



GLOBAL INSIGHT

THE POWER OF PERSPECTIVE

The Ontario Tourism Outlook: 2006-2010 May 2006 Forecast

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Executive Summary

The strengthening of the Canadian dollar against the U.S. dollar over the last few years has brought about a significant re-alignment in travel patterns to and from the province. Outbound travel to the U.S. has strengthened while inbound U.S. visits have been weak. We do not anticipate any significant shifts in the exchange rate in the coming years and over time travelers will adjust to the new exchange rate reality and travel patterns will adjust accordingly. Though the strong Canadian dollar will continue to support stronger outbound than inbound travel growth.

Highlights of the forecast include our expectation that:

- ◆ Ontario inbound visits expanded by 2.9% in 2004, a modest increase following the 2003 SARS-induced decline. We expect that inbound visits in 2005 contracted by 0.1%, reaching 118.2 million visits. Growth over the next five years will accelerate, mainly due to growth in intra-provincial travel and overseas visits to Ontario, averaging 2.0% per year through 2010.
 - The number of total visits by intra-provincial travellers is expected to grow to 103.4 million in 2010, reflecting an average annual compound rate of 2.6 percent.
 - The number of visitors from the U.S. to Canada has really taken a beating over the last few years. Going forward, we expect changes to passport regulations, high fuel prices and the strong Canadian dollar to continue to limit growth in visitors from the US to Canada. Growth from 2005 through 2010 will decline by 1.4% per year, with the biggest drop in 2008. Growth will resume beyond 2008, however as travellers adjust to the new passport requirements.
 - Visitors from overseas increased by an estimated 6.7% in 2005. Travel from overseas origins will be robust in the coming five years. Strengthening economic fundamentals will support average annual growth of 6.2% per year through 2010. The UK, Japan and other overseas origins will all experience growth over 6% per year through 2010. Germany and France will not be far behind at 5.7% and 5.6% per year respectively.
 - The number of visitors from other provinces will be sluggish, expanding at an annual average of only 0.5% per year through 2010. Part of this sluggish growth relates to the stronger Canadian dollar which will favor Canadian travel to the U.S. and overseas countries and reduce the growth of travel within Canada.
- ◆ Ontario outbound visits expanded by a robust 5.2% in 2004 fuelled by the strong Canadian dollar. Growth will continue strong over the next five years, averaging 4.1% per year through 2010.
 - The number of visitors from Ontario to other provinces is expected to grow from 7.4 million in 2005 to 8.7 million in 2010, an average of 3.3% per year.
 - A stronger Canadian dollar and solid economic growth in Ontario will help the number of visitors from Ontario to the U.S. to reach 23.5 million by 2010 – a compounded annual growth rate of 4.5 percent.
 - The number of visitors from Ontario to all overseas destinations is expected to grow from 3.0 million in 2005 to 3.7 million in 2010 – a compounded annual rate of 3.9 percent.

The Global Travel Background

Total global international arrivals leaped by 9.1% in 2004, the strongest year since an 8.7% increase in 1990. For the first time since 2000, every region has expanded its base of international visits, bringing the world total to 744 million visits. With the bounce back from the SARS-related decline in 2003, Asia led the way with an increase of nearly 29%, but arrivals growth was also very strong in Northern Africa and in both North and South America. Compare this strength with the decline of 1.0% in 2003 arrivals for a perspective on the how strong 2004's turnaround actually was.

Arrivals typically grow along with real GDP, but a bit faster each year on average and with more volatility. However, this relationship broke down during 2001-03. Despite the increase in global GDP during those years (by an average of 1.9% per year), a series of destination shocks halted the upward trend in arrivals growth. In 2003, arrivals fell almost 5% below the level we would have expected based on the level of global GDP. In 2004, however, this shortfall declined to only 1.7% of anticipated arrivals.

Arrivals growth returned to a more sustainable rate in 2005 and that trend will continue through 2006. Global arrivals increased by an estimated 5.2% in 2005, down from 9.1% in 2004, but were above the 4% average posted for the past 15 years.

Now, with the consecutive shocks to the global tourism industry ended, we expect global arrivals to return towards a historical trend with respect to economic growth. For the five years 2006-10, we expect an average world arrivals growth of 3.9% per year, with a global economic real GDP growth averaging 3.3% per year on average. This exceeds the arrivals growth rate the global tourism markets enjoyed during 1996-2000.

There are multiple reasons for our optimism for 2005 and beyond. The first is the ongoing economic recovery, which is maturing into growth that will drive both business and leisure travel. Continued strong growth in China, renewed signs of life in some of the Eurozone's core economies, and continued low interest rates around the globe will encourage growth through 2006 and beyond. The second is the growing risk tolerance of the traveler. External events may temporarily influence destination choices, but anecdotal evidences suggests that the traveler is less deterred by risk than ever before. The third reason relates to changes in the industry is that despite high oil prices, transportation has become much more affordable with the advent of low-cost airlines, and with the booking advantages that the Internet is giving to individual travelers. This will continue to spur demand. On the destination side, supply continues to expand, keeping competition high and prices controlled.

Our strongest forecasts for growth remain in Asia, where the population base able to afford international travel continues to expand. Chinese and Indian travelers will drive substantial demand in the region, which we expect will outpace the world average with annual growth of 7.1% over the next five years. China's potential as an origin market, in particular, is staggering. Outbound growth rose nearly 12% in 2005, and we anticipate double-digit growth rates in Chinese outbound through 2008, with an average annual growth of 10.5% through 2010.

Many South American and Mexican destinations benefited from weak currencies during the first part of the decade. Their residents are now taking advantage of this and accelerating economic activity to travel intra-regionally. Arrivals from outside the region are accelerating for the same reasons. Arrivals to the region grew by over 14% in 2004, and we estimate just shy of 6.5% for 2005. Growth will ease back toward trend rates, in the 4% range, thereafter. The Caribbean will continue to enjoy the effects

of a weaker dollar, as Europeans find these dollar-based tropics more affordable and Americans continue to prefer nearby destinations.

In Europe, the outlook is strong for developing countries such as Turkey, Croatia, and Slovenia, which are relatively inexpensive and new to many travelers. However, Western Europe will continue to struggle, as its product is both mature and much more expensive to dollar-denominated travelers with the rise of the euro. Intraregional travel growth will be partially siphoned to less-expensive destinations in North Africa and North America.

The Middle East and North Africa present both ample potential and risk. Spectacular development in Dubai; ambitious plans in Qatar and Bahrain; bargains in Egypt, Morocco, and Tunisia; and opening in Libya represent the region's appreciation of its assets and the acute need for economic diversification. If social and political tensions are controlled, the tourism development of this region can potentially rival that of Asia.

After an 11.8% recovery in international travel to the United States in 2004 and another 7.8% expansion in 2005, visits have recovered to just 4% below their peak achieved in 2000. Despite the potential for travel restrictions limiting the recovery over the coming years, the inexpensive US dollar makes the country a relative bargain for tourists from Western Europe and Japan. This, plus a recovery in business travel, will boost US arrivals in a steady recovery path through 2010.

Inbound Canadian travel has recovered nicely following the SARS-induced declines in 2003. However, the strong Canadian dollar has dampened inbound travel from the United States resulting in some weakness in 2005. Thereafter, however, we expect inbound visits to expand at trend rates through 2010 as travelers adjust to the new exchange rates. Outbound travel will grow a bit faster, averaging 4.9% through 2010 as the strong Canadian dollar makes international destinations attractive to Canadian travelers.

Globally, we expect to see continued preference for shorter trips (in both duration and distance), although this trend has not evidenced itself in spending per arrival trends, which have been strong for several years. The airline industry transformation will continue to the point where "low-cost carrier" will no longer describe a segment trend but will define the entire industry. At the same time, Internet booking options will enhance the options available to the individual and "last-minute" travelers.

Ontario Inbound Travel

Economic Background—the Ontario Economy

The economic outlook for Canada and the provinces has not changed significantly since our November report. Canada's economy is still expected to grow 2.9% in 2005 and 2006. Employment increased 1.4% in 2005, exactly as we forecasted in November. A small pickup in employment growth to 1.5% is anticipated for 2006, compared with a steady pace of 1.4% predicted in November. The unemployment rate averaged 6.7% in 2005, compared with the 6.8% expected in November. For 2006, the jobless rate is expected to average 6.6%. Construction commenced on about 224,000 housing units in 2005, matching our prognosis from November. Our forecast for this year remains unchanged at 208,000 units.

This is also true for the outlook for Ontario. Strong consumer spending and better-than-expected manufacturing performance contributed to a 2.7% expansion in Ontario's real GDP in 2005. Another year of respectable employment growth (1.3%), a pickup in wages and salaries, and appreciation of house prices have anchored the pickup in consumer expenditure. It has likely slowed somewhat recently, depressed by surging gasoline prices and heating costs.

Ontario's manufacturers are challenged by rising energy costs. Consequently, they are expected to continue to trim employment and boost productivity.

Over the medium term, Ontario's economic growth is forecasted to average 2.8%, the same as the Canadian average. This is less than expected growth in Alberta and British Columbia, and reflects a favourable position of the two provinces over the next five years: oil and gas sectors in both provinces, and the boost to construction and tourism from the 2010 Winter Olympics in British Columbia.

On May 2nd, the Federal government published its first budget. Looking at the overall fiscal implications, the Canadian economy has grown more in nominal terms than forecast during the election. Debt reduction will continue to be about C\$3 billion per year. Therefore the federal government will continue with its string of small fiscal surpluses, reducing the debt burden, which is already low by developed country standards. Since debt reduction, as well most of the specific tax and spending actions of Budget 2006, were very close to those forecast by Global Insight, it is not anticipated that our current forecast for the major economic indicators will be altered as a result.

Key Drivers

The key drivers of the forecast of intra-regional travel are Ontario disposable income, the Ontario unemployment rate, and the exchange rate. Global Insight expects real disposable income to accelerate in 2006, expanding by 4.2% after only a 1.5% increase in 2005. This, along with a small reduction in the unemployment rate will boost intra-regional visits in 2006.

	Quarterly							
	2006Q1	2006Q2	2006Q3	2006Q4	2007Q1	2007Q2	2007Q3	2007Q4
Real Disposable Income (mn)	277,594	273,603	277,276	280,690	280,469	283,224	287,402	290,401
%chya	5.9%	3.7%	3.8%	3.4%	1.0%	3.5%	3.7%	3.5%
Unemployment Rate (%)	6.59	6.57	6.62	6.64	6.65	6.65	6.67	6.72
Exchange Rate (C\$/US\$)	1.15	1.15	1.15	1.14	1.14	1.14	1.14	1.15

	Annual					
	2005	2006	2007	2008	2009	2010
Real Disposable Income (mn)	266,134	277,291	285,374	294,346	304,071	313,088
%chya	1.5%	4.2%	2.9%	3.1%	3.3%	3.0%
Unemployment Rate (%)	6.65	6.60	6.67	6.67	6.57	6.47
Exchange Rate (C\$/US\$)	1.21	1.15	1.14	1.16	1.16	1.16

Inbound Travel

Ontario inbound visits expanded by 2.9% in 2004, a modest increase following the 2003 SARS-induced decline. Visits will decline slightly in 2005 (0.1%), bringing total Ontario inbound visits to 118 million for the year. Growth over the next five years will accelerate, however averaging 2.0% per year through 2010. By 2010, inbound visits will have surpassed their pre-SARS levels, reaching 130 million.

Total Ontario Inbound

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits('000)	114,897	118,284	118,193	120,709	123,905	125,233	127,586	130,359
Overnight	43,316	46,674	47,266	48,507	49,989	50,848	52,128	53,614
Same Day	71,581	71,609	70,927	72,203	73,916	74,385	75,458	76,745
Business	9,848	10,853	10,941	11,225	11,486	11,670	11,858	12,090
Nonbusiness	105,049	107,430	107,252	109,484	112,419	113,563	115,728	118,269
Total Expenditures(\$'000)	15,770,416	17,077,169	17,326,499	17,867,701	18,606,842	19,214,532	20,187,652	21,181,950
Overnight	11,310,443	12,600,859	12,908,415	13,347,643	13,959,305	14,472,703	15,265,032	16,083,155
Same Day	4,459,973	4,476,310	4,418,084	4,520,059	4,647,536	4,741,828	4,922,621	5,098,796
Business	3,295,235	3,506,271	3,624,692	3,760,666	3,906,962	4,067,366	4,256,301	4,457,609
Nonbusiness	12,475,181	13,574,409	13,701,807	14,107,036	14,699,880	15,147,166	15,931,351	16,724,342

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 Travel

Our forecast of intra-provincial travel continues to be adjusted downward. We now estimate that just a 2.0% increase in visits from within the province in 2005. The number of total visits by intra-provincial travellers is estimated at 90.8 million in 2005 and is forecasted to grow to 103.3 million in 2010, reflecting an average annual compound rate of 2.6 percent. The number of same day visits represents about 62 percent of total intra-provincial travel however growth in same-day visits will lag behind overnight visits. Same-day visits will expand by an average of 2.3% per year through 2010, with

overnight visits gaining 3.2% per year over the same period. Leisure travel makes up the majority of intra-provincial travel and is expected to expand at a 2.7% annual rate reaching 94.9 million visits by 2010.

Total expenditures by intra-provincial travellers are expected to grow by 4.6 percent on compounded annual basis over the five years ending in 2010. Expenditures by overnight visitors will grow more rapidly than same day visitors. Business travel expenditures will expand slightly faster than non-business expenditures.

Ontario to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits('000)	85,985	88,998	90,776	93,215	96,243	99,329	101,078	103,350
Overnight	31,322	33,285	34,002	35,100	36,402	37,733	38,686	39,865
Same Day	54,663	55,713	56,774	58,115	59,841	61,596	62,392	63,485
Business	6,752	7,328	7,492	7,743	7,963	8,107	8,239	8,418
Nonbusiness	79,233	81,670	83,283	85,472	88,280	91,222	92,839	94,932
Total Expenditures(\$000)	8,560,160	8,861,149	9,164,900	9,479,339	9,962,626	10,485,909	10,945,611	11,470,125
Overnight	5,438,028	5,656,793	5,885,914	6,128,921	6,471,483	6,836,665	7,185,754	7,585,427
Same Day	3,122,132	3,204,356	3,278,986	3,350,418	3,491,143	3,649,244	3,759,857	3,884,698
Business	1,411,300	1,422,241	1,436,861	1,499,725	1,563,759	1,624,078	1,684,032	1,765,118
Nonbusiness	7,148,860	7,438,908	7,728,038	7,979,613	8,398,867	8,861,831	9,261,578	9,705,007

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 Travel

Economic Background—the Economies of Other Provinces

Quebec Economy

The adjustment to the high Canadian dollar should be largely over for Quebec exporters. Energy-intensive industrial producers can count on cheap hydroelectric power; provincial consumers are facing higher gasoline and energy costs. The prospects for the manufacturing sector are mixed. The \$1.4 billion expansion of the Aluminerie Alouette Inc. aluminum smelter that was completed in September 2005 will provide some support. And Bombardier, which had previously announced that it would suspend production of its CRJ-200 airplanes in January due to insufficient demand has stated that it will not in fact stop production. Slower growth in consumer spending will limit growth in

provincial GDP to just 2.4% in 2005. Growth will be a bit slower in 2006, 2.3%, but will accelerate there after to the 2.7% to 2.8% range through 2010.

Manitoba Economy

Global Insight anticipates Manitoba's growth to slow slightly to 2.4% in 2006. Weaker consumer spending and pressures on profit margins due to higher energy costs will be the main factors behind the slowing. Prospects are looking better for the agricultural sector; we're expecting a strong rebound in cattle production as the border was reopened to live cattle in August. Grain production will also bounce back if, as assumed, moisture levels recede to normal.

British Columbia Economy

Employment in British Columbia rose 3.3% in 2005, by far the fastest pace among the 10 provinces. We expect the B.C. economy to stay on the fast track in 2006, matching the 3.7% GDP growth pace from 2005. Construction for the 2010 Olympics will ramp up in 2006 -- the total value of planned construction for the games stands at \$800 million. Meanwhile, work has started in late 2005 on expanding the capacity of Prince Rupert airport to handle increased traffic between Pacific Rim countries and North America. As in neighbouring Alberta, capacity constraints will likely limit growth next year. The unemployment rate dropped below 6% in 2005 for the first time since the early 1980s.

Alberta Economy

Alberta's GDP growth is forecasted to remain at 4.1% in 2006. While output from the oil sands will continue to recover from production stoppages in the first half of the previous year, drilling activity is most likely at or near its peak level. Meanwhile, a slowdown in residential construction will counterbalance a likely acceleration in non-residential construction. There is also a risk that high capacity utilization and worker shortages could hamper growth in various parts of the economy, including manufacturing. Consumer spending growth will likely remain brisk, helped by the prosperity-bonus cheques of \$400 that the provincial government sent out in January 2006.

Saskatchewan Economy

In Saskatchewan, growth is expected to slow further to 3.0% in 2006 but will remain remarkably strong due to continued high prices of commodities - including crude oil, natural gas, potash and uranium. Commodity prices will fall from the highs reached in 2005 however they should be sufficiently high to boost exploration and investment in the province. Meanwhile, manufacturing is expected to continue to draw strength from the mining sector in the province and Alberta.

Maritime Economy

The Maritime provinces—Prince Edward Island, Nova Scotia, and New Brunswick—together with Newfoundland and Labrador have the weakest population growth rates and, therefore, the weakest potential GDP growth rates. In 2006, Newfoundland and Labrador will benefit from the boom in the oil and gas, and mining sectors. The spillover effects for the three Maritime provinces are forecasted to be relatively low. Prince Edward Island does not have a mining sector to speak off. While both Nova Scotia and New Brunswick are benefiting from the construction of liquefied gas plants, the boost to overall growth is expected to be relatively modest.

The economy of Newfoundland and Labrador is set to jump again in 2006 after two years of unremarkable performance. The startup of the White Rose offshore oil platform late this year will add significantly to output in this key industry.

In Prince Edward Island economic growth is expected to decline to 2.0% in 2006 as the province's fishermen, farmers and manufacturers will feel the pain of higher energy costs, leading them to keep their operations leaner than usual. The high Canadian dollar will likely depress the number of U.S. visitors.

Nova Scotia will likely remain in a low-growth mode in 2006. Natural gas output at Sable Island will continue to decline in 2006 as production is interrupted by technology upgrades. Double-digit increases in electricity costs in 2006 will weigh on consumer spending and business investment. Consequently, only a minimal improvement in the GDP growth rate to 1.8% is expected in 2006.

In New Brunswick a moderation in the pace of economic growth to 1.8% is anticipated for 2006. The province's forestry sector will likely continue to experience difficulties next year mainly because of a high Canadian dollar, elevated energy costs, and declining residential construction activity in North America. Consumers will be very cautious about spending given a year of flat employment and the hit to discretionary disposable income from high energy costs.

Real GDP Growth (%)					
	2004	2005	2006	2007	2008
Newfoundland	-1.4	0.8	6.8	1.8	1.9
Prince Edward Island	1.8	2.1	2.0	1.7	1.7
Nova Scotia	1.4	1.6	1.8	1.7	2.0
New Brunswick	2.0	1.8	1.8	1.6	1.9
Quebec	2.3	2.4	2.4	2.3	2.6
Ontario	2.7	2.8	2.7	2.5	2.9
Manitoba	2.3	2.6	2.4	2.2	2.1
Saskatchewan	3.4	3.4	3.0	2.6	2.4
Alberta	4.3	4.0	4.1	3.6	3.4
British Columbia	4.0	3.7	3.7	3.1	2.8
Canada	2.9	2.9	2.9	2.6	2.8

Unemployment Rate (%)					
	2004	2005	2006	2007	2008
Newfoundland	15.6	15.1	15.1	15.3	15.1
Prince Edward Island	11.3	10.9	10.8	11.0	10.8
Nova Scotia	8.8	8.4	8.3	8.5	8.4
New Brunswick	9.8	9.7	9.2	9.4	9.3
Quebec	8.5	8.2	8.3	8.4	8.4
Ontario	6.8	6.6	6.5	6.6	6.6
Manitoba	5.3	4.8	4.6	4.6	4.8
Saskatchewan	5.3	5.1	4.8	4.7	4.9
Alberta	4.6	3.9	3.9	3.8	4.2
British Columbia	7.2	5.9	5.3	5.2	5.3
Canada	7.2	6.7	6.6	6.7	6.7

Key Drivers

Following a strong 2006, real disposable income in the Other Provinces will decelerate to the 2.5% to 3% range through 2010. While this growth will provide support for inter-regional visits, other factors will conspire against any significant advances in inter-regional travel. The main culprit is overall growth in Canadian outbound travel. As the exchange rate remains strong, non-Canadian destinations will become more attractive to Canadian travellers. Growth in outbound travel is expected to remain around 5% through 2010. The exchange rate and unemployment rate will be neutral in terms of the impact on travel over the forecast period.

	Quarterly							
	2006Q1	2006Q2	2006Q3	2006Q4	2007Q1	2007Q2	2007Q3	2007Q4
Canadian Outbound Travel ('000)	22,613	22,613	22,613	22,613	23,767	23,767	23,767	23,767
%chya	4.4%	4.4%	4.4%	4.4%	5.1%	5.1%	5.1%	5.1%
Real Disposable Income								
Canada	687,552	680,436	687,055	692,580	697,544	701,442	708,876	713,524
%chya	5.6%	4.2%	4.4%	4.0%	1.5%	3.1%	3.2%	3.0%
Other Provinces	410,045	406,950	409,879	411,967	417,201	418,318	421,549	423,174
%chya	5.5%	4.6%	4.9%	4.4%	1.7%	2.8%	2.8%	2.7%
Unemployment Rate (Canada, %)	6.61	6.59	6.62	6.63	6.64	6.64	6.66	6.70
Exchange Rate (C\$/US\$)	1.15	1.15	1.15	1.14	1.14	1.14	1.14	1.15

	Annual					
	2005	2006	2007	2008	2009	2010
Canadian Outbound Travel ('000)	21,656	22,613	23,767	24,892	26,099	27,473
%chya	8.0%	4.4%	5.1%	4.7%	4.8%	5.3%
Real Disposable Income						
Canada	656,879	686,906	705,347	727,901	751,586	773,259
%chya	1.8%	4.6%	2.7%	3.2%	3.3%	2.9%
Other Provinces	390,783	409,710	420,061	433,650	447,608	460,262
%chya	2.0%	4.8%	2.5%	3.2%	3.2%	2.8%
Unemployment Rate (Canada, %)	6.76	6.61	6.66	6.70	6.67	6.63
Exchange Rate (C\$/US\$)	1.21	1.15	1.14	1.16	1.16	1.16

The Outlook for Inter-Provincial Inbound Travel

After expanding at a between one and one and a half percent in 2005 and 2006, inter-provincial inbound travel will remain nearly flat through 2010. Part of this sluggish growth relates to the stronger Canadian dollar against the U.S. currency, which will favor Canadian travel to the U.S. and reduce the growth of travel within Canada. The stronger Canadian dollar will also stimulate overseas travel, again limiting gains in domestic trips.

- ◆ We estimate that there were 1.7 million same day visitors in 2005 and this number is expected to remain stable through 2010 – mainly due to declines in business travel.
- ◆ Overnight visitors are expected to be 4.3 million by 2010, only slightly higher than 2005.
- ◆ The number of non-business travelers is expected to fall by 0.1% per year through 2010.

Expenditures by visitors from other provinces are expected to increase by an average of 2.9% per year through 2010, about one percentage point above the rate of inflation.

- ◆ Non-business travel expenditures will lead the way through 2010 expanding at an average annual rate of 3.6% per year. From 2008 through 2010, however, non-business expenditures will expand at over 4% per year.
- ◆ Business travel will be weak and expenditures will follow suit expanding at only 2.1% per year through 2010.
- ◆ Annually compounded growth in expenditures by same day visitors is expected to be a modest 2.5 percent from 2005 to 2010.

Other Provinces to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits('000)	5,344	5,845	5,909	5,991	6,008	6,024	6,044	6,064
Overnight	3,985	4,213	4,233	4,280	4,292	4,307	4,322	4,337
Same Day	1,359	1,632	1,676	1,710	1,716	1,717	1,722	1,727
Business	1,367	1,615	1,574	1,597	1,604	1,609	1,614	1,621
Nonbusiness	3,977	4,230	4,335	4,394	4,405	4,415	4,430	4,443
Total Expenditures(\$'000)	1,456,255	1,494,961	1,609,480	1,648,941	1,683,188	1,736,451	1,797,963	1,860,873
Overnight	1,396,026	1,426,194	1,538,997	1,575,549	1,608,011	1,659,686	1,719,712	1,781,201
Same Day	60,229	68,767	70,483	73,392	75,177	76,765	78,251	79,672
Business	686,692	637,772	700,879	721,486	733,899	747,948	763,102	777,778
Nonbusiness	769,563	857,189	908,602	927,455	949,288	988,502	1,034,861	1,083,095

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%

United States—Inbound Travel to Ontario

Economic Background— U.S. Economy

The drop in real GDP growth to 1.6% in the fourth quarter of 2005 (revised up from 1.1%) was an aberration, not a signal that the expansion has run out of steam. Growth should bounce back to 4.9% in the first quarter and register 3.2% in the second. The factors forcing a slowdown—chiefly cutbacks in residential construction and overstretched consumer budgets—are already in place, however, and will begin to dominate in the second half. Global Insight still expects growth in 2006 to be solid, at 3.3%, down only from 3.5% in 2005. Growth is likely to slow sharply toward year-end, though, setting the stage for a well-below-trend rate of 2.4% in 2007.

Key Drivers

The most important explanatory variable when looking at travel from the U.S. to Ontario is the exchange rate. The exchange rate will stabilize over the forecast, ending a multi-year slide in the US\$ versus the Canadian \$. While the US\$ is not expected to gain over the forecast period, we expect travelers to adjust to the new exchange-rate reality and resume travel to Canada. Income growth in both the border and non-border states will be stable, supporting growth in visits as well. The unemployment rate will rise slightly, but not enough to be a deterrent to travel.

	Quarterly							
	2006Q1	2006Q2	2006Q3	2006Q4	2007Q1	2007Q2	2007Q3	2007Q4
US Outbound Travel Excl. NA ('000)	36,369	36,369	36,369	36,369	37,587	37,587	37,587	37,587
%chya	3.6%	3.6%	3.6%	3.6%	3.4%	3.4%	3.4%	3.4%
Real Disposable Income (mn)								
Border States	1,999	2,015	2,033	2,047	2,055	2,070	2,084	2,100
%chya	0.5%	1.7%	2.9%	3.2%	2.8%	2.7%	2.5%	2.6%
Total US	7,566	7,654	7,734	7,789	7,825	7,893	7,954	8,019
%chya	1.8%	3.1%	5.0%	4.2%	3.4%	3.1%	2.9%	3.0%
Unemployment Rate (US, %)	4.77	4.77	4.75	4.77	4.82	4.85	4.88	4.92
Exchange Rate (C\$/US\$)	1.15	1.15	1.15	1.14	1.14	1.14	1.14	1.15

	Annual					
	2005	2006	2007	2008	2009	2010
US Outbound Travel Excl. NA ('000)	35,103	36,369	37,587	38,924	40,034	41,077
%chya	5.2%	3.6%	3.4%	3.6%	2.9%	2.6%
Real Disposable Income						
Border States	1,982	2,024	2,077	2,137	2,196	2,252
%chya	-0.1%	2.1%	2.6%	2.9%	2.8%	2.5%
Total US	7,425	7,686	7,923	8,196	8,487	8,771
%chya	0.9%	3.5%	3.1%	3.4%	3.6%	3.3%
Unemployment Rate (US, %)	5.08	4.76	4.87	4.95	4.88	4.87
Exchange Rate (C\$/US\$)	1.21	1.15	1.14	1.16	1.16	1.16

The Outlook for U.S. Inbound Travel to Ontario

The number of visitors from the U.S. to Canada has really taken a beating over the last few years. The decline in 2003 was especially sharp due to SARS. The outlook from 2007 through 2010 is further impacted by changes to passport regulations for US residents entering Canada. High gasoline prices and the continued weakness of the U.S. dollar will add to the weakness throughout the forecast period. Following a 9.7% decline in the number of visitors from the U.S. to Ontario in 2005, we expect compounded annual declines of 1.4% percent over the five years to 2010. The largest decline will be in 2008, the first full year of the regulation change. We expect a partial bounce back in 2009 and 2010, but visitor volume will still be well below its 2007 level. Further, the impact will affect primarily non-business travellers as most business travellers likely already have a passport.

The number of overnight stays will be decline from 2005 to 2008. Same-day visits from the U.S. to Ontario declined by 12.9 percent in 2005 and will be stagnant through 2007; they will then again be hit by the passport regulations, declining by 11% in 2008.

The number of business visitors fell another 5.8 percent in 2005, while the number of non-business visitors fell by 10.0 percent. The number of business visitors from the U.S. to Ontario will have to wait for 2007 for any significant pick up. Travel from the US to Ontario has had a weak start in 2006 and while we expect year-over-year increases in the second half of the year, the first half will remain below 2005 levels.

We expect total expenditures by U.S. visitors to grow by an annual average of 1.1% percent over the five years ending in 2010. Expenditures by business and overnight visitors are expected to lead the way, growing by 4.2% and 1.3% annually through 2010 respectively.

USA to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits('000)	22,009	21,391	19,323	19,188	19,182	17,216	17,649	17,987
Overnight	6,709	7,434	7,164	7,140	7,176	6,527	6,710	6,878
Same Day	15,300	13,957	12,159	12,048	12,006	10,688	10,939	11,109
Business	1,445	1,587	1,495	1,474	1,492	1,507	1,537	1,562
Nonbusiness	20,564	19,804	17,828	17,714	17,690	15,709	16,112	16,424
Total Expenditures(\$000)	3,957,242	4,383,217	4,127,332	4,201,721	4,192,141	3,930,878	4,166,823	4,360,372
Overnight	2,815,721	3,324,791	3,192,901	3,237,840	3,258,840	3,083,063	3,258,448	3,411,096
Same Day	1,141,521	1,058,426	934,431	963,881	933,301	847,815	908,374	949,276
Business	764,721	932,989	930,355	947,809	978,130	1,017,629	1,084,170	1,142,910
Nonbusiness	3,192,521	3,450,228	3,196,977	3,253,912	3,214,011	2,913,249	3,082,652	3,217,463
Border States								
Total Visits('000)	18,638	17,741	15,835	15,621	15,548	13,850	14,113	14,294
Overnight	4,608	5,009	4,721	4,641	4,626	4,148	4,210	4,260
Same Day	14,030	12,731	11,115	10,980	10,923	9,702	9,904	10,034
Business	967	953	872	839	834	835	843	845
Nonbusiness	17,671	16,787	14,963	14,782	14,715	13,015	13,270	13,449
Total Expenditures(\$000)	2,600,310	2,707,739	2,483,202	2,499,804	2,456,324	2,234,631	2,332,418	2,402,991
Overnight	1,613,037	1,800,965	1,682,510	1,671,574	1,662,025	1,529,047	1,579,862	1,620,466
Same Day	987,273	906,774	800,692	828,230	794,299	705,584	752,556	782,525
Business	315,794	321,095	327,289	318,940	317,227	325,297	341,577	354,360
Nonbusiness	2,284,516	2,386,644	2,155,913	2,180,864	2,139,097	1,909,334	1,990,841	2,048,631

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 Travel – Inbound

Factors Affecting Inbound Travel from Abroad

German Economy

The German economy can safely be said to be on a recovery course in the first quarter of 2006. Most of the key factors supporting economic growth in late 2005 are expected to last well into 2006.

Elements supporting growth in 2006 are the ongoing robustness of global demand, the persistence of historically low interest rates in the Eurozone (notwithstanding expected slight further monetary tightening by the European Central Bank), still fairly subdued inflation, a relatively competitive euro around US\$1.20 during the first quarter of 2006, and as yet little acceleration of wage growth from levels below 1.5%.

In our March 2006 monthly interim forecast, we kept the GDP growth projection for 2006 at 2.0% (equals 1.8% unadjusted), having raised it from January's 1.8% the month before. February's upward revision to the forecast reflects that domestic demand should increasingly benefit from fruits of the labor-market reforms, and that private consumption will be brought forward from 2007 because of the looming VAT hike from 16% to 19% in January 2007.

French Economy

In our February monthly interim forecast, we projected French real GDP growth at 1.8% in 2006, up from 1.4% in 2005. The combination of a pre-election year and a very unpopular government suggests that further measures to boost growth are likely to be implemented by the government over the year. We believe that the trends seen in 2004 and 2005 will be maintained in 2006. Domestic demand will remain the main growth driver in 2006, with private consumption growth reasonably strong, supported by some modest improvement in the labor market. Meanwhile, net exports will continue to make a

negative contribution to growth, as the expected lifeline of domestic demand will support imports, while the deep competitiveness problems of the French export sector will continue to undermine export growth.

United Kingdom Economy

In our March monthly interim forecast, we forecast that GDP growth would improve gradually to 2.2% in 2006 and 2.6% in 2007. Despite its improvement in the latter months of 2005, consumer spending is expected to remain relatively moderate when compared with recent years, as it is constrained to some extent by moderate earnings growth, elevated debt levels, the recently higher tax burden (added to by an average 4% increase in council tax in 2006), sharply increased utility bills, still strong petrol prices, the lagging impact of the raising of interest rates between November 2003 and August 2005, and relatively muted house price increases. In addition, concerns remain that taxes could eventually have to rise to correct the weakened public finances (although this seems unlikely in fiscal 2006/07). In addition, recently improving housing-market turnover and modestly firmer house prices may also benefit the consumer sector. The downside of consumption is expected to be limited by relatively high employment and lower interest rates. The Bank of England reduced its key interest rate by 25 basis points in August (taking it down from 4.75% to 4.50%), and a further fall of 25 basis points is expected in the second quarter of 2006, taking the rate down to 4.25%.

Japanese Economy

The last quarter of 2005 show renewed growth, with GDP rising at a 5.4% annual rate. Domestic demand—mainly private consumption and capital expenditures—was the main driver of growth, which should continue in the near and medium terms; net external demand should moderate as real exports and real imports both increase at similar rates. There will be little stimulus from monetary policy—the Bank of Japan is more concerned with its "exit strategy" from deflation—or from fiscal policy, which is focused on reducing the budget deficit over the next few years. Similarly, little change is expected in the labor market, except that the labor force should finally level out after years of decline. Lastly, the recent rebound in the yen should continue in 2006, with a gradual strengthening as reflecting consistent output growth and moderating oil prices. Assuming moderate quarterly growth rates in the near term, GD should register an increase of 3.0% in 2006 and 2.2% in 2007.

Asia Pacific Economy

The measured deceleration in growth, apparent from the second half of 2004, entrenched in the first half of 2005. Exports, which drove regional growth (excluding Japan) to a nine-year high of 6.9% in 2004, slowed following a moderation in external demand compounded by the onset of an adjustment cycle in global IT inventories. The softening of external demand, however, was partially offset by strengthening consumption and investment. Growth has strengthened in the second half, supported by an upturn in IT sectors, which began to manifest in the second quarter. Spurred by the diversification of growth across drivers, Asia will remain a powerhouse of global growth in 2006 with momentum slowing just marginally. Aggregate regional growth, excluding Japan, is forecasted at 6.7% in 2006 against 6.8% estimated for 2005.

Key risks to the outlook include further sharp hikes in global oil prices—to which the region remains particularly exposed given its position as a net oil importer and its widespread deployment of fuel subsidies—an avian influenza ('flu) pandemic, and any disorderly adjustment in exchange rates relative to the U.S. external deficits.

Key Drivers

International travel is driven by three main factors: exchange rates, GDP or income growth, and the economic cycle as represented by the unemployment rate. Travel to Ontario from overseas countries is a function of economic conditions in the originating country that determine *whether or not* someone will travel and then on relative exchanges rates which determine *where* people will travel.

Economic conditions are lining up to support strong growth in visits from overseas destinations to Ontario. GDP growth is accelerating in the Eurozone and the unemployment rate is falling, both of which will support growth in outbound visitors.

	Quarterly							
	2006Q1	2006Q2	2006Q3	2006Q4	2007Q1	2007Q2	2007Q3	2007Q4
Exchange Rate								
Yen/US\$	118.3	112.7	107.3	103.7	100.8	98.2	96.1	94.6
Euro/US\$	0.852	0.813	0.784	0.766	0.747	0.727	0.712	0.697
Other Overseas/US\$ (wtd. average)	0.829	0.820	0.815	0.814	0.819	0.818	0.819	0.819
Unemployment Rate (%)								
Germany	11.3	11.1	11.0	10.8	10.7	10.6	10.6	10.5
France	9.7	9.7	9.6	9.5	9.5	9.4	9.4	9.2
UK	5.0	5.0	5.0	5.0	4.9	4.9	4.9	4.9
Japan	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.5
Other Overseas (wtd. average)	9.8	9.7	9.7	9.6	9.5	9.4	9.4	9.3
Real GDP Growth								
France	1.7%	2.0%	1.7%	1.7%	1.6%	1.7%	1.8%	1.6%
UK	2.0%	2.0%	2.2%	2.4%	2.6%	2.7%	2.7%	2.7%
Japan	2.4%	1.7%	1.9%	1.8%	1.8%	1.8%	1.7%	1.7%
Other Overseas (wtd. average)	4.8%	4.8%	4.8%	4.8%	4.7%	4.7%	4.7%	4.8%

	Annual					
	2005	2006	2007	2008	2009	2010
Exchange Rate						
Yen/US\$	110.2	110.5	97.4	92.0	89.5	87.3
Euro/US\$	0.806	0.804	0.721	0.676	0.713	0.736
Other Overseas/US\$ (wtd. average)	0.817	0.820	0.819	0.821	0.839	0.852
Unemployment Rate (%)						
Germany	11.6	11.1	10.6	10.2	9.8	9.6
France	10.0	9.6	9.4	9.0	8.6	8.3
UK	4.8	5.0	4.9	4.7	4.6	4.6
Japan	4.4	4.4	4.4	4.5	4.7	4.8
Other Overseas (wtd. average)	10.0	9.7	9.4	9.1	8.9	8.7
Real GDP Growth						
France	1.5%	1.8%	1.7%	1.8%	2.1%	1.8%
UK	1.6%	2.2%	2.7%	3.0%	2.8%	2.6%
Japan	2.5%	1.9%	1.7%	1.7%	1.7%	1.8%
Other Overseas (wtd. average)	4.7%	4.8%	4.7%	4.7%	4.8%	4.6%

Outlook for Overseas Travel to Ontario

Total visits to Ontario from overseas origins increased by an estimated 6.7 percent in 2005 to 2.2 million following a massive SARS-related rebound of 31.5 percent in 2004. Overseas travel to Ontario

was a bit weaker than we had previously expected. While the Eurozone economies are showing signs of life, economic growth has been a bit slower than anticipated.

Over the next five years, growth from overseas origins will range from 6.4% per year (other overseas) to 5.6% per year (France). Visitors from all overseas origins to Ontario will grow at an average annual rate of 6.2% per year, reaching just shy of three million visits.

Overnight visits make up the majority of overseas visits to Ontario and are expected to expand at 6.3% per year through 2010. Leisure travel will outpace business travel, expanding at 6.5% and 5.1% per year respectively through 2010.

Expenditures of overseas visitors to Ontario are expected to expand by 7.6 percent per year over the five years ending in 2010. Expenditures by business visitors are expected to grow by 6.8 percent while expenditures by leisure visitors are expected to grow by 7.8 percent on a compounded annual basis over the same period. Over the five-year period, the compounded annual growth rate in expenditures is expected to be:

- ◆ 6.3 percent by visitors from Germany.
- ◆ 6.1 percent by visitors from France.
- ◆ 8.3 percent by visitors from Great Britain.
- ◆ 7.0 percent by visitors from Japan.
- ◆ 7.6 percent by visitors from other overseas countries.

Total Overseas to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits('000)	1,559	2,049	2,186	2,315	2,472	2,664	2,814	2,958
Overnight	1,300	1,742	1,868	1,986	2,118	2,281	2,409	2,534
Same Day	259	307	318	329	354	384	405	425
Business	284	323	380	411	428	446	467	488
Nonbusiness	1,275	1,726	1,806	1,904	2,044	2,218	2,347	2,470
Total Expenditures(\$000)	1,796,759	2,337,842	2,424,787	2,537,701	2,768,887	3,061,294	3,277,256	3,490,580
Overnight	1,660,668	2,193,081	2,290,603	2,405,333	2,620,971	2,893,289	3,101,118	3,305,431
Same Day	136,091	144,761	134,184	132,368	147,916	168,005	176,139	185,150
Business	432,522	513,269	556,597	591,646	631,173	677,710	724,997	771,803
Nonbusiness	1,364,237	1,828,084	1,868,190	1,946,055	2,137,715	2,383,584	2,552,259	2,718,778

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%

Germany to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits('000)	112	141	148	156	165	178	187	196
Overnight	89	115	120	126	132	140	146	154
Same Day	24	26	28	30	33	38	40	42
Business	25	29	33	35	36	37	38	38
Nonbusiness	87	112	115	121	129	141	149	158
Total Expenditures(\$000)	125,857	163,525	155,376	160,754	174,104	191,800	201,041	211,161
Overnight	111,991	152,522	144,496	149,735	161,523	177,343	186,274	196,154
Same Day	13,866	11,004	10,880	11,018	12,581	14,457	14,767	15,007
Business	43,651	47,403	41,451	42,744	45,146	49,028	50,517	51,436
Nonbusiness	82,206	116,123	113,925	118,010	128,958	142,771	150,525	159,725

Germany to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits	-22.5%	25.2%	5.4%	5.3%	5.7%	7.9%	5.0%	4.8%
Overnight	-22.7%	29.6%	4.4%	4.9%	4.4%	6.6%	4.4%	4.9%
Same Day	-21.7%	8.5%	10.1%	6.9%	10.9%	12.9%	7.3%	4.3%
Business	-9.4%	16.0%	15.4%	5.2%	1.4%	4.1%	1.0%	0.9%
Nonbusiness	-25.6%	27.8%	2.8%	5.3%	6.9%	8.9%	6.0%	5.8%
Total Expenditures	-22.6%	29.9%	-5.0%	3.5%	8.3%	10.2%	4.8%	5.0%
Overnight	-20.2%	36.2%	-5.3%	3.6%	7.9%	9.8%	5.0%	5.3%
Same Day	-38.0%	-20.6%	-1.1%	1.3%	14.2%	14.9%	2.1%	1.6%
Business	15.4%	8.6%	-12.6%	3.1%	5.6%	8.6%	3.0%	1.8%
Nonbusiness	-34.2%	41.3%	-1.9%	3.6%	9.3%	10.7%	5.4%	6.1%

France to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits('000)	107	118	119	124	133	143	149	156
Overnight	90	101	98	104	111	118	123	129
Same Day	16	17	21	20	22	24	26	28
Business	14	16	20	20	21	22	23	24
Nonbusiness	92	102	100	104	112	121	127	133
Total Expenditures(\$000)	92,761	102,476	102,223	103,192	114,238	126,451	131,460	137,573
Overnight	86,345	97,356	97,568	99,144	107,984	117,890	123,256	129,296
Same Day	6,416	5,119	4,654	4,049	6,254	8,561	8,204	8,277
Business	19,488	29,149	28,134	28,851	29,836	31,175	32,951	34,622
Nonbusiness	73,273	73,326	74,089	74,341	84,402	95,276	98,509	102,951

France to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits	-21.2%	10.5%	1.3%	4.0%	7.3%	7.2%	4.7%	4.8%
Overnight	-20.4%	11.7%	-2.8%	5.5%	7.0%	6.9%	4.3%	4.5%
Same Day	-25.7%	3.7%	25.7%	-3.1%	8.7%	8.9%	6.8%	6.5%
Business	-12.8%	11.9%	22.8%	3.8%	2.9%	3.6%	4.6%	3.9%
Nonbusiness	-22.4%	10.3%	-2.1%	4.0%	8.1%	7.9%	4.7%	5.0%
Total Expenditures	-8.3%	10.5%	-0.2%	0.9%	10.7%	10.7%	4.0%	4.6%
Overnight	-5.4%	12.8%	0.2%	1.6%	8.9%	9.2%	4.6%	4.9%
Same Day	-34.8%	-20.2%	-9.1%	-13.0%	54.5%	36.9%	-4.2%	0.9%
Business								
Nonbusiness	-13.2%	0.1%	1.0%	0.3%	13.5%	12.9%	3.4%	4.5%

UK to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits('000)	343	429	449	471	500	534	575	603
Overnight	302	382	413	432	460	492	530	558
Same Day	41	46	37	39	40	42	45	45
Business	35	43	47	50	50	51	53	55
Nonbusiness	307	385	402	421	450	483	521	548
Total Expenditures(\$000)	437,899	530,634	556,017	597,794	657,193	731,566	784,068	827,386
Overnight	408,065	509,579	541,143	583,850	638,893	707,770	760,603	803,991
Same Day	29,834	21,055	14,875	13,944	18,300	23,796	23,465	23,395
Business	56,468	67,565	73,995	82,559	85,646	90,397	94,735	98,787
Nonbusiness	381,431	463,069	482,022	515,235	571,547	641,170	689,333	728,599

UK to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits	-15.5%	25.1%	4.9%	4.9%	6.1%	6.7%	7.6%	5.0%
Overnight	-15.6%	26.6%	7.9%	4.8%	6.3%	6.9%	7.8%	5.3%
Same Day	-15.3%	13.8%	-20.1%	5.4%	3.8%	4.8%	6.0%	1.6%
Business	-24.5%	23.3%	9.2%	6.4%	-0.1%	0.7%	5.0%	3.8%
Nonbusiness	-14.4%	25.3%	4.4%	4.7%	6.9%	7.4%	7.9%	5.1%
Total Expenditures	-22.1%	21.2%	4.8%	7.5%	9.9%	11.3%	7.2%	5.5%
Overnight	-22.8%	24.9%	6.2%	7.9%	9.4%	10.8%	7.5%	5.7%
Same Day	-12.5%	-29.4%	-29.4%	-6.3%	31.2%	30.0%	-1.4%	-0.3%
Business	-40.8%	19.7%	9.5%	11.6%	3.7%	5.5%	4.8%	4.3%
Nonbusiness	-18.3%	21.4%	4.1%	6.9%	10.9%	12.2%	7.5%	5.7%

Japan to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits('000)	86	207	209	224	240	259	275	285
Overnight	77	175	172	184	197	213	227	237
Same Day	9	32	37	40	43	46	47	48
Business	16	33	37	40	42	44	45	47
Nonbusiness	70	174	172	184	197	215	229	238
Total Expenditures(\$000)	106,223	255,955	246,930	253,622	279,528	306,137	328,067	345,873
Overnight	101,322	241,654	234,050	240,161	265,121	290,938	312,336	329,722
Same Day	4,902	14,302	12,880	13,461	14,407	15,200	15,730	16,151
Business	25,122	50,941	57,155	59,641	66,631	71,980	76,637	82,612
Nonbusiness	81,101	205,014	189,774	193,981	212,897	234,158	251,430	263,261

Japan to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits	-56.4%	141.3%	1.1%	7.0%	7.1%	8.0%	6.0%	3.7%
Overnight	-53.8%	127.5%	-1.6%	6.6%	7.1%	8.4%	6.5%	4.0%
Same Day	-71.1%	261.4%	16.2%	8.8%	7.0%	6.1%	3.6%	1.8%
Business	-33.6%	107.5%	11.9%	7.0%	6.9%	4.3%	2.7%	3.6%
Nonbusiness	-59.6%	149.0%	-0.9%	7.0%	7.1%	8.8%	6.7%	3.7%
Total Expenditures	-57.6%	141.0%	-3.5%	2.7%	10.2%	9.5%	7.2%	5.4%
Overnight	-56.5%	138.5%	-3.1%	2.6%	10.4%	9.7%	7.4%	5.6%
Same Day	-72.9%	191.8%	-9.9%	4.5%	7.0%	5.5%	3.5%	2.7%
Business	-35.0%	102.8%	12.2%	4.3%	11.7%	8.0%	6.5%	7.8%
Nonbusiness	-61.8%	152.8%	-7.4%	2.2%	9.8%	10.0%	7.4%	4.7%

Other Overseas to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits('000)	912	1,156	1,260	1,340	1,434	1,551	1,629	1,718
Overnight	742	969	1,064	1,140	1,219	1,317	1,382	1,457
Same Day	170	187	195	199	215	234	247	261
Business	193	202	242	265	279	292	308	324
Nonbusiness	719	954	1,017	1,075	1,155	1,258	1,320	1,394
Total Expenditures(\$000)	1,041,651	1,300,802	1,376,282	1,434,380	1,555,863	1,717,379	1,844,661	1,980,627
Overnight	967,107	1,215,061	1,292,926	1,352,024	1,467,030	1,618,929	1,738,229	1,865,847
Same Day	74,544	85,741	83,356	82,356	88,833	98,451	106,432	114,780
Business	289,104	320,696	358,348	380,337	406,399	437,616	472,643	506,831
Nonbusiness	752,547	980,106	1,017,934	1,054,042	1,149,464	1,279,763	1,372,018	1,473,796

Other Overseas to Ontario

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits	-19.4%	26.7%	9.0%	6.3%	7.1%	8.1%	5.0%	5.5%
Overnight	-22.1%	30.6%	9.9%	7.1%	6.9%	8.0%	5.0%	5.4%
Same Day	-4.9%	9.8%	4.6%	2.1%	7.8%	8.9%	5.5%	5.9%
Business	-17.8%	4.5%	20.2%	9.3%	5.2%	4.9%	5.5%	5.2%
Nonbusiness	-19.8%	32.7%	6.7%	5.6%	7.5%	8.9%	4.9%	5.6%
Total Expenditures	-26.2%	24.9%	5.8%	4.2%	8.5%	10.4%	7.4%	7.4%
Overnight	-26.3%	25.6%	6.4%	4.6%	8.5%	10.4%	7.4%	7.3%
Same Day	-25.0%	15.0%	-2.8%	-1.2%	7.9%	10.8%	8.1%	7.8%
Business	-25.0%	10.9%	11.7%	6.1%	6.9%	7.7%	8.0%	7.2%
Nonbusiness	-26.6%	30.2%	3.9%	3.5%	9.1%	11.3%	7.2%	7.4%

Ontario Outbound Travel

Outbound Travel

Ontario outbound visits expanded by a 5.2% in 2004 fuelled by the strong Canadian dollar. Growth will continue strong over the next five years, averaging 4.1% per year through 2010. Fuelled by the strength in the Canadian dollar, growth in same-day trips will outpace that of overnight trips. Business trip growth will outpace non-business trip growth as well, but both will be strong posting average growth of over 4.0% through 2010.

Total Ontario Outbound

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits('000)	27,017	28,425	29,246	31,236	32,602	33,246	34,436	35,827
Overnight	13,535	14,657	15,334	15,961	16,416	16,681	17,248	17,905
Same Day	13,482	13,768	13,906	15,275	16,186	16,565	17,188	17,923
Business	4,278	4,628	4,691	4,911	5,148	5,342	5,564	5,832
Nonbusiness	22,739	23,886	24,549	26,325	27,454	27,904	28,872	29,995
Total Expenditures(\$000)	16,247,100	18,337,246	19,229,328	19,639,875	20,472,507	21,475,518	22,804,232	24,218,158
Overnight	15,419,013	17,315,690	18,192,615	18,581,489	19,380,318	20,331,895	21,563,468	22,869,801
Same Day	828,087	1,021,556	1,034,309	1,058,385	1,092,190	1,143,623	1,240,764	1,348,357
Business	4,079,470	4,250,164	4,626,452	4,878,920	5,178,840	5,520,540	5,940,284	6,361,334
Nonbusiness	12,167,630	14,044,249	14,600,472	14,760,953	15,293,665	15,954,978	16,863,948	17,856,825

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%

Inter-provincial Travel

The number of visitors from Ontario to other provinces is expected to grow from 7.35 million in 2005 to 8.66 million in 2010. Within this group, the number of business travellers is expected to grow rapidly, by about 5.3 percent on a compounded annual basis as corporate profits and business confidence both increase. Expenditures by business travellers to other provinces are expected to grow at an average annual rate of 7.8 percent and will reach almost \$1.2 billion by 2010.

Ontario to Other Provinces

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits('000)	7,002	7,193	7,354	7,661	7,861	8,112	8,396	8,656
Overnight	5,151	5,365	5,448	5,646	5,768	5,972	6,213	6,435
Same Day	1,851	1,828	1,906	2,015	2,092	2,140	2,183	2,221
Business	1,103	1,389	1,372	1,463	1,540	1,609	1,694	1,777
Nonbusiness	5,899	5,804	5,982	6,197	6,321	6,504	6,702	6,879
Total Exp. in Ontario (\$000)	1,361,360	1,580,066	1,678,890	1,676,079	1,729,528	1,799,308	1,883,924	1,962,015
Overnight	1,280,046	1,477,951	1,548,867	1,544,327	1,594,000	1,651,540	1,719,790	1,789,739
Same Day	81,314	102,115	130,023	131,752	135,528	147,768	164,134	172,276
Business	619,096	804,824	847,093	888,754	937,469	989,206	1,051,126	1,110,765
Nonbusiness	742,264	775,242	831,797	787,325	792,059	810,101	832,799	851,249
Total Exp. Other Prov. (\$000)	2,314,765	2,756,659	2,795,623	2,975,546	3,152,446	3,398,293	3,679,376	3,963,235
Overnight	2,221,724	2,661,161	2,700,293	2,865,198	3,024,567	3,262,448	3,537,822	3,808,804
Same Day	93,041	95,498	95,330	110,348	127,880	135,845	141,553	154,431
Business	654,160	787,896	824,831	886,567	951,651	1,024,007	1,113,502	1,198,763
Nonbusiness	1,660,605	1,968,763	1,970,792	2,088,979	2,200,795	2,374,286	2,565,874	2,764,472

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%

Outbound to Overseas Destinations

The number of visitors from Ontario to all overseas destinations is expected to grow from 3.03 million in 2005 to 3.66 million in 2010 – a compounded annual rate of 3.9 percent. Total expenditures by this group are expected to reach \$10.5 billion by 2010. The number of business travellers from Ontario to all overseas destinations is expected to grow most rapidly and their expenditures will reach \$2 billion by 2010 – a compounded annual rate of 9.5 percent.

Ontario to Total Overseas

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits('000)	2,480	2,780	3,025	3,141	3,252	3,376	3,514	3,659
Overnight	2,480	2,780	3,020	3,141	3,252	3,376	3,514	3,659
Sameday	0	0	0	0	0	0	0	0
Business	256	278	306	320	342	355	380	401
Nonbusiness	2,223	2,591	2,713	2,821	2,910	3,022	3,134	3,258
Total Expenditures(\$000)	6,536,117	7,566,821	8,006,237	8,309,748	8,799,305	9,353,603	9,919,914	10,495,645
Overnight	6,536,117	7,566,821	8,003,833	8,309,748	8,799,305	9,353,603	9,919,914	10,495,645
Sameday	0	0	0	0	0	0	0	0
Business	1,138,785	1,152,089	1,315,859	1,408,299	1,619,571	1,774,245	1,931,943	2,074,315
Nonbusiness	5,397,331	6,371,900	6,687,974	6,901,448	7,179,733	7,579,358	7,987,971	8,421,332

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%
Same Day								
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%
Same Day								
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%

Outbound to the United States

A stronger Canadian dollar and solid economic growth in Ontario will help the number of visitors from Ontario to the U.S. to reach 23.5 million by 2010 – a compounded annual growth rate of 4.5 percent. Expenditures by these same visitors are expected to reach \$7.8 billion in 2010. The number of same day visitors is expected to grow by 5.5 percent compounded annually compared to a more modest 2.6 percent advance for overnight visitors over the five-year period starting in 2005. Expenditures by overnight visitors is expected to grow by 2.7 percent on a compounded annual basis over the five years while for same day visitors prospects are more robust, a 4.8 percent compounded average annual rate of growth.

Ontario to USA

	2003	2004	2005	2006	2007	2008	2009	2010
Total Visits('000)	17,535	18,452	18,867	20,435	21,489	21,757	22,526	23,512
Overnight	5,904	6,513	6,867	7,174	7,396	7,332	7,521	7,811
Same Day	11,631	11,940	12,000	13,261	14,094	14,425	15,005	15,701
Business	2,918	2,961	3,013	3,127	3,266	3,379	3,490	3,654
Nonbusiness	14,617	15,491	15,854	17,307	18,223	18,379	19,036	19,858
Total Expenditures(\$000)	6,034,859	6,433,699	6,748,578	6,678,501	6,791,227	6,924,315	7,321,017	7,797,264
Overnight	5,381,126	5,609,757	5,939,622	5,862,216	5,962,446	6,064,304	6,385,941	6,775,614
Same Day	653,732	823,943	808,956	816,285	828,781	860,011	935,076	1,021,651
Business	1,667,429	1,505,355	1,638,669	1,695,299	1,670,149	1,733,082	1,843,714	1,977,491
Nonbusiness	4,367,430	4,928,344	5,109,909	4,983,201	5,121,078	5,191,233	5,477,304	5,819,773

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%

Technical Notes

This outlook was undertaken using the Ontario Tourism Forecasting Model estimated during the first quarter of 2006. This model is a sequel to annual frequency models originally developed in 1993.

This forecast made use of Global Insight's data from national, provincial and U.S. regional, international, and tourism historical and forecast databases. Ontario tourism data, including tourism price data and weather data was obtained from the Ontario Ministry of Tourism. Statistics for travel within Canada are available through the fourth quarter of 2004. International travel statistics are available through the fourth quarter of 2005. Tourism price index data was available through the fourth quarter of 2005.