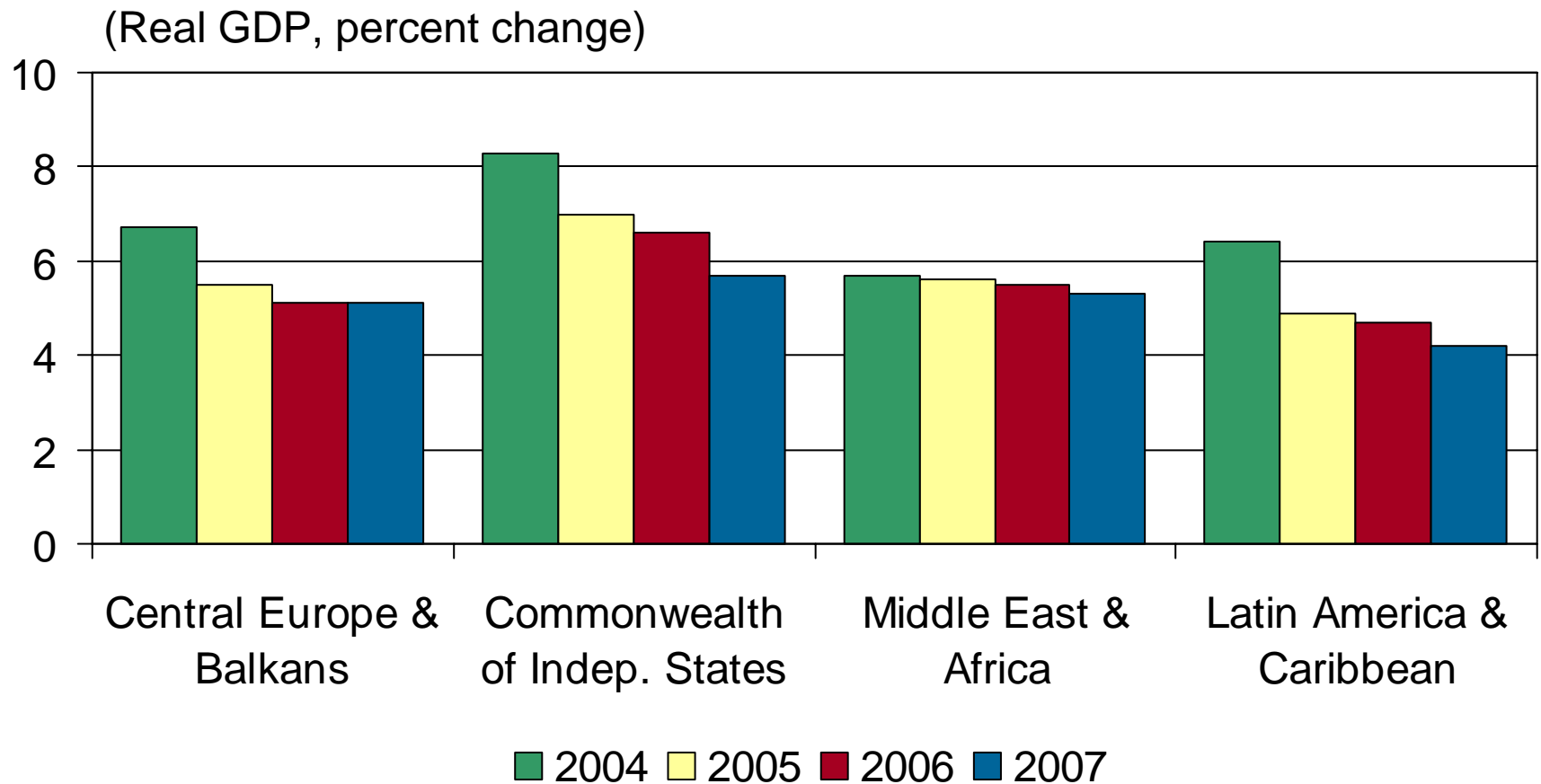
Asia Is Supporting World Growth

- **Asia will remain a powerhouse of global growth in 2006, with only a modest deceleration**
- **Momentum is shifting from exports to domestic demand, resulting in more-balanced growth – although growth is still too export-dependent**
- **Central banks are gradually raising interest rates to counter inflationary pressures, but policies remain accommodative**
- **Inflation remains under 4% in most Asian economies –exceptions include Indonesia, India, and the Philippines**
- **High saving rates relative to investment rates mean that these economies will continue to be capital exporters**
- **Exchange rates across Asia will rise as part of a global trade adjustment**

Real GDP Growth in Asian Economies



Other Emerging Markets Are Enjoying the Boom



A Comparison of Key Emerging Markets in 2005

	GDP (\$Billions)	Population (Millions)	GDP per Capita (\$)	Real GDP Growth, %
China	2,225	1,309	1,700	9.9
India	795	1,097	725	7.8
Brazil	796	184	4,320	2.3
Mexico	769	106	7,260	3.0
Russia	763	143	5,350	6.3
Saudi Arabia	306	24	12,890	6.4
United States	12,487	297	42,050	3.5

Global Bottom Line

- **The structural changes that have brought about the “Great Moderation” are likely to continue**
- **Still, there is a growing risk of a boom-bust at the global level**
- **While in the near term Japanese and Eurozone growth has picked up, in the medium term the U.S. and China will continue to be the primary growth engines**
- **Emerging markets are benefiting from the global boom, but are increasingly vulnerable to higher interest rates and lower commodity prices**
- **Europe is faced with some daunting (but ultimately manageable) challenges that will require strong leadership – which so far has been lacking**

U.S. Bottom Line

- **Growth has bounced back after a slow end to 2005**
- **But growth will slow in the second half of 2006**
- **Consumption & housing momentum will weaken**
- **Business investment and exports will lead the economy**
- **Fed has a bit further to go with interest rates**
- **U.S. dollar to fall further**
- **Taxes to rise – but not yet**
- **Risks (1): Vulnerability to another energy shock has increased**
- **Risks (2): Housing bubbles might “pop” instead of deflating slowly**

***What Does All This Mean for
Travel & Tourism?***



Overview of Factors Impacting Global Tourism

Destination Shocks

- U.S. security controls and warnings
- Bird Flu – hurting inbound to China, Hong Kong and South East Asia
- Iraq – hurting Middle East inbound
- Tsunami & aftershocks

Economic Growth

- Disparate income growth
- Low investment translating into reduced business travel
- Oil Prices impacting transportation costs

Exchange Rate Shifts

- Benefiting inbound to U.S., Middle East, Latin America, and parts of Asia

An Important Issue?

Absolutely

Monitor Closely

Marginal

2005 only

Yes

No

Yes

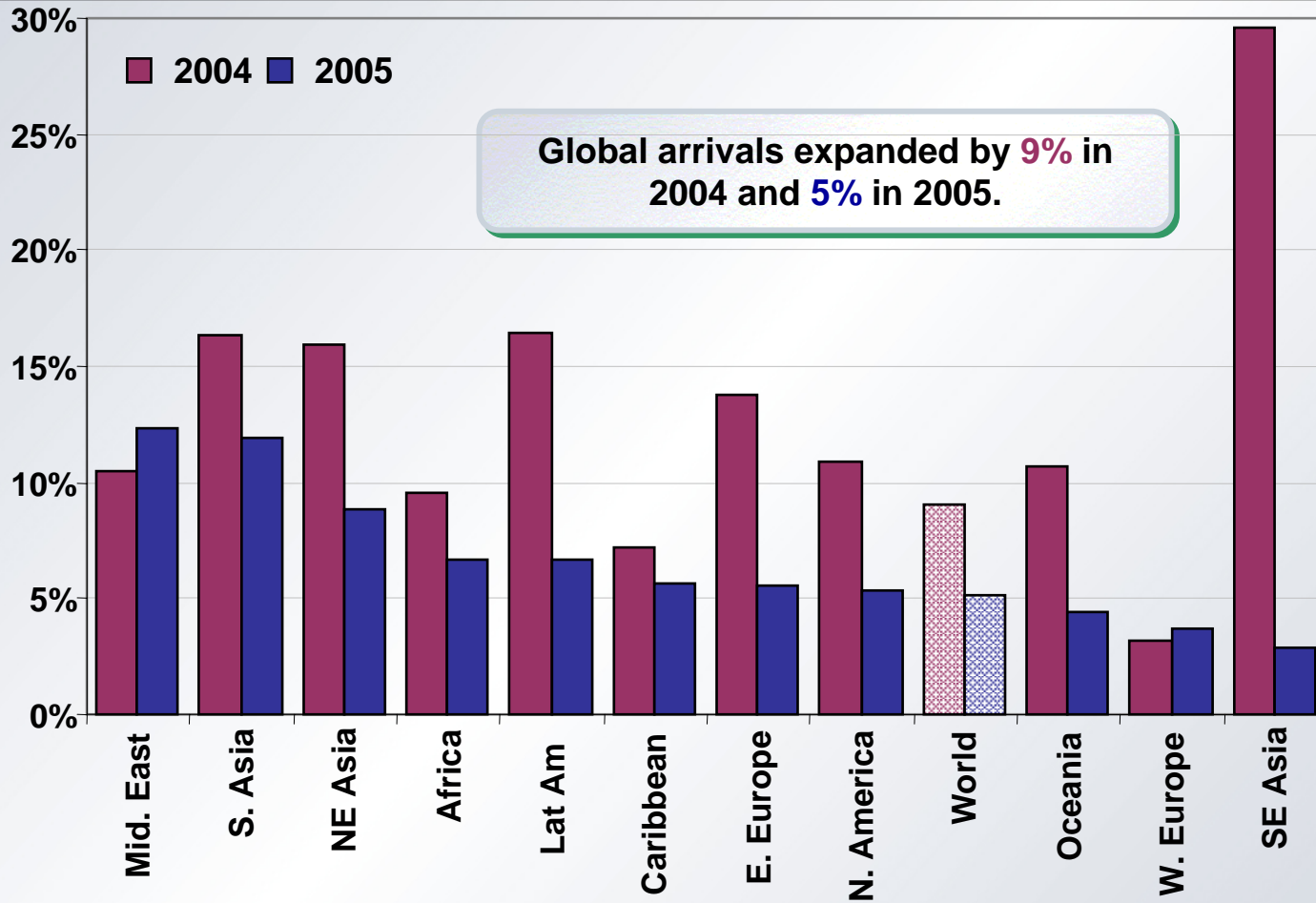
Absolutely



Growth moderates and diffuses through 2010...

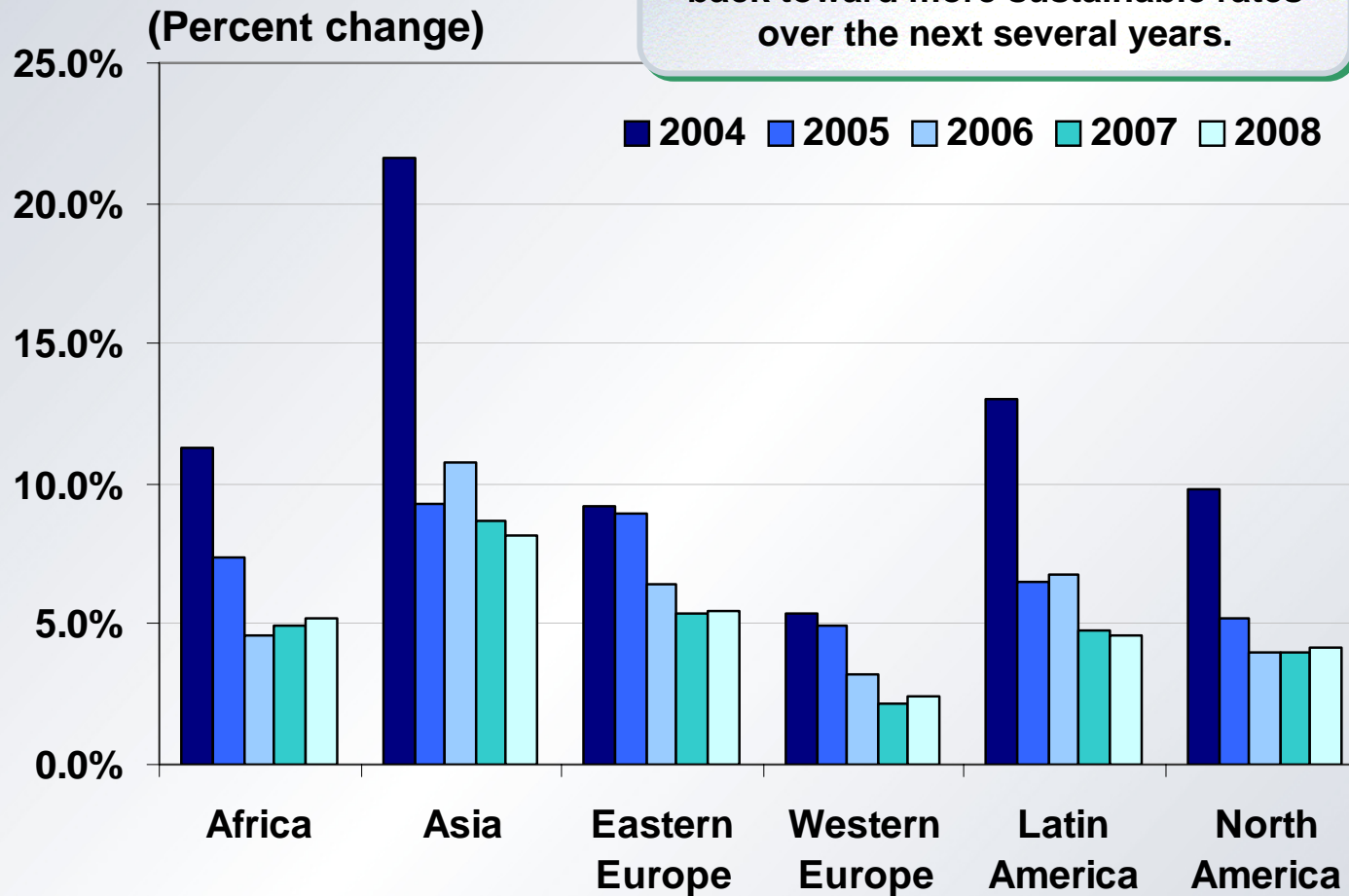
- **World growth moderates in step with the Great Moderation**
- **Fortunately, the risk of a recession in the next two years is less than 20%**
- **Inbound shifts towards the US, Asia, and the Caribbean, away from Europe, and Japan.**
- **As leisure travel *growth* slows, business travel will take the baton, particularly in US, Japan, & Asia.**
- **Longer-term? – More widely diffused growth prospects and demographics keep travel growth ahead of GDP.**
- **Increasing focus and sophistication of tourism development & promotion will fuel ST growth in some regions –Israel, Caribbean, Dubai, Singapore, Turkey. LT: zero sum game?**
- **Oil prices will have only a small ST impact felt primarily through trip mix changes.**
- **Avian Flu is an issue, particularly for Asia. Monitor this closely.**
- **Terrorism & Political instability? Yes, but effects have been relatively small and temporary.**
- **WHTI is a dilemma for US-Canada travel flows**

A “Bounceback” Year Followed By A Return To Trend



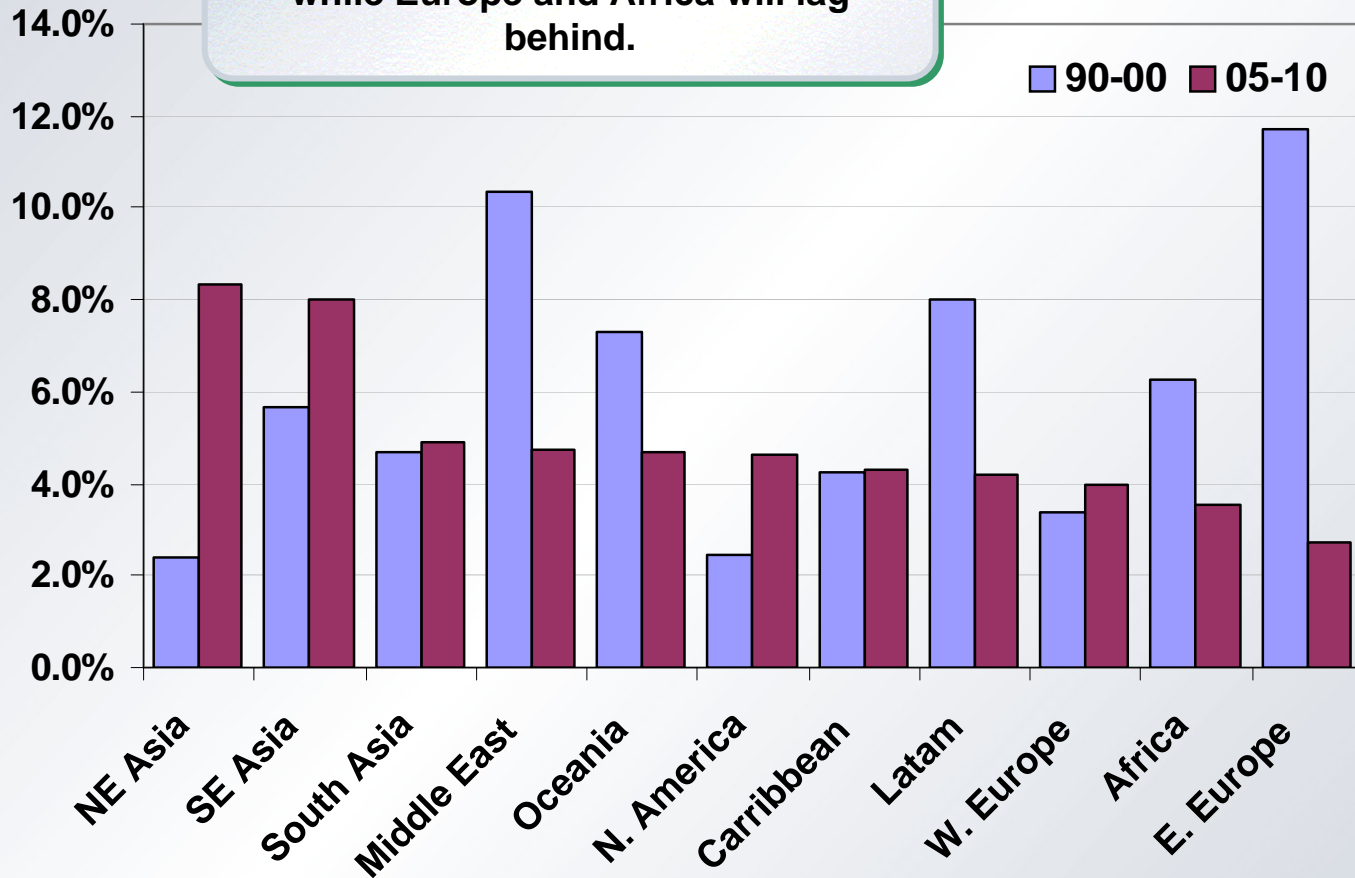
Global Outbound Growth Resumed in 2004

Growth across the regions will move back toward more sustainable rates over the next several years.



...Benefiting Destinations Accordingly

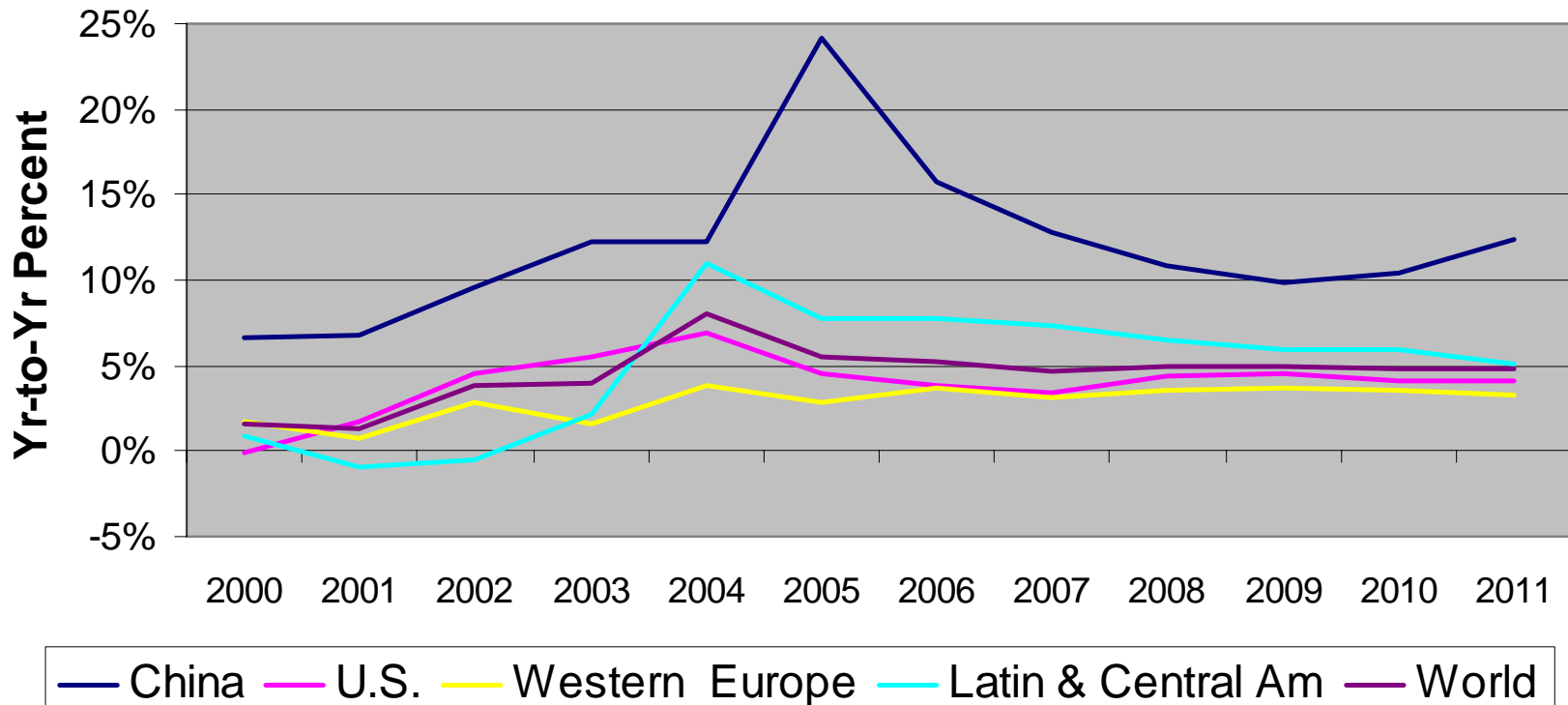
Asian arrivals growth will dominate while Europe and Africa will lag behind.



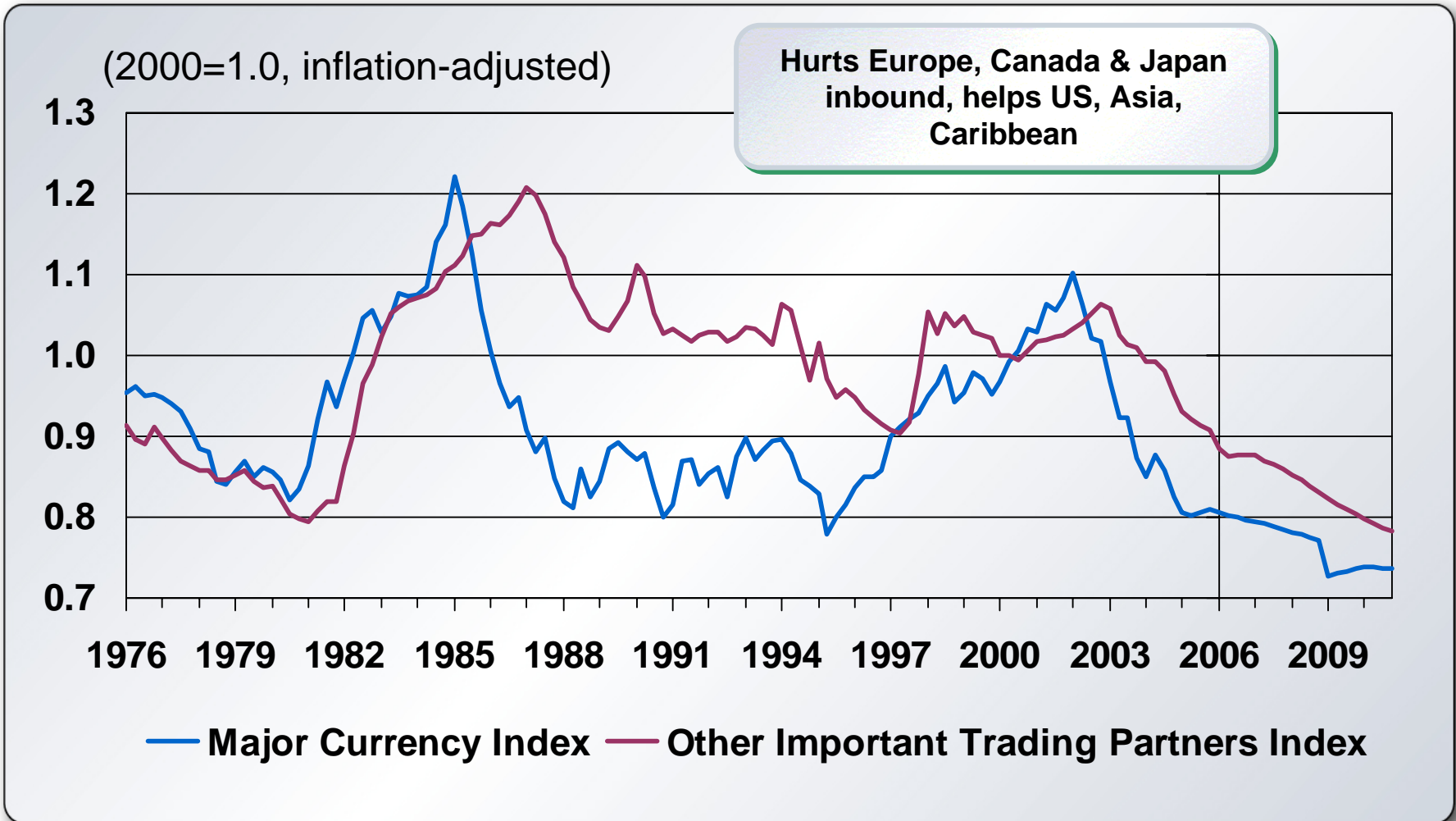
Profit & Export Growth Will Lead to Improving Business Travel

Bodes well for Business Travel

Operating Profits *adjusted for inflation and currency*



The U.S. Dollar Will Depreciate Further



Global Opportunities – Top 10 Markets By Size and Growth

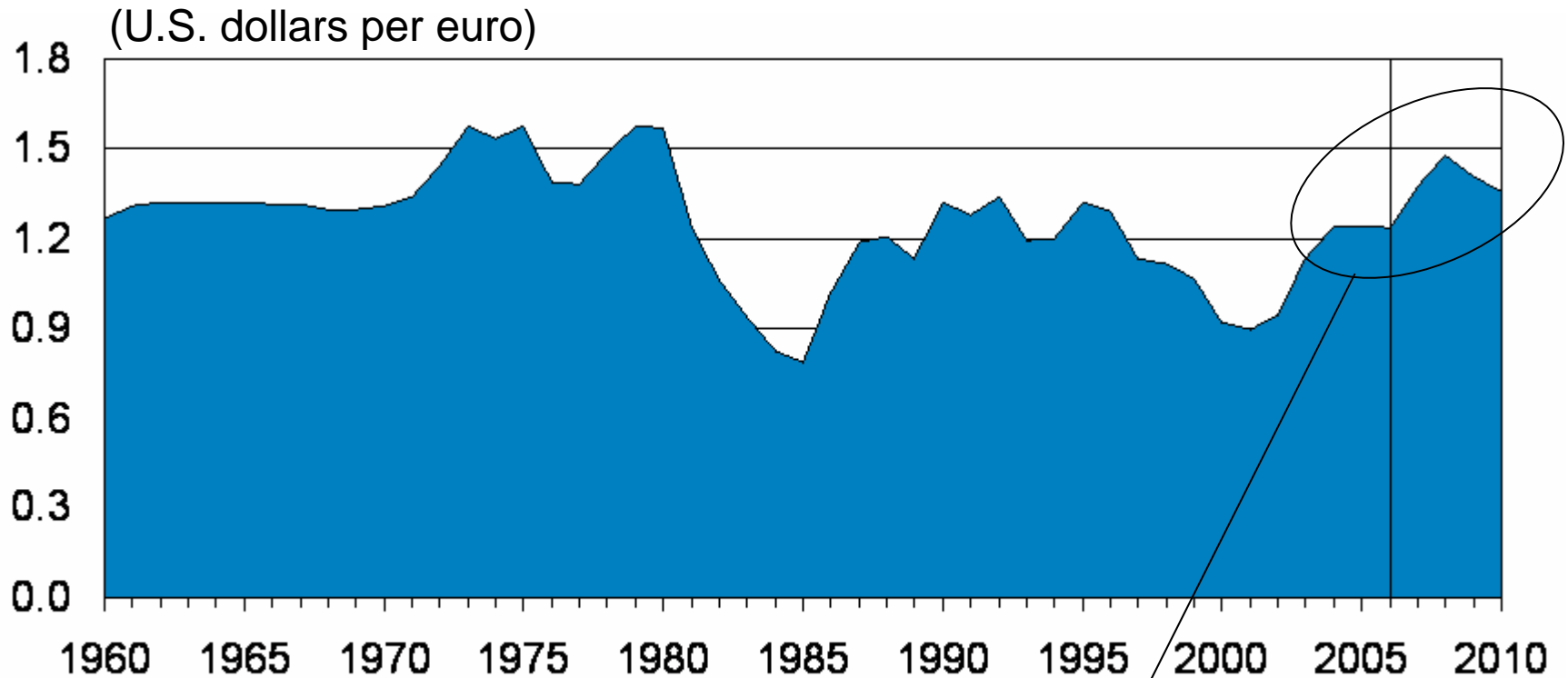
Top 10 By Size

Top 10 Arrival Markets	2005 Arrivals
France	76,924
Spain	55,576
US	49,395
Italy	36,960
UK	26,692
Russia	24,924
Mexico	22,267
Germany	21,446
Turkey	20,269
Austria	19,857

Top 10 By Growth

Top 10 Arrival Markets	Arrivals, 2005-2010 CAGR
Hong Kong	10.4%
Macao	10.1%
Thailand	9.7%
Israel	9.0%
China	8.2%
Vietnam	8.1%
Singapore	8.0%
Malaysia	7.7%
Japan	7.4%
Dubai	7.1%

US Outbound to Europe: Weaker Dollar Will Hurt



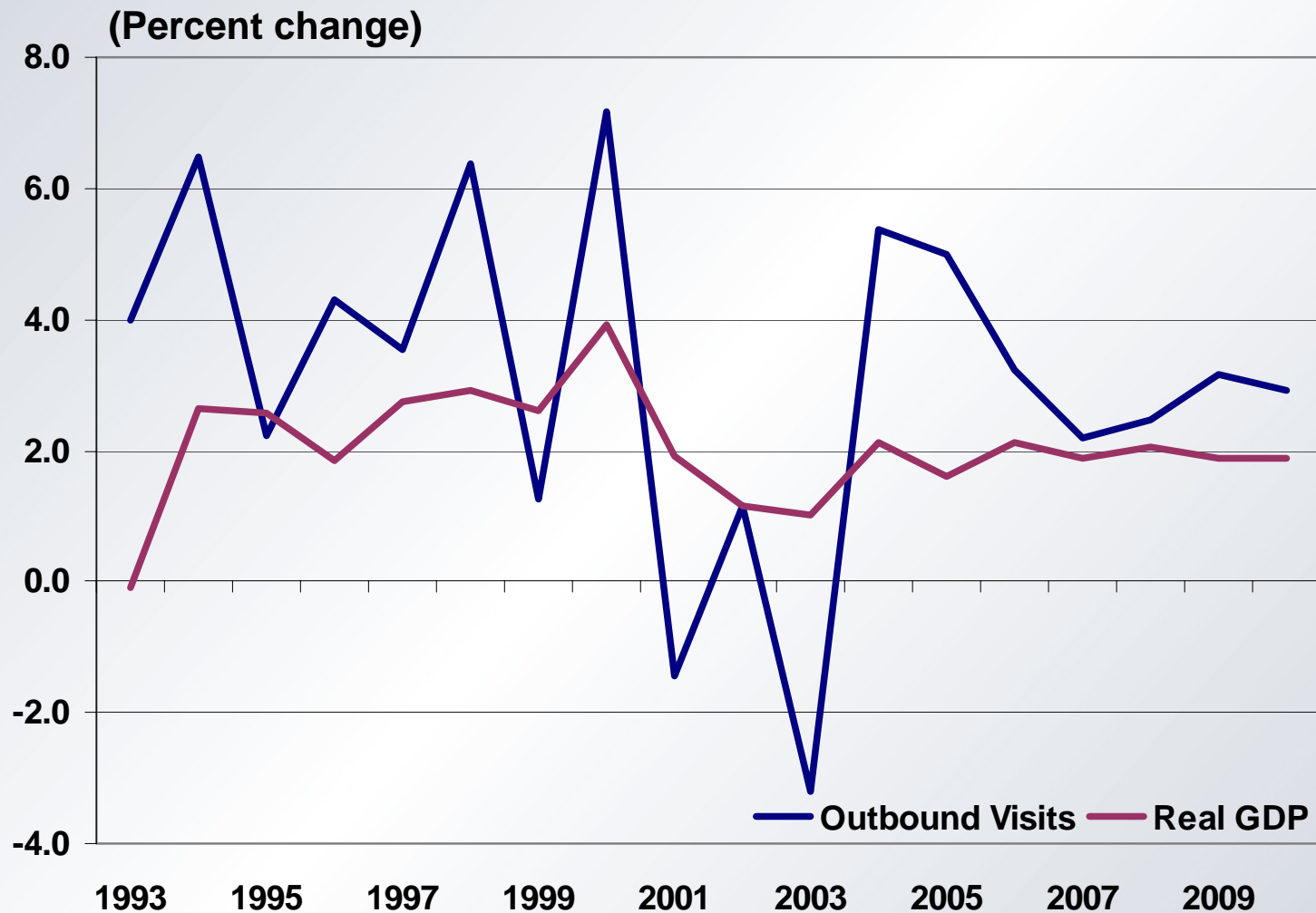
Ouch! The US traveler will face:

- ✓ \$100 taxi rides
- ✓ \$50 pp meals at the neighborhood café
- ✓ \$8 pints of beer
- ✓ \$248/day car hire

Predictions for US Outbound

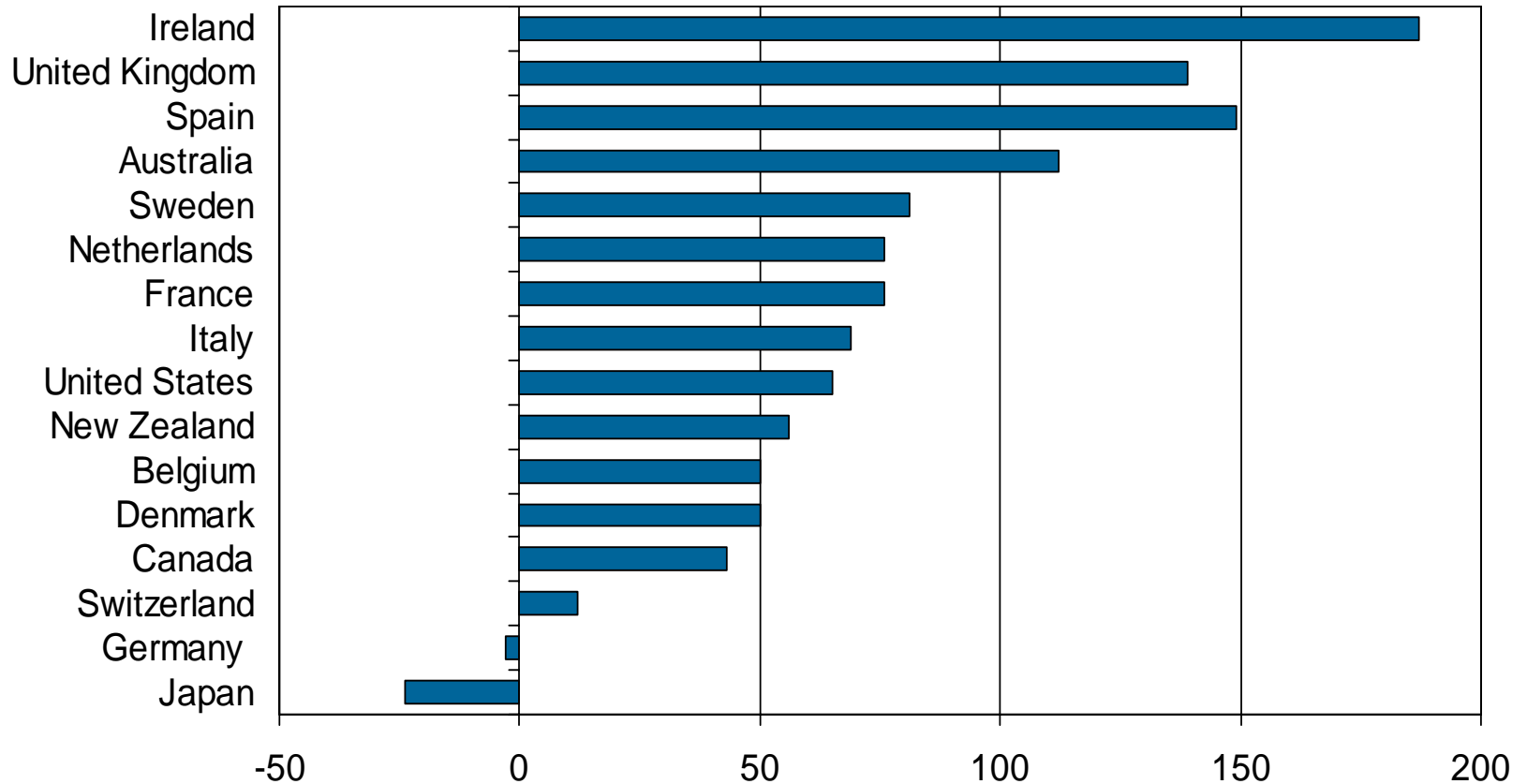
- **Dollar will continue to weaken**
- **US economic recovery resilient but softening**
- **US travel to Europe and Canada will remain soft**
- **US travel to Caribbean will strengthen**
- **US travel to Asia will strengthen lead by business travel strength**
- **Business travel will be robust helping to compensate for rising pressure on the leisure side**

Western Europe Outbound Bounced Back in 2004 and Will Moderate Thereafter



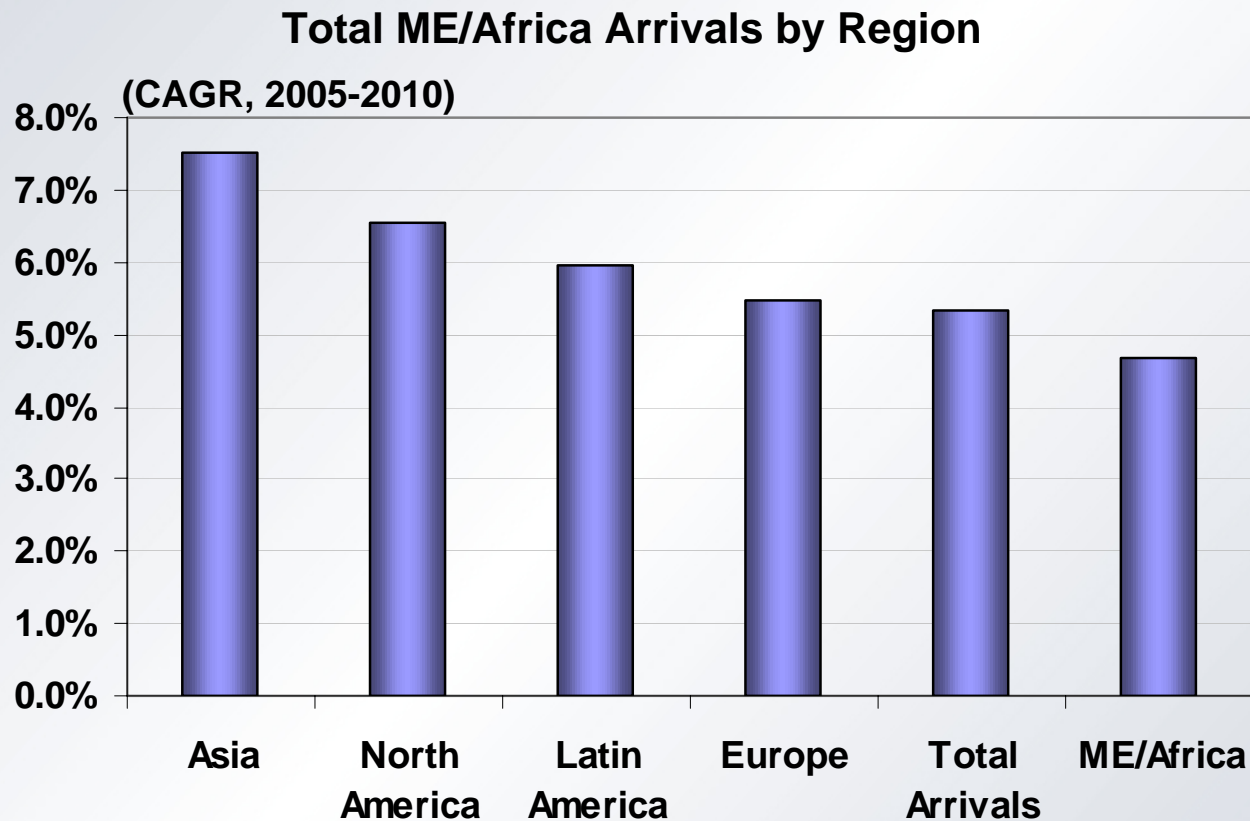
House Price Inflation

(Percent increase 1997-2004)



Source: The Economist

Travel to ME/Africa Will Remain Robust

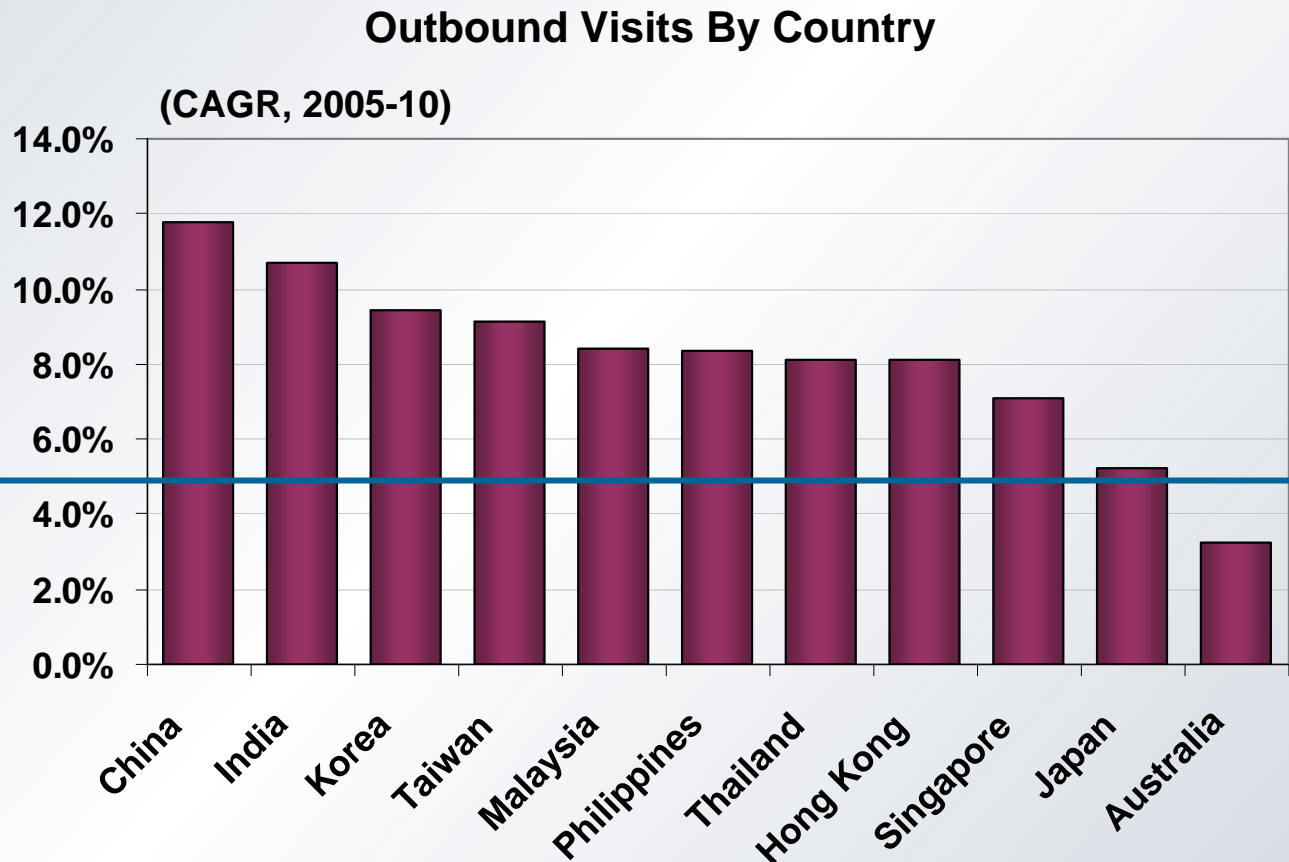


Strong Asia Outbound Growth

Asian outbound will grow at an average annual rate of 8.2% through 2010, led by China and India.

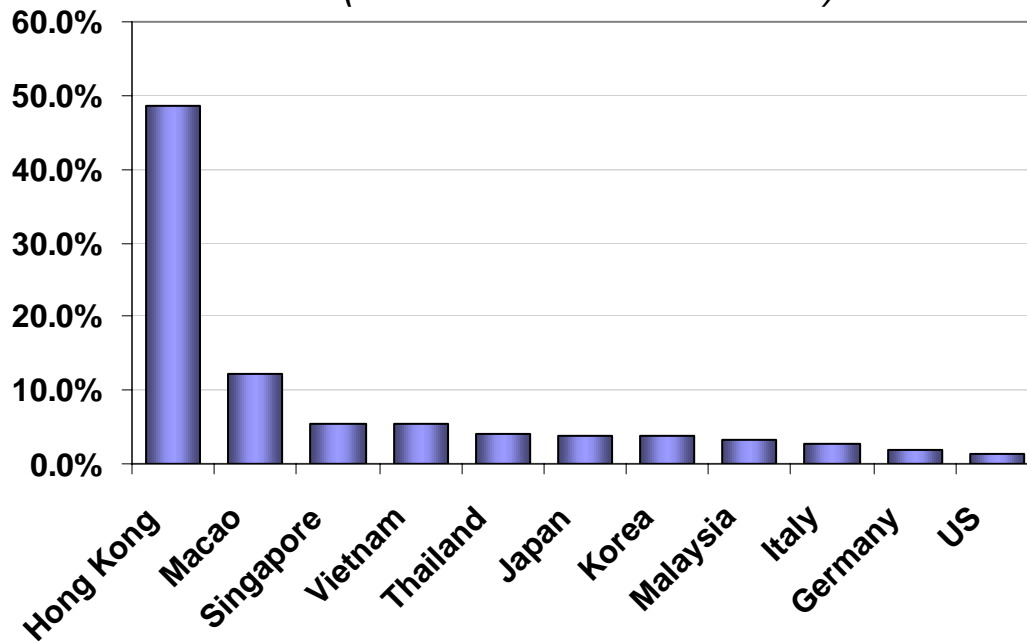
World Outbound

Far ahead of global outbound which is expected to grow at a 4.9% annual pace.



Chinese Travelers Prefer Short-Haul Destinations

China Outbound Visits By Destination
(2005 Share of Outbound)



Destination	2005-2010 Compound Average Annual Growth
Hong Kong	12.1%
Macao	12.1%
Singapore	11.7%
Vietnam	11.3%
Thailand	14.0%
Japan	10.8%
Korea	10.3%
Malaysia	11.7%
Italy	9.7%
Germany	10.1%
US	15.7%
All Other	10.2%
Total	11.8%

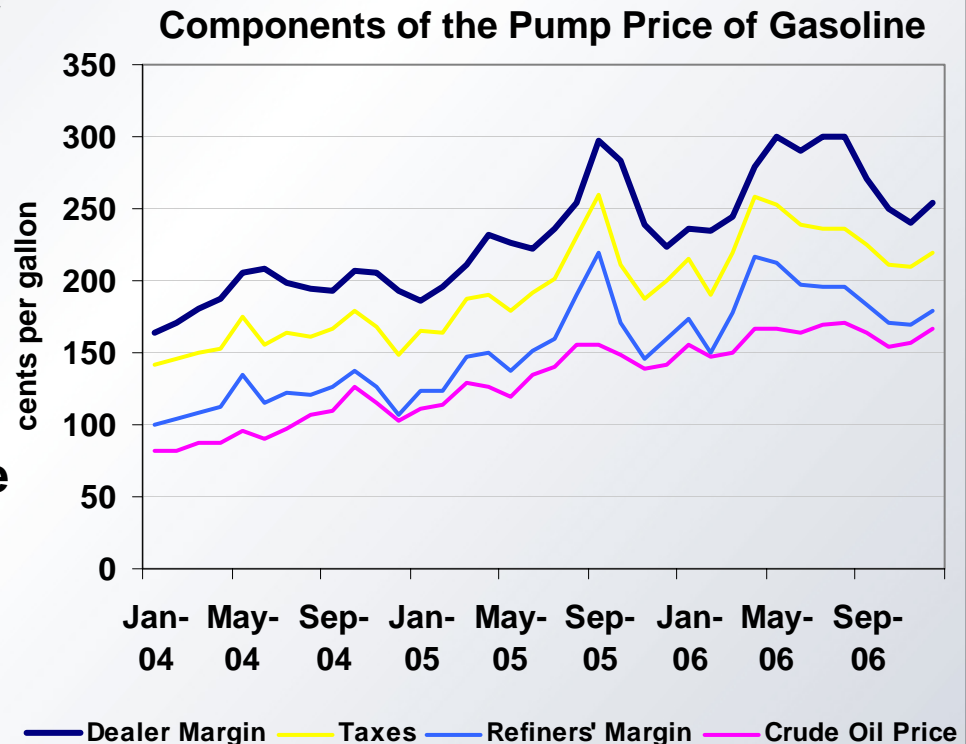


***Oil Prices, Bird Flu, WHTI, and
Other Things That Keep You Up At
Night...***

What Impact Will High Oil Prices Have on Travel?

Travel and Gasoline Prices

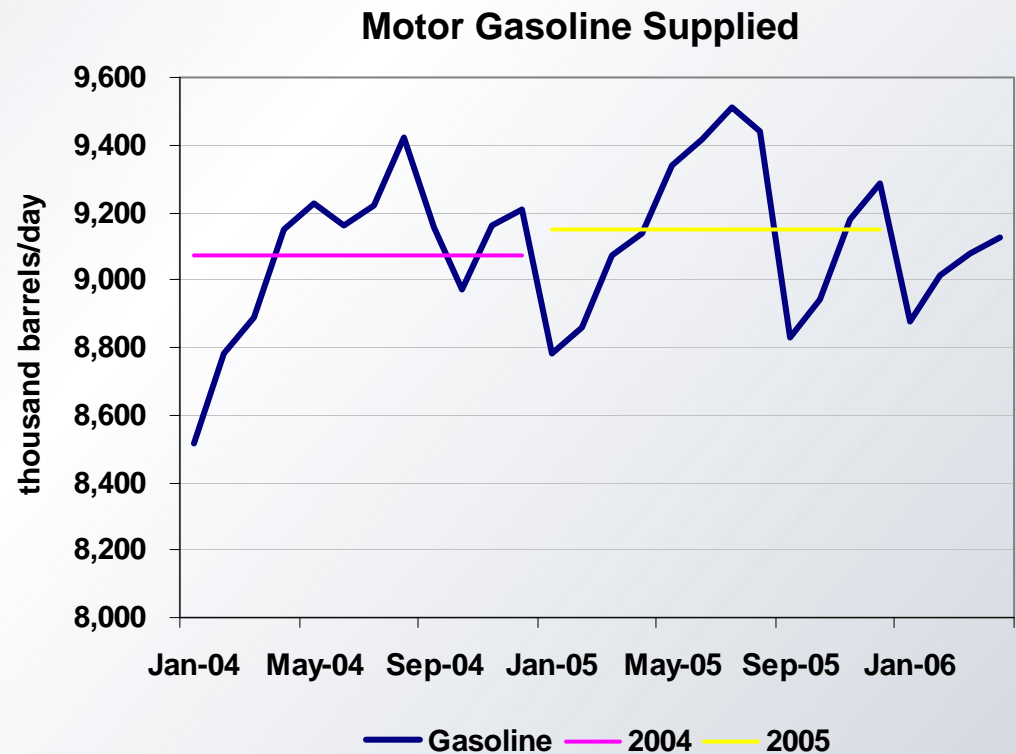
- ◆ Gasoline prices will average \$3 per gallon this summer.
- ◆ Crude oil prices are projected to average \$70 per barrel (\$1.70 per gallon).
- ◆ Refinery costs are projected to average \$0.27 per gallon, higher than last year's \$0.17 pre-hurricane cost as refiners scramble to meet new federal environmental regulations.



So Far, Consumers Have Shrugged Off Increases

Travel and Gasoline Prices

- ◆ Gasoline demand continues to grow despite high prices.
- ◆ Even with the hurricane-induced fears of shortage which temporarily reduced gasoline consumption last fall, total demand for gasoline grew 1.5% in 2005.
- ◆ Through April, demand for gasoline is up 0.8% over the same period a year ago.
- ◆ The slower *growth* in demand is expected to continue throughout the summer months: \$3/gallon gasoline should slow growth to 0.75% year-over-year compared to the 1.5% growth of the last few years.

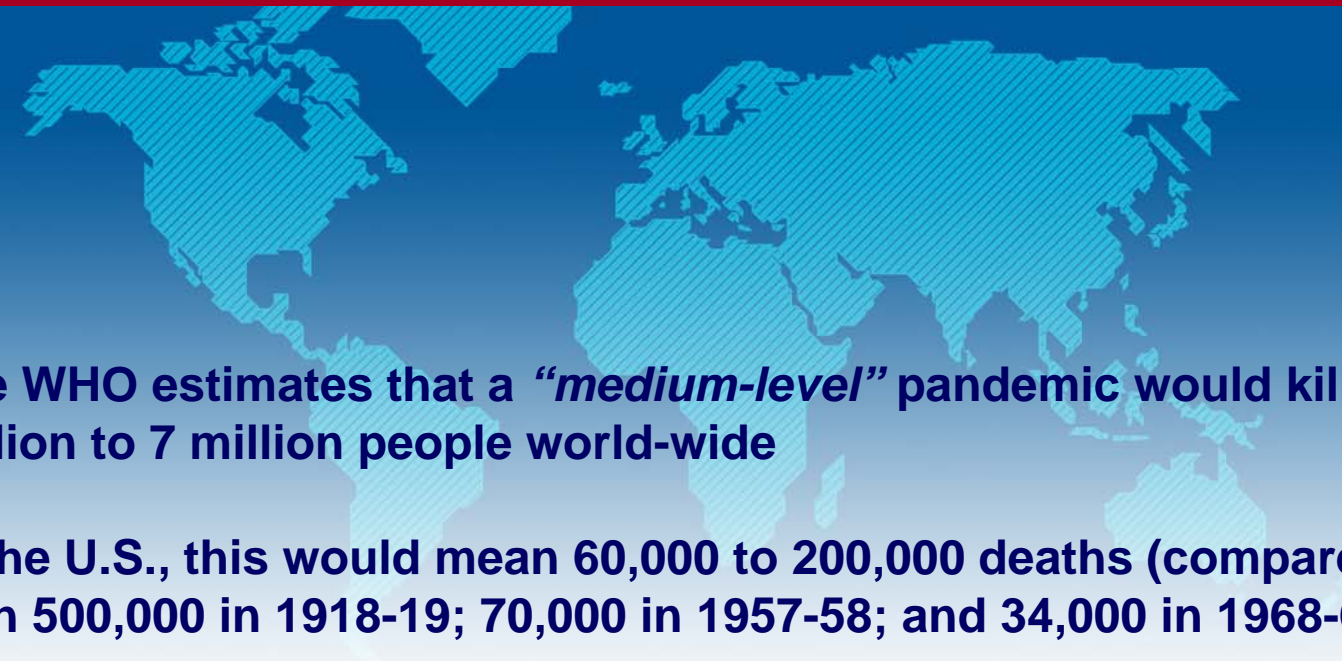


...But It Will Eventually Be Felt

Travel and Gasoline Prices

- ◆ Along with high debt, higher inflation, and slower income growth, discretionary auto travel will begin to be rationalized.
- ◆ ...Resulting in more short-haul trips and benefiting destinations closer to key feeder markets –NJ, NY, MD, ME, CA.
- ◆ Higher oil prices will eventually diffuse through other transportation modes -rising airline, cruise, train fares.
- ◆ Oil prices will also push up other entertainment costs and prices:
 - ↗ Disney World Adult Pass averaged \$64 in '05, up 12% vs '04.
 - ↗ US National Parks announced dramatic increases in entry fees this year (25%-100%)
- ◆ **BOTTOM LINE:** US consumers would sooner trade-in their SUV for a Hybrid than dramatically cut back on their “right” to movement.

Avian Flu is a serious risk for T&T

- 
- **The WHO estimates that a “*medium-level*” pandemic would kill 2 million to 7 million people world-wide**
 - **In the U.S., this would mean 60,000 to 200,000 deaths (compared with 500,000 in 1918-19; 70,000 in 1957-58; and 34,000 in 1968-69)**
 - **In China, the death rate would be 500,000 to 2 million**
 - **In each case, the number of people hospitalized would be 3 to 5 times higher, and the number of people with the flu would be 10% to 30% of the population**

Bird Flu Economic Impacts

- **Supply-side impacts**
 - Deaths and worker absenteeism constrict labor
 - Overwhelmed healthcare systems & closed schools and public transit systems
 - **Restrictions on in-bound travel, tourism, and trade (and a severe crackdown on illegal immigration)**
- **The demand-side impacts -*discretionary spending categories*:**
 - **Travel/mass transit**
 - **Retail/wholesale (except on-line)**
 - **Hotels/restaurants**
 - **Other entertainment (movies, theaters, concerts and sporting events)**
- **The demand-side impacts would be 2 to 5 times greater than the supply-side**
- **SARS only caused about 800 deaths, but reduced Asian GDP growth by 2% in 2003Q2, and by 0.5% in all of 2003 (and Asian arrivals by -28%)**
- **Over-reaction by financial markets could exacerbate effects**
- **National and local government response would be crucial in limiting the negative impact on consumer and business **confidence****

Impacts on Global GDP Growth & Arrivals

Supply-Side

Medium Pandemic

Severe Pandemic

**Mild
Reaction**

- World: -1% to -2%
- Asia: -2% to -3%
- Much worse than SARS
- **Asia Arrivals: -10-20%**
- **Probability: 15%**

- World: -3% to -4%
- Asia: -4% to -5%
- World recession – protracted stagnation
- Probability: 3%

**Strong
Reaction**

- World: -4% to -5%
- Asia: -5% to -7%
- **Asia Arrivals: -20-30%**
- World recession – relatively quick rebound
- Probability: 5%

- World: -6% to -10%
- Asia: -7% to -15%
- World depression
- Probability: 1%

Demand-Side

Destination-Specific Events Generally Impact Arrivals for Only a Limited Period

Event	Arrival Growth Year of Event	Arrival Growth Next Year
Tokyo Subway Nerve Gas Attack (Mar 95)	-3.5%	+14.9%
Luxor (Egypt) Terrorist Attacks (Nov 1997)	-12.1%	+40%
9/11 Attacks (Sep 2001)	-11%	-7%
Civil Violence preceding Argentina Currency Devaluation (Fall 2002)	-10%	+7.5%
Bali Night Club Bombing (Oct 2002)	-11.2%	+21%
SARS in Asia (Spring 2003)	-28%	+30%
Madrid Train Bombing (March 2004)	+1.2%	+6.0%
London: Russell Sq Tube Bombings (Mar '05)	-3.8%	+4.2%
Israel Bombing + Hamas Victory (April 2006)	?	
Egypt Dahab Resort Bombing (April 2006)	?	

WHTI –Security(?) At What Price?

Issue: by December 2008 all US-Canadian border crossings will require a passport or other upgraded (and traceable) identification

- *Dec 2006 –Air and Sea based crossings (3.5MM Ont-to-USA in '05)*
- *Dec 2007 –Land based (15.8MM Ont-to-USA in '05)*

◆ Only 18% of US Adults currently have a valid passport. A 2005 survey focused on households of both countries who had crossed the border. Number w/ valid passports:

2005 Survey Results	United States	Canada
General population	34%	41%
Same-day travelers	44%	60%
Overnight auto travelers	50%	70%
Overnight air travelers	67%	75%

Source: 'The Potential Impact of a Western Hemisphere Travel Initiative Passport Requirement on Canada's Tourism Industry', Canada Tourism Commission

WHTI –Security(?) At What Price?

- ◆ **A Feb 2006 Zogby International Survey questions the intent and the costs of the WHTI:**
 - ◆ *68% of Americans and 76% of Canadians support documentation improvements*
 - ◆ *34.5% of US non-passport holders say they are less likely to cross. 29.2% of Canadians say the same.*
 - ◆ *Border ID Cards? NO, 68% Americans, 54% Canadians*
 - ◆ *Only 44% of US respondents think the regulations will help prevent terrorism, 53% of Canadians believe so.*
 - ◆ *Sample: 1,214 US households in 11 border states, including Wisconsin, plus 502 Canadian households. MOE =2.9%*
- ◆ **July 2005 CBC Report for Canadian Tourism Commission:**
 - ◆ *Reduction of 3.5MM crossings Canada-to-US, 7MM from US-to-Canada (2006-2008)*
 - ◆ *Economic Impact: **-\$785MM** in US, **-\$1,700MM** in Canada (2006-2008).*



Ontario Travel & Tourism Outlook

Issues for Ontario

Traditional markets – North Eastern U.S., U.K. & Europe will be slow growth areas

- **Opportunities exist in U.S. South East, South West and Mid-Atlantic. U.S. Hispanic and Asian demographics are also very favourable.**
- **Japan, China and India offer growth potential to partially offset slower growth in Europe.**

Exchange rates and oil prices will work against Ontario

- **Ontario is not a low cost travel market - focus at the high end to offset higher dollar and energy costs. U.S. affluent households (\$90k+) growing 6% annually.**
- **Energy costs will moderate but still negatively impact travel. Auto is most vulnerable to higher oil. Bus, train and air travel will hold up better.**

Changes in passport requirements will dampen inbound visits from the U.S. beginning in 2007-2009.



Overview

	2005	2006	2007	2008
Global Travel	5.6%	4.2%	3.7%	3.9%
Total Canadian Inbound	-2.1%	3.4%	4.3%	4.2%
Total Ontario Inbound	-0.1%	2.1%	2.6%	1.1%
U.S. Inbound	-9.7%	-0.7%	0.0%	-10.3%
Inter-Provincial Inbound	1.1%	1.4%	0.3%	0.3%
International Inbound	6.7%	5.9%	6.8%	7.8%
Intra-Ontario	2.0%	2.7%	3.2%	3.2%

(Percent change)

Inbound Travel: A Mixed Bag

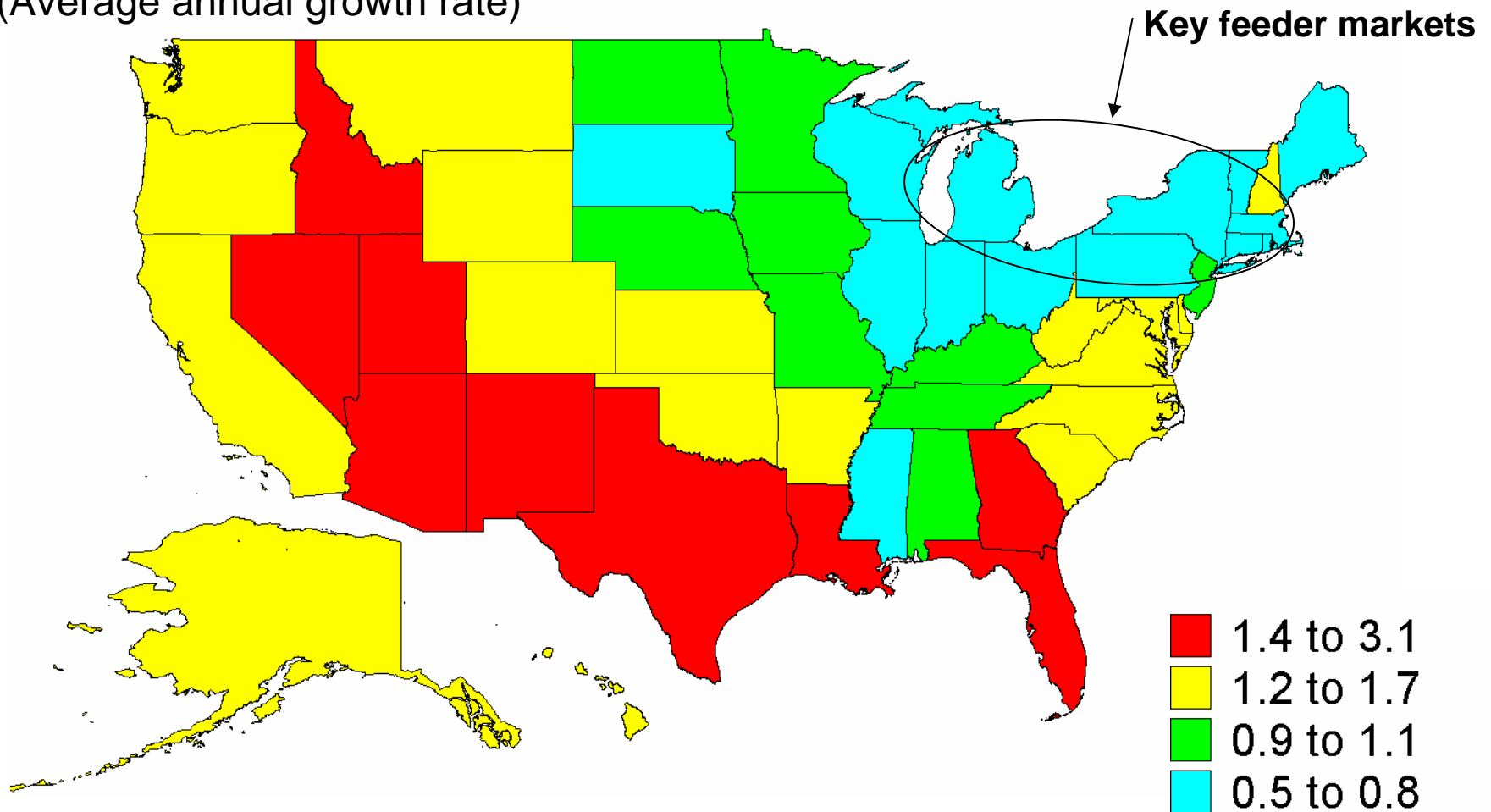
- **Strong Canadian Dollar has hurt inbound U.S. visits in 2005 and we expect U.S. inbound to remain weak in 2006 before being hit by passport regulations in 2006 and 2007. U.S. inbound is off to a very weak start to 2006.**
- **Inter-provincial travel will continue its decline as the strong dollar encourages travelers to visit outside the country. Intra-provincial travel will remain at trend over the forecast period.**
- **Inbound travel from overseas will benefit from the strong Euro, despite lagging economic growth in Europe. The Yen has weakened against the Canadian Dollar, but we expect it to strengthen, supporting growth in inbound visits from Japan through 2009.**

Inbound Travel Summary: A Mixed Bag

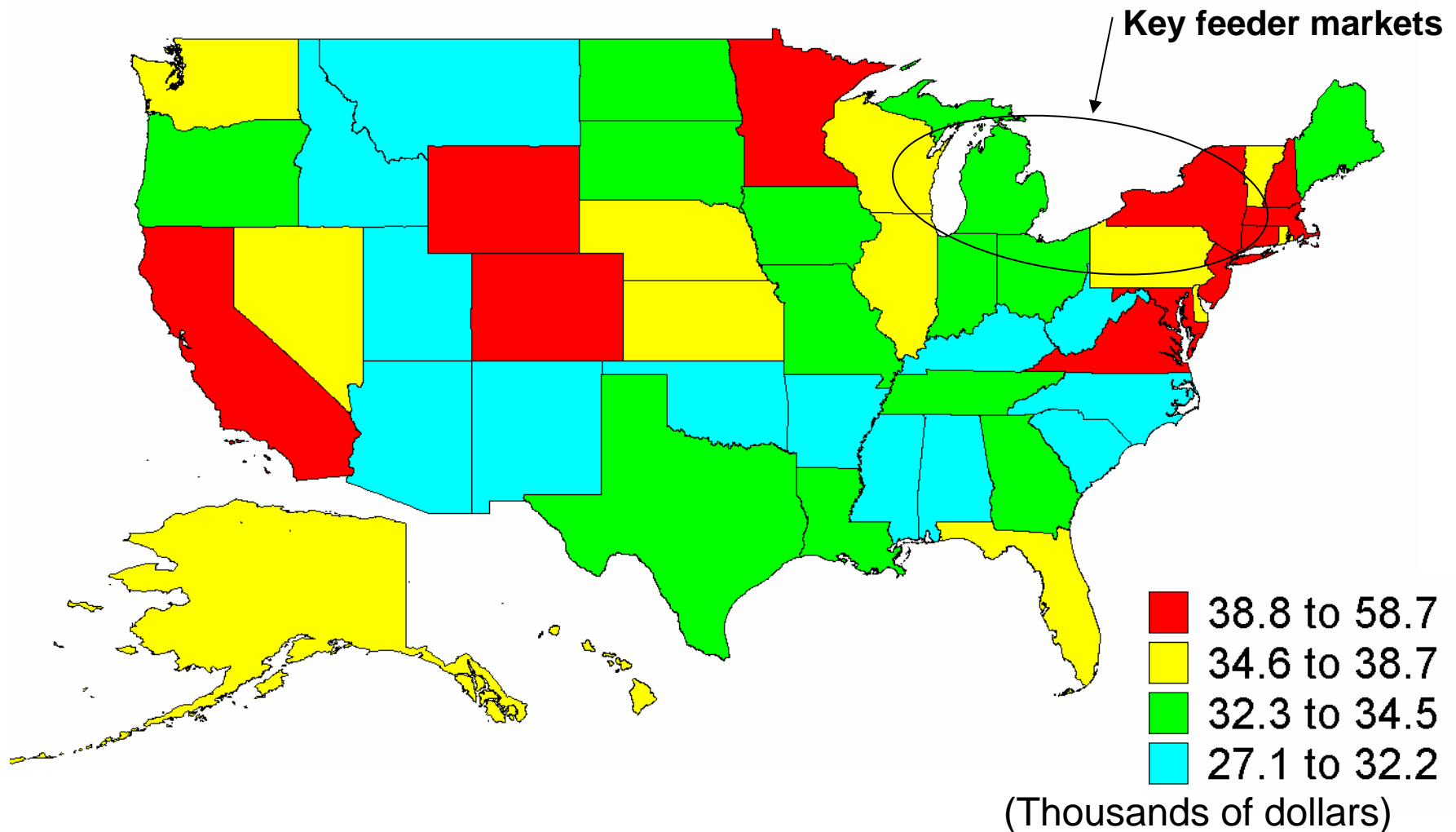
Source	2006 Person- Visits ('000)	% of Total	06/05 %	C.A.G.* 2005-2010	Perspective
Total Inbound	120,709	100%	2.1%	2.0%	<i>Overseas and Intra-Prov will more than compensate for US arrival losses</i>
Business	11,225	9%	2.6%	2.0%	<i>Corp Profits & Cash Flow will bolster Biz Travel</i>
Non-Business	109,484	91%	2.1%	1.9%	<i>Intra-Prov and Overseas support this dominant category</i>
Overseas	2,315	1.9%	5.9%	6.2%	<i>Asian economic growth, improving trade conditions, and C\$ are all favourable</i>
Germany	156	0.1%	5.3%	5.8%	<i>Improving consumer prospects & currency help</i>
France	124	0.1%	4.0%	5.6%	<i>Consumers will drive modest French GDP growth</i>
UK	471	0.4%	4.9%	6.1%	<i>Stronger economic growth will bolster arrivals from UK</i>
Japan	224	0.2%	7.0%	6.4%	<i>Consumption is growing modestly. Keep your eye on Japanese HH debt burden</i>
Other Overseas	1,340	1.1%	6.3%	6.4%	<i>Follow Bird Flu risk closely</i>
U.S.	19,188	15.9%	-0.7%	-1.4%	<i>Consumer fatigue early, US Dollar weakness and WHTI will hurt</i>
Border States	15,621	12.9%	-1.4%	-2.0%	<i>Key border states will lag US average in employment & income growth</i>
Inter-Prov	5,991	5.0%	1.4%	0.5%	<i>Adjacent Provinces will lag total Canadian GDP growth plus rising US market competition fueled by lower US\$</i>
Intra-Prov	93,215	77.2%	2.7%	2.6%	<i>Stronger Ontario growth vs. US destination draw</i>
*Compound Annual Growth					

The Northeast Will Lag in Job Growth, 2006-11

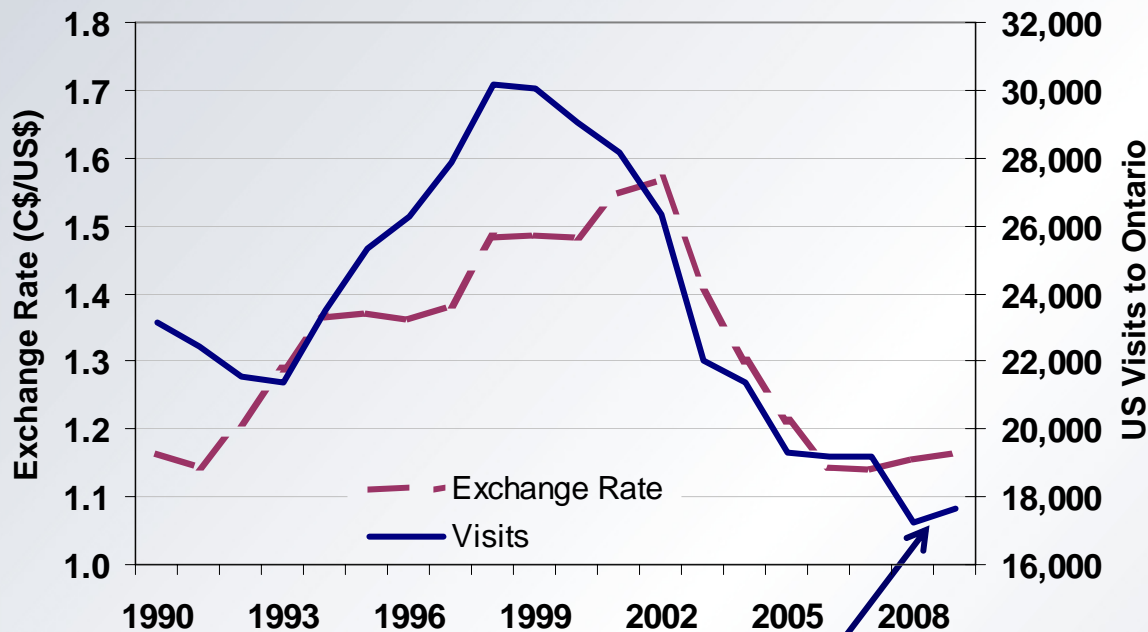
(Average annual growth rate)



The Northeast Leads in Per Capita Income, 2006



U.S. Visits to Ontario are Highly Dependent on the Exchange Rate



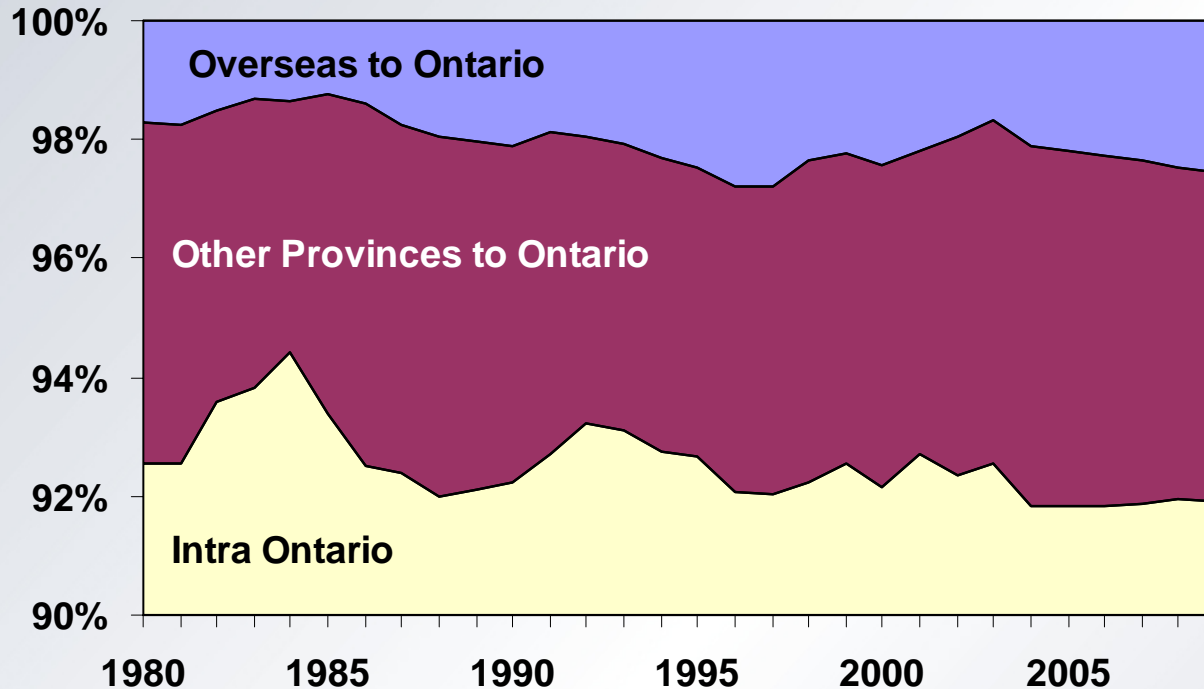
**Passport
Regulation
Change**

As the C\$/U.S.\$ exchange rate goes, so go visits from the U.S. to Canada.

The weak U.S.\$ affects same-day visits more than overnight visits.

Further, business travel is more affected by the business cycle than by exchange rates.

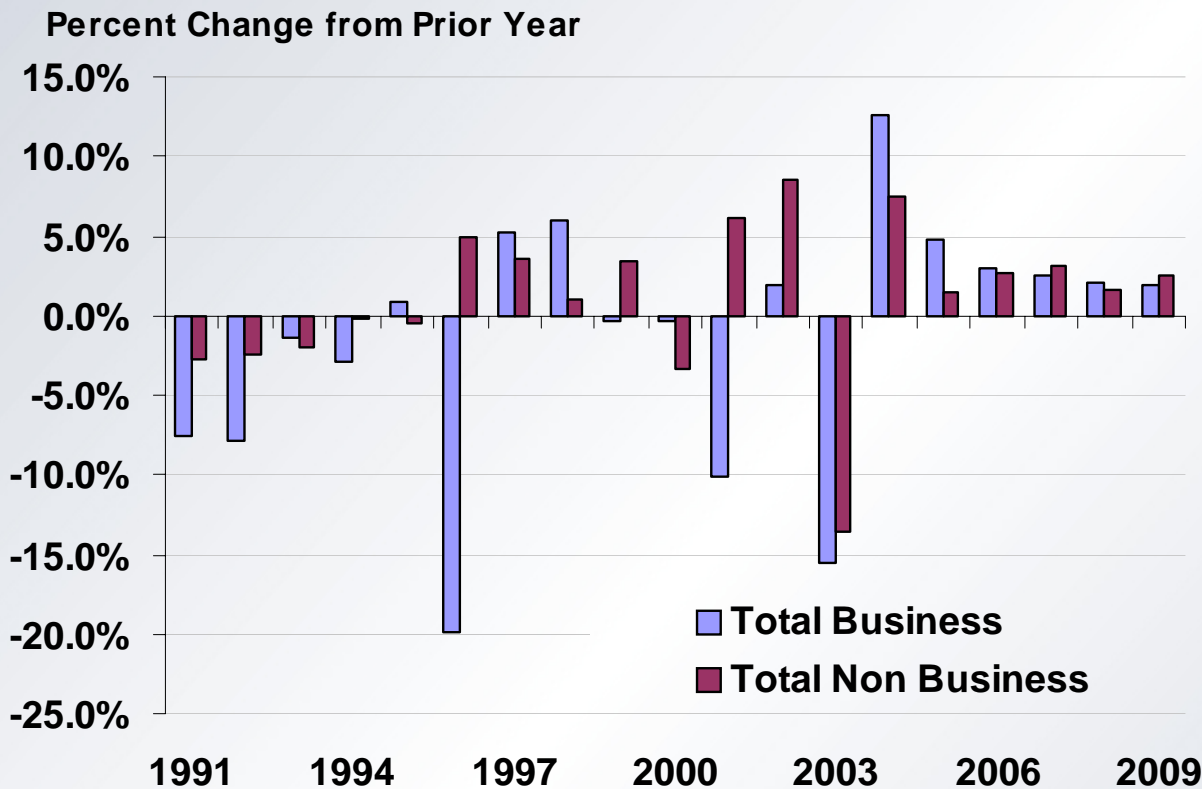
Inbound Market Share (Excluding the U.S.)



Overseas and intra-provincial travel will gain share over the forecast period at the expense of inter-provincial visitors.

The strong Canadian dollar is causing Canadian travelers to seek other (non-Canadian) destinations.

Non-Business Travel Will Slightly Outpace Business Travel Over the Forecast



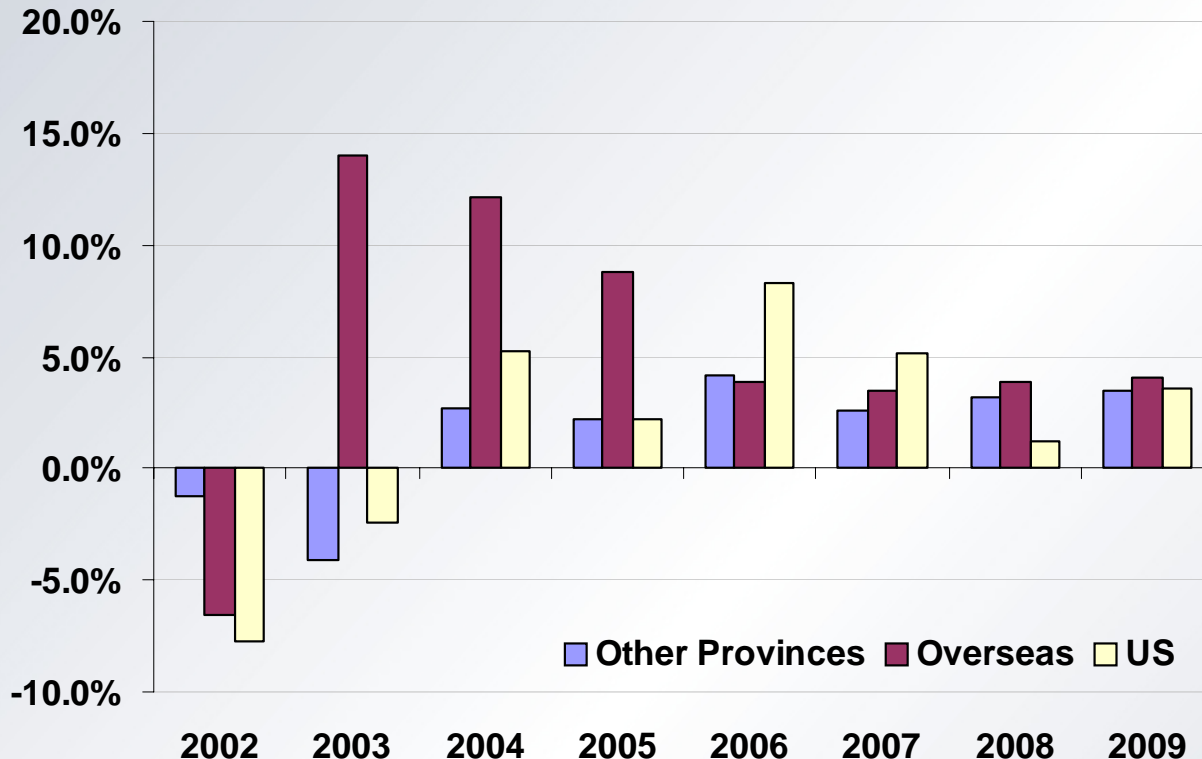
Passport regulations will primarily affect leisure travelers.

Growth in leisure travel would have outpaced business travel through 2009 if passport regulations had not cut growth from 3.0% in 2008 to 1.7%.

Outbound Travel: Steady Growth

- **Ontario outbound travel will show steady growth across most destinations through 2009.**
- **The strong Canadian Dollar is making international destinations more attractive to Ontario travelers.**
- **Visits to the U.S. will remain strong due to the favorable exchange rate, but will be adversely impacted in 2007 and 2008 by the new passport requirements.**
- **Ontario overseas visits will also grow as the Canadian dollar remains relatively strong against the euro and the yen.**

Outbound Travel Will Be Strong Through 2009



Outbound travel growth will be strong through 2009.

Passport requirement changes will impact visits to the U.S. in 2008 and 2009.

By 2009, outbound travel growth will be fairly evenly distributed.

Ontario Bottom Line

- ✓ US\$ Exchange rate, slower household income growth (particularly in border states), and WHTI will hurt US inbound
- ✓ Overseas inbound will be strong, although the origin country mix could be better –*promotional opportunities?*
- ✓ Inter-provincial arrivals will be weak given increase in US destination desirability (US\$) and lower *adjacent* province growth
- ✓ Business travel will be strong over the next few years (Corporate profits and cash flow up, business travelers have a passports, & improved exports to China and rest of Asia –follow the trade flow).
- ✓ Gasoline prices will favor shift to more short-haul trips (leisure) early, less impact later as consumers get used to a “new normal”. Other modes & tourism providers currently absorbing the increase, but have run out of slack.
- ✓ WHTI? US border states travelers will purchase Border IDs or obtain passports...eventually.
- ✓ Ontario outbound will benefit from favorable C\$, HH income growth, and improved business travel.
- ✓ Global destination competition is becoming sophisticated, proactive, and, increasingly, a public priority.

Total Ontario Inbound Travel Detail

Total Ontario Inbound

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits	-11.5%	2.9%	-0.1%	2.1%	2.6%	1.1%	1.9%	2.2%
Overnight	-13.7%	7.8%	1.3%	2.6%	3.1%	1.7%	2.5%	2.9%
Same Day	-10.2%	0.0%	-1.0%	1.8%	2.4%	0.6%	1.4%	1.7%
Business	-17.3%	10.2%	0.8%	2.6%	2.3%	1.6%	1.6%	2.0%
Nonbusiness	-11.0%	2.3%	-0.2%	2.1%	2.7%	1.0%	1.9%	2.2%
Total Expenditures	-11.9%	8.3%	1.5%	3.1%	4.1%	3.3%	5.1%	4.9%
Overnight	-13.4%	11.4%	2.4%	3.4%	4.6%	3.7%	5.5%	5.4%
Same Day	-7.7%	0.4%	-1.3%	2.3%	2.8%	2.0%	3.8%	3.6%
Business	-14.5%	6.4%	3.4%	3.8%	3.9%	4.1%	4.6%	4.7%
Nonbusiness	-11.1%	8.8%	0.9%	3.0%	4.2%	3.0%	5.2%	5.0%

Intra-Provincial Inbound Travel Detail

Ontario to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits	-10.1%	3.5%	2.0%	2.7%	3.2%	3.2%	1.8%	2.2%
Overnight	-12.6%	6.3%	2.2%	3.2%	3.7%	3.7%	2.5%	3.0%
Same Day	-8.6%	1.9%	1.9%	2.4%	3.0%	2.9%	1.3%	1.8%
Business	-19.1%	8.5%	2.2%	3.4%	2.8%	1.8%	1.6%	2.2%
Nonbusiness	-9.3%	3.1%	2.0%	2.6%	3.3%	3.3%	1.8%	2.3%
Total Expenditures	-5.1%	3.5%	3.4%	3.4%	5.1%	5.3%	4.4%	4.8%
Overnight	-6.5%	4.0%	4.1%	4.1%	5.6%	5.6%	5.1%	5.6%
Same Day	-2.5%	2.6%	2.3%	2.2%	4.2%	4.5%	3.0%	3.3%
Business	-8.1%	0.8%	1.0%	4.4%	4.3%	3.9%	3.7%	4.8%
Nonbusiness	-4.5%	4.1%	3.9%	3.3%	5.3%	5.5%	4.5%	4.8%

Inter-Provincial Inbound Travel Detail

Other Provinces to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits	-9.3%	9.4%	1.1%	1.4%	0.3%	0.3%	0.3%	0.3%
Overnight	-12.6%	5.7%	0.5%	1.1%	0.3%	0.3%	0.4%	0.3%
Same Day	2.0%	20.1%	2.7%	2.1%	0.3%	0.1%	0.2%	0.3%
Business	0.2%	18.1%	-2.6%	1.5%	0.4%	0.4%	0.3%	0.4%
Nonbusiness	-12.2%	6.4%	2.5%	1.4%	0.2%	0.2%	0.3%	0.3%
Total Expenditures	-3.6%	2.7%	7.7%	2.5%	2.1%	3.2%	3.5%	3.5%
Overnight	-4.2%	2.2%	7.9%	2.4%	2.1%	3.2%	3.6%	3.6%
Same Day	12.5%	14.2%	2.5%	4.1%	2.4%	2.1%	1.9%	1.8%
Business	6.5%	-7.1%	9.9%	2.9%	1.7%	1.9%	2.0%	1.9%
Nonbusiness	-11.1%	11.4%	6.0%	2.1%	2.4%	4.1%	4.7%	4.7%

USA Inbound Travel Detail

USA to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits	-16.4%	-2.8%	-9.7%	-0.7%	0.0%	-10.3%	2.5%	1.9%
Overnight	-17.2%	10.8%	-3.6%	-0.3%	0.5%	-9.0%	2.8%	2.5%
Same Day	-16.0%	-8.8%	-12.9%	-0.9%	-0.4%	-11.0%	2.3%	1.6%
Business	-21.6%	9.8%	-5.8%	-1.4%	1.2%	1.0%	2.0%	1.6%
Nonbusiness	-16.0%	-3.7%	-10.0%	-0.6%	-0.1%	-11.2%	2.6%	1.9%
Total Expenditures	-18.9%	10.8%	-5.8%	1.8%	-0.2%	-6.2%	6.0%	4.6%
Overnight	-19.4%	18.1%	-4.0%	1.4%	0.6%	-5.4%	5.7%	4.7%
Same Day	-17.6%	-7.3%	-11.7%	3.2%	-3.2%	-9.2%	7.1%	4.5%
Business	-30.6%	22.0%	-0.3%	1.9%	3.2%	4.0%	6.5%	5.4%
Nonbusiness	-15.4%	8.1%	-7.3%	1.8%	-1.2%	-9.4%	5.8%	4.4%
Border								
Total Visits	-16.0%	-4.8%	-10.7%	-1.4%	-0.5%	-10.9%	1.9%	1.3%
Overnight	-16.3%	8.7%	-5.8%	-1.7%	-0.3%	-10.3%	1.5%	1.2%
Same Day	-15.9%	-9.3%	-12.7%	-1.2%	-0.5%	-11.2%	2.1%	1.3%
Business	-20.1%	-1.4%	-8.5%	-3.8%	-0.7%	0.2%	1.0%	0.3%
Nonbusiness	-15.8%	-5.0%	-10.9%	-1.2%	-0.5%	-11.6%	2.0%	1.3%
Total Expenditures	-14.9%	4.1%	-8.3%	0.7%	-1.7%	-9.0%	4.4%	3.0%
Overnight	-14.2%	11.7%	-6.6%	-0.6%	-0.6%	-8.0%	3.3%	2.6%
Same Day	-16.1%	-8.2%	-11.7%	3.4%	-4.1%	-11.2%	6.7%	4.0%
Business	-20.7%	1.7%	1.9%	-2.6%	-0.5%	2.5%	5.0%	3.7%
Nonbusiness	-14.1%	4.5%	-9.7%	1.2%	-1.9%	-10.7%	4.3%	2.9%

Overseas Inbound Travel Detail

Total Overseas to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits	-22.6%	31.5%	6.7%	5.9%	6.8%	7.8%	5.6%	5.1%
Overnight	-23.7%	34.0%	7.2%	6.3%	6.7%	7.7%	5.6%	5.2%
Same Day	-16.3%	18.5%	3.7%	3.3%	7.5%	8.4%	5.6%	4.8%
Business	-18.9%	14.0%	17.6%	8.1%	4.3%	4.2%	4.8%	4.5%
Nonbusiness	-23.4%	35.3%	4.6%	5.4%	7.3%	8.5%	5.8%	5.3%
Total Expenditures	-27.6%	30.1%	3.7%	4.7%	9.1%	10.6%	7.1%	6.5%
Overnight	-27.5%	32.1%	4.4%	5.0%	9.0%	10.4%	7.2%	6.6%
Same Day	-28.9%	6.4%	-7.3%	-1.4%	11.7%	13.6%	4.8%	5.1%
Business	-24.4%	18.7%	8.4%	6.3%	6.7%	7.4%	7.0%	6.5%
Nonbusiness	-28.6%	34.0%	2.2%	4.2%	9.8%	11.5%	7.1%	6.5%

Ontario Outbound Travel Detail

Total Ontario Outbound

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits	-1.6%	5.2%	2.9%	6.8%	4.4%	2.0%	3.6%	4.0%
Overnight	-3.0%	8.3%	4.6%	4.1%	2.8%	1.6%	3.4%	3.8%
Same Day	-0.1%	2.1%	1.0%	9.8%	6.0%	2.3%	3.8%	4.3%
Business	-4.8%	8.2%	1.4%	4.7%	4.8%	3.8%	4.2%	4.8%
Nonbusiness	-0.9%	5.0%	2.8%	7.2%	4.3%	1.6%	3.5%	3.9%
Total Expenditures	-0.7%	12.9%	4.9%	2.1%	4.2%	4.9%	6.2%	6.2%
Overnight	-0.8%	12.3%	5.1%	2.1%	4.3%	4.9%	6.1%	6.1%
Same Day	1.2%	23.4%	1.2%	2.3%	3.2%	4.7%	8.5%	8.7%
Business	-6.4%	4.2%	8.9%	5.5%	6.1%	6.6%	7.6%	7.1%
Nonbusiness	1.4%	15.4%	4.0%	1.1%	3.6%	4.3%	5.7%	5.9%

Other Provinces Outbound Travel Detail

Ontario to Other Provinces

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits	-4.1%	2.7%	2.2%	4.2%	2.6%	3.2%	3.5%	3.1%
Overnight	-7.3%	4.2%	1.5%	3.6%	2.2%	3.5%	4.0%	3.6%
Same Day	6.2%	-1.2%	4.3%	5.7%	3.8%	2.3%	2.0%	1.7%
Business	-13.1%	25.9%	-1.2%	6.6%	5.2%	4.5%	5.3%	4.9%
Nonbusiness	-2.1%	-1.6%	3.1%	3.6%	2.0%	2.9%	3.0%	2.6%
Total Expenditures (in Ontario)	-5.4%	16.1%	6.3%	-0.2%	3.2%	4.0%	4.7%	4.1%
Overnight	-6.8%	15.5%	4.8%	-0.3%	3.2%	3.6%	4.1%	4.1%
Same Day	22.7%	25.6%	27.3%	1.3%	2.9%	9.0%	11.1%	5.0%
Business	-17.4%	30.0%	5.3%	4.9%	5.5%	5.5%	6.3%	5.7%
Nonbusiness	7.6%	4.4%	7.3%	-5.3%	0.6%	2.3%	2.8%	2.2%
Total Expenditures (in Other Provinces)	-10.7%	19.1%	1.4%	6.4%	5.9%	7.8%	8.3%	7.7%
Overnight	-10.6%	19.8%	1.5%	6.1%	5.6%	7.9%	8.4%	7.7%
Same Day	-13.4%	2.6%	-0.2%	15.8%	15.9%	6.2%	4.2%	9.1%
Business	-12.1%	20.4%	4.7%	7.5%	7.3%	7.6%	8.7%	7.7%
Nonbusiness	-10.2%	18.6%	0.1%	6.0%	5.4%	7.9%	8.1%	7.7%

U.S. Outbound Travel Detail

Ontario to USA

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits	-2.5%	5.2%	2.2%	8.3%	5.2%	1.2%	3.5%	4.4%
Overnight	-5.1%	10.3%	5.4%	4.5%	3.1%	-0.9%	2.6%	3.9%
Same Day	-1.1%	2.7%	0.5%	10.5%	6.3%	2.4%	4.0%	4.6%
Business	-1.6%	1.5%	1.8%	3.8%	4.4%	3.5%	3.3%	4.7%
Nonbusiness	-2.6%	6.0%	2.3%	9.2%	5.3%	0.9%	3.6%	4.3%
Total Expenditures	-5.8%	6.6%	4.9%	-1.0%	1.7%	2.0%	5.7%	6.5%
Overnight	-6.7%	4.2%	5.9%	-1.3%	1.7%	1.7%	5.3%	6.1%
Same Day	1.5%	26.0%	-1.8%	0.9%	1.5%	3.8%	8.7%	9.3%
Business	-5.3%	-9.7%	8.9%	3.5%	-1.5%	3.8%	6.4%	7.3%
Nonbusiness	-6.0%	12.8%	3.7%	-2.5%	2.8%	1.4%	5.5%	6.3%

Overseas Outbound Travel Detail

Ontario to Total Overseas

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits	14.0%	12.1%	8.8%	3.8%	3.5%	3.8%	4.1%	4.1%
Overnight	14.0%	12.1%	8.6%	4.0%	3.5%	3.8%	4.1%	4.1%
Business	-1.0%	8.6%	10.1%	4.5%	6.6%	3.9%	7.1%	5.5%
Nonbusiness	16.0%	16.5%	4.7%	4.0%	3.2%	3.8%	3.7%	3.9%
Total Expenditures	10.4%	15.8%	5.8%	3.8%	5.9%	6.3%	6.1%	5.8%
Overnight	10.4%	15.8%	5.8%	3.8%	5.9%	6.3%	6.1%	5.8%
Business	3.2%	1.2%	14.2%	7.0%	15.0%	9.6%	8.9%	7.4%
Nonbusiness	12.1%	18.1%	5.0%	3.2%	4.0%	5.6%	5.4%	5.4%



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