

RESEARCH

Business Outlook Summer 2002

Domestic & International Travel to Canada

**Research
Report
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Domestic & International Travel to Canada

Business Outlook
Summer 2002

Prepared by

The Conference
Board of Canada

For the

Canadian Tourism Commission

March 2002

WHAT'S INSIDE

The purpose of this study is to provide a short-term outlook for domestic & international travel to Canada for summer 2002 (June 2002 to August 2002) using readily available market intelligence in a timely and cost-efficient manner.

The short-term outlook for travel to and within Canada for summer 2002 should be interpreted in context with the uncertainty still surrounding world affairs. In this respect, the outlook is presented as being valid only under status quo conditions. Downside risks to the outlook still involve the status of future terrorist or military response.

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Executive Summary

Highlights

The outlook for Canada's key markets for summer 2002 is as follows:

- Domestic Leisure travel up 3.5 per cent overall, group travel increasing 0.5 per cent and independent (FIT) up 5.5 per cent;
- Domestic Business travel down 2 per cent overall;
- United States Leisure up 2 per cent overall, with a 1.5 per cent decline in group travel and 3 per cent increase in FIT;
- United States Business down 2.5 per cent overall;
- Mexico up 2.5 per cent overall;
- Brazil down 16 to 18 per cent overall;
- United Kingdom down 1 per cent overall, with a 1.5 per cent drop in group travel and flat growth in FIT;
- France travel is expected to decline 1 to 3 per cent overall, with group travel dropping 2 to 3 per cent and the FIT segment remaining flat;
- German visits to Canada will experience an overall decline of 2 to 3 per cent, with group travel dropping 4 per cent and the FIT segment down 1 to 3 per cent;
- Italy will decline overall by 2 to 4 per cent, with a 5 per cent decline in group travel and a 1 to 3 per cent decline in FIT;
- Netherlands expected to decline 3 per cent overall; with group travel dropping 7 per cent and the FIT segment down a modest 1 per cent;
- Japan expected to decline 4 to 6 per cent overall; Japan group travel dropping 8 per cent and FIT leisure travel will remain flat. Business travel expected down a modest 1 per cent;
- Taiwan to decline 9 to 11 per cent overall; with group travel dropping 13 per cent and the FIT segment down 2 to 4 per cent;
- South Korea expected to increase 3 to 5 per cent overall;
- Hong Kong down 1 to 3 per cent overall;
- China to increase 4 to 6 per cent overall;
- Australia down overall by 1 per cent, with a 3 per cent decline in group travel and a 1 per cent increase in FIT;
- New Zealand up slightly by 0.5 per cent overall.

Background

The goal of the short-term Business Outlook (BO) report for summer 2002 is to assemble short-term performance scenarios for Canada's major travel markets. Advance bookings and market intelligence were derived through the Destination Supplier/Receptive Agent Monitor, developed by the Canadian Tourism Research Institute (CTRI) on behalf of the Canadian Tourism Commission (CTC). As well, quarterly (and weekly) staff reports and mini-surveys of key tour operators were developed by the CTC's foreign offices. Medium-term forecasts, developed by CTRI, are integrated (when needed) to serve as a backdrop for transitions or discrepancies that might arise from the various sources used.

North America Markets

Canada

Domestic leisure travel will continue to lead the way out of the tourism industry downturn. The strongest sector will be the independent FIT traveller. In recognition of this, many domestic – and American – destinations have launched aggressive marketing campaigns to lure nearby tourists to their destinations. Travellers within driving distance are the bright lights this summer for the tourism industry, as most travellers are indicating they will drive rather than fly. Consumer confidence, which has been rising steadily since September 11, will help drive Canadians to travel.

Business travel will continue to suffer mildly due to lingering weak operating finances. However, the economy is bouncing back faster than expected and is expected to grow this year. Holding back business travel will be air capacity constraints, tighter travel policies, high airfares—including the new air security tax on domestic tickets.

The responses by our BO monitor participants indicate that total domestic bookings for summer 2002 will be up 2.5 per cent compared with last summer. Overall, domestic leisure travel is expected to increase 3.5 per cent, with group leisure travel up 0.5 per cent and independent leisure travel (FIT) up 5.5 per cent. BO monitor respondents indicated domestic business travel is still expected to decline 2 per cent in summer 2002, compared with last year.

U.S.

Consumer confidence is a crucial factor in determining how quickly the American and world economies recover. In the months after September 11, the consumer confidence index has been rising steadily, though it took a slight dip in February compared to January.

The latest travel intentions indicate slightly more Americans plan to take a domestic vacation during the next six months than this time last year. However, the vast majority of those Americans, who intend to take a vacation, are planning to remain with the U.S. While only 14.8 per cent of Americans who intend to go on a vacation plan to travel to a foreign destination, many Americans do not consider the Canadian border to be an international border. Unfortunately, direct air capacity is still expected to remain a challenge for summer 2002, compared to last year.

By integrating the results of BO monitor participants with our recent medium-term travel forecast, we anticipate overnight travel from the U.S. to be up between 0 and 1.5 per cent this summer, compared to last year. While leisure travel is expected to be up 2 per cent, business travel is still expected to be off 2.5 per cent.

Mexico

The sharp slowdown in economic growth that Mexico is experiencing is largely due to weak U.S. demand. Since the inception of NAFTA, the health of the U.S. economy has become an even more important factor in determining economic prospects in Mexico. Therefore the decline in U.S. demand for Mexican manufactured goods has meant a decline in the Mexican GDP. Still, despite the problems in the economy created by the U.S. slump, the outlook is for a fairly mild recession, compared with previous periods such as the peso crisis in 1995.

For summer 2002, the short-term outlook suggests a 2.5 per cent increase in travel to Canada. A recent mini-survey of key tour operators in Mexico, conducted by the CTC foreign offices, report spring bookings to Canada were down by 35 per cent on average.

Brazil

The outbound tourism market is expected to recover somewhat in 2002 and an indication of this is the increase in airline passengers to the U.S. to date this year. The devaluation of the Argentina peso has reduced the number of Argentine visitors to popular Brazilian destinations. As they are already doing, businesses in Brazil's tourism industry will have to continue to attract domestic visitors even though they tend to spend less and stay fewer days compared with visitors from Argentina.

The results from our short-term outlook suggest that the summer period will witness a decline of 16 to 18 per cent, compared to last year. Since 16,000 Brazilians visited last summer, our analysis suggests 2,500 to 2,900 fewer visitors.

European Markets

U.K.

The trends uncovered suggest U.K. travellers are ready to travel again. For the first time since the terrorist attacks, the number of passengers moving through British airports increased in February. While short haul remains the growth sector, transatlantic travel has recovered to within 6 per cent of the record levels set last year. According to a survey of UK operators, demand for travel to Canada is now at the same level as last year.

Our short-term outlook suggests overnight travel from the U.K. this summer will decline 1 per cent compared to summer 2001. The outlook for U.K. travel to Alberta/B.C. is expected to be slightly worse than that for Ontario/Quebec. Canada was host to 339,450 visitors from the U.K. last summer. Our current outlook suggests that visitation from the U.K. could decline by 3,400 this summer.

France

More tour operators are showcasing Canada this summer as 5 tour operators have produced brochures featuring Canada—up from 2 a year ago. While tour operators are split on whether or not air capacity represents a problem for tourists wanting to travel to Canada, our BO suggests that air capacity is down overall for worldwide carriers, but remains stable when looking at French carriers only.

Our short-term outlook suggests travel from France this summer is expected to be down 1 to 3 per cent, compared with last year. Last summer, the number of visitors from France was 153,300. The outlook for French travellers to the Ontario/Quebec region is expected to be weaker than for Alberta/BC. Our outlook suggests that between 1,500 and 4,600 fewer travellers from France will visit Canada this summer than in 2001.

Germany

The German economy is still in the grips of a recession, with hopes of a recovery late this year. Italy is favoured in the short term for short-haul trips for Germans. Overall the industry expects a decrease of 4 to 6 per cent for this summer in German outbound travel. Air capacity remains an issue. Air Transat is picking up some of Canada 3000's capacity but some hubs are still weak and access to Atlantic Canada remains particularly weak.

For the summer 2002, we expect overnight travel to Canada will decline 2 to 3 per cent compared with last summer. This will mean 3,000 to 4,600 fewer German travellers will visit Canada this summer compared to last summer—when 153,700 Germans visited.

Italy

Domestic tourism continues to be the destination of choice for Italians, as 82 per cent of the 10 million Italians who took New Years holidays stayed in Italy. For the summer, a recent survey found that 61 per cent of consumers will spend their summer holidays in Europe, while 17.2 per cent will travel to the Americas. Air capacity to Canada will be a problem, as Air Canada and Alitalia have reduced flights.

Our short-term outlook expects 2 to 4 per cent fewer visitors from Italy will travel to Canada this summer. Based on the 48,600 that visited last year, this implies that 975 – 1,950 fewer Italians will visit Canada this summer.

Netherlands

Tour operators in the Netherlands reported an 8 per cent increase in sales of packages to Canada in February, while package sales to the U.S. are down 40 per cent. Air travel bookings were reported by operators to be at the same levels in March as a year ago. Recognizing this positive trend, KLM has decided to purchase between 12 and 34 new jumbo jets. Unlike many other countries, air capacity was not identified as having a negative influence on sales.

Our short-term outlook suggests that travel from the Netherlands will decline 3 per cent this summer. Last summer, the number of overnight visitors from the Netherlands to Canada was 56,275. Our short-term outlook suggests that visitation from the Netherlands will decline by approximately 1,700 this summer, compared with last year.

Asia/Pacific

Japan

Japanese travel trends have seen a shift from group (generally those over the age of 45) to small groups as well as from incentive travel to individual travel. The United States continues to be viewed as a potentially dangerous destination. The events of September 11 have meant that Japanese wholesalers are showing a willingness to offer Canada only programs instead of only U.S. and Canada packages. However, our direct competitor, Switzerland, has had its currency remain stable, making Canada more expensive.

In the short-term, we still expect that the safety-conscious Japanese will avoid long-haul travel to North America, although the gap between this year and last year is narrowing. Last summer, the number of visitors from Japan to Canada was 181,576. Our short-term outlook suggests travel from Japan to decline 4 to 6 per cent this summer compared to last year. This will represent approximately 7,300 to 10,900 fewer Japanese travellers.

Taiwan

Domestic travel continues to lead the tourism rebound in Taiwan—due largely to the government. In 2002, every public servant is eligible to receive up to a NT\$ 16,000 (CDN\$ 745) travel credit from the government if they travel domestically on weekdays. China remains the top destination for the Taiwanese, followed by Hong Kong, Japan and Thailand. Australia and New Zealand are perceived as the safest long haul destinations.

Our short-term analysis calls for a 9 to 11 per cent decline in Taiwan visitors for summer 2002 compared with 2001. With 45,800 Taiwanese visitors last summer, this outlook would suggest 4,100 to 5,000 fewer visitors this summer.

South Korea

Recently the Government of Korea announced it will launch a “tourism police squad” comprised of policemen and officials to clamp down on those who charge tourists excessive fees, dump waste illegally and generally undermine the country’s tourism industry. The CTC foreign offices report South Korean airfares this summer are expected to be slightly higher than last summer for travel from Korea to Canada.

Our rather conservative short-term outlook suggests travel in summer 2002 will decline by 3 to 4 per cent over last year, where 1,875 to 2,475 less Koreans can be expected to visit Canada this summer.

Hong Kong

Tourism was one of the only growth sectors in the Hong Kong economy last year and continued to grow in January, as the number of arrivals increased both last year and in January, 2002. Agents also confirm that outbound travel was rebounding with Japan, Korea and Taiwan the leading destinations. This past winter the most popular Canadian products were ski packages – especially to Whistler.

Our short-term outlook expects overall travel will decline in the summer by a modest 1 to 3 per cent. Last summer the number of visitors from Hong Kong to Canada was 55,000. Our short-term outlook suggests between 550 and 1,650 fewer visitors this summer.

China

Tourism did well in China last year. Foreign currency from international travellers increased 9.7 per cent over the prior year. Outbound tourism also increased as 15.9 per cent more Chinese travelled outside their country, compared with the previous year. South East Asia is still the first choice both in terms of affordability and travel time. Canada is regarded as one of the safest destinations and appeals to the Chinese due to its natural and clean environment.

Our short-term outlook—as reported by BO monitor participants—indicates that leisure travel from China will increase 4 to 6 per cent in summer, 2002 compared with 2001. Since 30,200 Chinese visited Canada last summer, this would suggest 1,200 to 1,800 *more* visitors this spring.

Australia

Late bookings by Australians have led to an increase in sales to Canada recently—with the cruise/rail and ski products the most popular. American Express in Australia expects a recovery in corporate travel in the second half of the year and predicts a return to annual growth rates of 5 to 7 per cent next year.

BO monitor participants reported a consensus decline of 1 per cent in advance bookings for Canada from Australia for summer 2002. Last summer, the number of visitors from Australia to Canada was 56,500. Our short-term outlook suggests approximately 560 fewer Australians will visit Canada this summer.

New Zealand

The CTC in New Zealand reports that travel to Canada accelerated in February, while travel to the U.S. remains slow. Major competitors for Canada are short haul destinations, which are engaged in active marketing campaigns. Tour operators have found that advance bookings to Canada for the summer are strong even though air capacity is a problem.

Our short-term outlook indicated that advance summer bookings from New Zealand is up slightly by 0.5 per cent compared to 2001. Last summer, the number of visitors from New Zealand to Canada was 12,900. Our short-term outlook suggests 650 *more* visitors this spring.

International Travel Statistics – Statistics Canada

OVERNIGHT TRAVEL TO CANADA, JANUARY, 2002		
Source	Person-trips	Change (%)
United States	610,251	-1.60
Mexico	5,228	-4.81
Europe	78,680	-13.81
United Kingdom	32,080	-12.71
France	13,925	-14.17
Germany	8,913	-12.78
Netherlands	2,978	-17.09
Italy	2,525	-26.45
Asia	54,079	-11.93
Japan	14,457	-20.23
South Korea	9,421	16.90
Taiwan	5,099	-31.86
Hong Kong	5,381	-44.98
Oceania	11,995	-22.52
Australia	10,408	-22.44

Source: *International Travel, Statistics Canada*

Introduction

The short-term outlook presented in this report for domestic and international travel to Canada for summer (June-August) 2002 involves a Business Outlook (BO) that is developed and administered by the Canadian Tourism Research Institute (CTRI). The BO integrates primary data of advance bookings along with pertinent market intelligence.

One source of advance bookings and market intelligence is *Destination Supplier–Receptive Agent Monitor*. The *Monitor* obtains advance international booking information from key destination suppliers and receptive agents in Canada. Another source of advance bookings and market intelligence for the BO comes from quarterly reports issued by the Canadian Tourism Commission's (CTC) foreign posts. In order to provide more assistance to the BO, many of the quarterly reports have been enhanced with results from a trade questionnaire. The trade questionnaire is administered by the CTC foreign posts and obtains advance bookings and market intelligence from key foreign tour operators in each country.

The goal of the BO is to generate short-term performance indicators using readily available market intelligence in a timely and cost effective manner. Success with this short-term outlook will be achieved if the initiative helps direct the efforts of the CTC and the industry at large more effectively for the upcoming tourism season.

All advance-booking data and market intelligence collected by the *Destination Supplier–Receptive Agent Monitor* is confidential and not included in the short-term outlook if any individual response can be singled out. All dissemination of *Monitor* responses, either in the form of a monthly report to participants or the short-term outlook report issued by the CTC, will involve consensus reporting. In this respect, there is no mention of individual participant responses.

While reviewing the outlook for the major international markets discussed in this report, the reader is reminded to refer to the Appendix: Medium-Term Travel Forecasts (CTRI) to get a quick perspective of how the short-term travel outlook corresponds to the latest medium-term forecast generated by the CTRI, subsequent to September 11.

Economic Overview

World Outlook

Last year, the world economy experienced one of its weakest growth rates in the past two decades. Downturns in the world's three largest economies, Germany, the United States and Japan led to estimated real world GDP growth of only 1.1 per cent in the wake of a solid 3.8 per cent gain in 2000. While the September terrorist attacks certainly didn't help the situation, it is important to note that the downturn, especially in the United States, was well under way before the tragic events. The downturn in the United States was mainly attributable to a crash in investment spending, especially in the high-technology area, while the Japanese economic recession was related to significant structural problems in its banking sector. The difficulties in Germany were related to weak domestic demand linked to a very high unemployment rate.

What is in store for this year? At this point the Conference Board is confident that the positives will outweigh the negatives, leading to renewed real growth in the world economy. While real growth is expected to be only 1.2 per cent in 2002, the annual growth rate hides the fact that there will be a fairly solid recovery in the second half of this year. Most industrialized countries will expand at annualized growth rates of between 2-3 per cent in the latter part of 2002. The United States and to a lesser extent the United Kingdom will lead the rebound. Most countries in Europe will lag behind the United States.

North America

The collapse in economic growth in Mexico, the United States and Canada led to the North American economy expanding by only 1.1 per cent last year. Growth in Mexico and Canada was hurt by the significant slow down in import demand from the United States. This year will see renewed growth in all three countries; however, growth in Mexico will remain sluggish compared with their economic performance in the 1999-2000 period.

The U.S. economy confounded the predictions of most economists and avoided a recession last year, as the fourth quarter expanded at a modest pace. Other indicators released in February suggest that the manufacturing sector is on the road to recovery after a year-long slump and that the housing market remains on a solid footing. The most positive indicator for future economic conditions was the recent healthy increase in computer equipment spending.

Canada, like the U.S., avoided a technical recession last year when fourth-quarter GDP data was released. The growth (0.5%) experienced in the fourth-quarter was fueled by consumers. This spending led to a substantial drop in inventories, which in turn, will allow production to increase in the coming months in order to keep pace with sales.

South America

Economic growth in South America hit hard times last year due to a combination of weaker U.S. demand for exports and the fall-out from the financial crisis in Argentina. Real GDP expanded by less than 1 per cent. This year, prospects are considerably better and real GDP will increase with most of the growth taking place in the second half of this year. Fortunately, South American financial markets have been relatively calm since the start of 2002, despite the sharp devaluation of the Argentine peso. Brazilian share prices increased moderately in early January and the Brazilian *real* has been fairly stable. This reflects the fact that regional trade does not link most countries in South America the way it does in Europe and the Pacific Rim, for instance. Economic prospects in South America are more dependent upon international financing, investment flows and the health of the U.S. economy.

Euroland

The surprising improvement in business and consumer confidence in the euro zone in December, one month prior to the introduction of the euro, was a possible sign that the Euroland economy might be on the road to recovery in 2002. Manufacturers across Europe were more optimistic likely because of the improvement reported in manufacturing activity in the United States. The increase in consumer confidence was attributable to the absence of dramatic job cuts or company closures over the past few months. The relatively smooth introduction of Euro notes into the system also provided a lift for the economy this year.

Nevertheless, there are still some hurdles for Euroland to overcome in 2002 and this implies that growth will remain fairly sluggish. The unemployment rate in France, Italy and Germany continues to increase and the European Central Bank (ECB) has not provided the same degree of monetary stimulus for the economy as has the Fed in the United States.

Asia-Pacific

Every country in the Asia Pacific region experienced a severe decline in economic growth last year. Real GDP expanded by only 0.6 per cent in the wake of a 3.3 per cent gain in 2000. The reason for the sharp deceleration is easy to pinpoint: The plunge in demand for the high technology products that many countries in this part of the world manufacture. American companies slashed investment in new technology last year after the NASDAQ bubble burst. As a result, the global market for semiconductor chips shrank by 31 per cent in 2001.

In 2002, there should be a revival in export growth and this will lead to higher real GDP growth. There are some early signs that demand for electronic products is on the rise. Orders for non-defense capital goods have finally started to increase in the United States. According to the Semiconductor Industry Association, sales of memory chips should expand by 6 per cent this year and by 20 per cent in 2003. In Taiwan, exports are expected to increase by 7 per cent this year after contracting by 15 per cent in 2001. Singapore and Malaysia should also record stronger export growth after experiencing dramatic declines in 2001.

A revival in Japanese growth would also provide a lift for the region. Japan's current account surplus surged 224.3 per cent in January from a year earlier to 709 billion yen (CDN\$ 8.7 billion) and, while Japan's economy still remains in a severe situation, there are signs that it too is bottoming out.

Exchange Rates

EXCHANGE RATE COMPARISON – MARCH 2002 TO MARCH 2001

Per cent change in exchange rates between select countries

	Canadian dollar	U.S. dollar	British pound	Euro	Japanese yen	Taiwanese dollar	Australian dollar
Canadian dollar	--	-1.8%	-0.3%	1.7%	5.9%	5.4%	-5.9%
U.S. dollar	1.8%	--	1.5%	3.5%	7.8%	7.4%	-4.2%
British pound	0.3%	-1.5%	--	2.0%	6.2%	5.8%	-5.6%
Euro	-1.7%	-3.5%	-2.0%	--	4.1%	3.7%	-7.5%
Japanese yen	-5.5%	-7.2%	-5.8%	-3.9%	--	-0.4%	-11.1%
Taiwanese dollar	-5.2%	-6.9%	-5.5%	-3.6%	0.4%	--	-10.8%
Australian dollar	6.3%	4.4%	5.9%	8.1%	12.5%	12.1%	--

Source: The Conference Board of Canada.

Domestic (Canada) Travel Outlook, Summer 2002

Economic Overview

Canada avoided entering a technical recession in the fourth quarter of 2001, as GDP growth was stronger than expected. Consumers fuelled the rebound by increasing their spending. This spending increase led to a drop in inventories. With inventories now lower, production is expected to increase in the coming months to keep pace with sales.

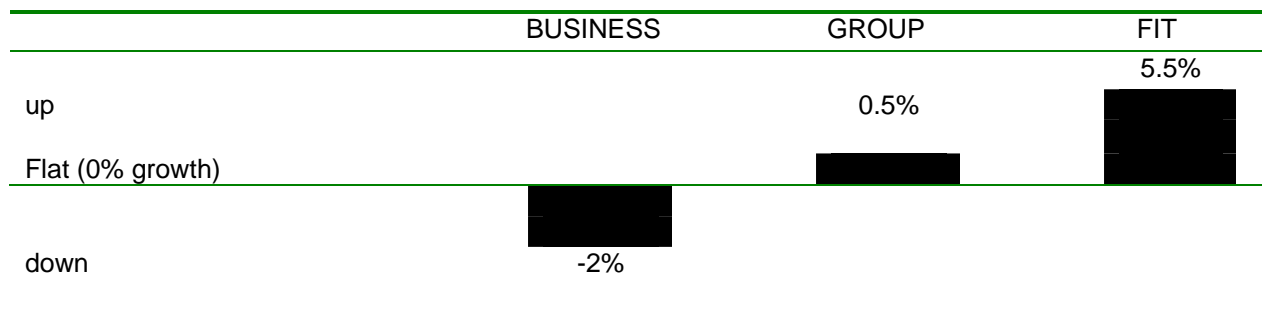
There are early signs that production has already begun to increase. A further 6,000 net new jobs were added to the economy in February, following a gain of 76,000 in January. Consumer confidence has risen sharply in recent months and now sits well above the pre-September 11 level. Low interest rates are expected to keep new auto and housing sales levels relatively high. The housing market strength is also expected to keep sales of furniture and appliances robust in the coming months.

Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel suppliers and receptive agent bookings—suggests a modest 2.5 per cent growth in overall advance bookings for domestic travel in the summer of 2002, compared to the previous year. Domestic leisure FIT bookings for the summer of 2002 are 5.5 per cent ahead of that recorded for 2001. The summer outlook, as reported by BO monitor participants, for domestic group leisure travel is for a more modest 0.5 per cent growth. Meanwhile Canadian business travel is expected to decline a further 2 per cent in summer 2002, compared with last year. Concerns about the economy are still prompting businesses to scrutinize any proposed travel and review travel policies. Business travellers are increasingly looking for alternatives to high walk-up airline fares and as such are booking more economy seats and flying low-cost carriers. Because of this, it is still expected that business travel within North America will rebound slower (compared with leisure travel) over the short-term.

DOMESTIC TRAVEL SUMMER 2002

Expectations for Domestic summer travel in 2002, compared with last summer.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

Consumer Confidence and Travel Intentions, The Conference Board of Canada.

Canadian businesses are more optimistic than they were four months ago, according to the Conference Board's Index of Business Confidence and a poll done by Ipsos-Reid. The advances in the war in Afghanistan and the absence of further terrorist attacks – especially during the Winter Olympics – has likely made businesses less uneasy. Lower interest rates and improvement in some economic indicators such as auto sales, housing starts and employment figures probably also helped. Still business confidence has a long way to go—it could take another year before confidence is fully restored to its 10 year average.

CONSUMER CONFIDENCE (1991=100 INDEX)

	Oct. 2001	2001:12	2002:1	2002:2
Consumer Confidence Index	99.2	111.0	119.2	123.1

Source: *The Conference Board of Canada. Index has changed from quarterly to monthly.*

According to the Conference Board of Canada's latest Summer 2002 *Travel Intentions Survey* conducted in March 2002, 61.2 per cent of Canadians intend on taking a summer (May – September) vacation this year. This figure is up from last year. In fact, the percentage of Canadians planning to take a summer vacation has been climbing steadily since 1997. While the percentage of Canadians that are planning on taking their longest vacation within Canada is down from last year, it is up compared with 2000—a notably strong year for domestic tourism. In general, the Summer 2002 *Travel Intentions Survey* suggests Canadians are feeling much more confident about travelling—from both from an economic and psychological perspective—since September 11. This positive sentiment is further illustrated in the high percentage of Canadians that are intending to travel internationally this summer—many of them relying on air travel to get them to their destination.

SUMMER VACATION INTENTIONS (%)

	2002	2001	2000	1999	1998	1997
Vacation Intended	61.2	60.4	59.6	58.0	57.7	55.8
Canada	43.7	47.1	41.3	39.7	36.2	36.9
Foreign	17.5	13.3	18.3	18.3	21.5	18.9

Source: *The Conference Board of Canada.*

Summary Outlook for Summer

Business travel will continue to feel the effects of a tight economy as a low Canadian dollar, increased airfares—including the new airport security tax, stricter travel policies and air capacity constraints—continue to suggest that domestic business travel will remain in decline in the short term. The bright spot is domestic pleasure travel as both FIT and group are expected to expand – albeit very modestly for group travel. Within the domestic pleasure travel segment, the rubber tire (car travel) market is expected to be the strongest. Marketing initiatives, proper capacity planning, product packaging and a weak dollar will help spur a modest expansion in the short term.

The short-term outlook reported by BO monitor participants indicate that total domestic bookings for summer 2002 will be up 2.5 per cent compared with last summer. Overall, domestic leisure travel is expected to increase 3.5 per cent, with group leisure travel up 0.5 per cent and independent leisure (FIT) travel up 5.5 per cent. Domestic business travel is expected to decline a further 2 per cent this summer, compared with last year.

U.S. Travel Outlook, Summer 2002

Economic Overview

The U.S. economy confounded the predictions of most economists and avoided a recession last year. The Conference Board Inc. expects the U.S. economy to expand this year as the housing, manufacturing and labour markets start to strengthen. The most positive indicator however for future economic considerations was the healthy increase in computer equipment spending. Employment figures were also up in February, the first gain since last July.

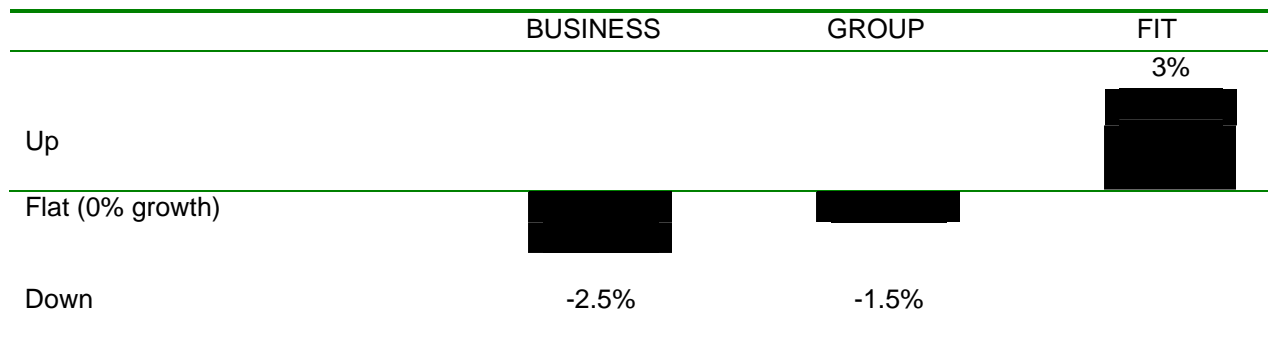
Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel suppliers, Canadian receptive agent bookings and U.S. tour operators—for U.S. business travel in summer 2002 is for a 2.5 per cent decline compared to last year. Similarly, the outlook for U.S. group leisure travel in summer 2002 suggests a 1.5 per cent decline. On a rather optimistic note, independent leisure travel (FIT) is expected to increase by 3 per cent for the summer, compared to last year.

Pent up demand for travel is driving the increase in bookings. The 2002 Active Traveller Survey reported that 85 per cent of active travellers will travel as much or more as they did last year. The Canadian Tourism Commission’s foreign office reports that high-end travel as well as short weekend getaways are selling well. For Canada, destinations within driving distance are expected to benefit the most from pent up demand as indicators, such as the number of TripTik requests, show that more Americans will be driving rather than flying this summer.

U.S. TRAVEL SUMMER 2002

Expectations for U.S. summer travel to Canada in 2002, compared with same period 2001.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

U.S. Consumer Confidence and Travel Intentions Survey, The Conference Board Inc.

The U.S. economy is still a long way from the good times experienced in the 1998-2000 period, as the decline in consumer confidence in February suggests. The Conference Board Inc.'s Index of Consumer Confidence fell to 94.1 from 97.8 in January with a weakening of both expectations and the assessment of current conditions. However, much of the drop in confidence was blamed on the Enron scandal, which raised serious questions about the accounting practices of large corporations.

CONSUMER CONFIDENCE

(1985=100 Index)

	Nov. 2001	Dec. 2001	Jan. 2002 (r)	Feb. 2002 (p)
Consumer Confidence Index	84.9	94.6	97.8	94.1
Present Situation	96.2	97.8	98.1	94.8
Expectations	77.3	92.4	97.6	93.6

Source: *The Consumer Research Center, The Conference Board Inc. U.S.*

The latest *U.S. Vacation Travel Intentions* survey by The Conference Board of Canada reported U.S. vacation intentions climbed in February by 1 per cent, compared with last February. In the next six months, 46.7 per cent of Americans indicated they would take a vacation somewhere. This translates into 2.1 million *more* Americans taking a vacation trip. The rise in travel intentions is attributed to improving economic conditions and no further terrorist attacks.

When asked where they would take their vacation in the next six months, 85.2 per cent of Americans indicated they intend to travel within the U.S. This is up 4.3 per cent from a year ago. This means Americans will be taking less international trips. Only 14.8 per cent of Americans, who intend to take a vacation trip, plan to travel to a foreign destination—down 1.8 per cent from last year. And in line with other surveys, fewer Americans plan to fly to their vacation destination over the next six months. In fact, the percentage of Americans who plan to fly to their destination in the next six months is the lowest it has been since 1993.

VACATION INTENTIONS (SEASONALLY ADJUSTED)

(%)

	Oct. 2001	Dec. 2001	Feb. 2002
Vacation Intended	48.0	43.1	44.0
U.S.	40.7	35.6	37.5
Foreign	8.6	8.6	8.8

Source: *The Consumer Research Center, The Conference Board Inc. U.S.*

U.S.-to-Canada Air Capacity, OAG Worldwide

The level of air service offered between the U.S. and Canada was investigated because the ability to get to a destination is part of planning a trip. To accomplish this, a product from OAG Worldwide called OAG Max was used. Growth in the international travel market to Canada is highly dependent on improved air access—and OAG Max shows flights worldwide. In the current environment, however, we expected to see air capacity reduced to reflect weaker demand and the lingering financial constraints of the airline industry.

SEATS AVAILABLE FOR TRAVEL FROM THE U.S. TO CANADA (SUMMER –JUNE TO AUGUST)

	2001 (non-stop)	2002 est. (non-stop)
Seats available	4,691,613	4,000,498
Per cent change	N/A	-14.7

Source: OAG Worldwide.

The number of seats available (as of March 2002) for direct U.S. to Canada air service for the summer of 2002 now stands at 4,000,498. For 2001, the number of non-stop seats available was 4,691,613. This planned reduction of direct air capacity amounts to 14.7 per cent. On a slightly more positive note, the number of direct seats available on American branded airlines (such as American Airlines) is only expected to be down 8.7 per cent.

Summary Outlook for Summer

The latest travel intentions indicate *more* Americans plan to take a vacation during the next six months, although compared to last year, more Americans expect to vacation in America rather than take an international trip. However, those who decide to take a vacation may extend their domestic boundaries and opt to visit Canada – especially as 73 per cent of Americans don't consider the Canadian border to be an international one and many Americans are within easy driving distance to Canada. Unfortunately, direct air capacity from the U.S. is expected to be 14.7 per cent less this summer, compared with last year.

Leading the recovery in tourism from the U.S. this summer will be independent leisure travellers as the BO monitor participants suggest an increase of 3 per cent, compared to last year. Unfortunately group leisure as well as business travel will still be down, with group leisure off by 1 to 2 per cent while business will be off a further 2 to 3 per cent. While economic conditions in the U.S. are improving, it appears business travellers are still somewhat reluctant to fly. Supported by BO monitor participants, our current outlook suggests business travel from the U.S. still be down 2 to 3 per cent this summer, compared to last summer.

Mexico Travel Outlook, Summer 2002

Economic Overview

The sharp slowdown in economic growth that Mexico is currently experiencing is largely due to weak U.S. demand. Since the inception of NAFTA, the health of the U.S. economy has become an even more important factor in determining economic prospects in Mexico. The decline in U.S. demand for Mexican manufactured goods has been most visible in the maquiladora industry (in-bond manufacturing), which experienced a drop in output of close to 20 per cent last year. The weakness in the industrial sector has now extended to the service sector, which accounts for more than half of Mexican GDP. Despite the problems in the economy created by the U.S. slump, the outlook is for a fairly mild recession, compared with previous periods such as the peso crisis in 1995.

Tourism Trends

Long waits at the border apparently took their toll on the hotel industry in Baja. The number of overnight visitors to Baja, California fell 7.5 per cent last year, compared to the year earlier. Much of the loss has been attributed to the long waits and tighter security imposed after the terrorist attacks. For this year, Mexican tourism officials are hopeful that tourism will increase as the economy improves, the border waits decline and people resume weekend getaways.

After years of stagnant growth, the amount of Mexico City exhibition space took a quantum leap and will double in 2002. In February, the 228,000 square feet Las Americas Horse Track Exhibition Center was opened. The even larger Expo Santa Fe is scheduled to open in October, giving business travellers more reasons to come to Mexico.

To encourage Americans to visit, the Mexico Tourism Board kicked off a US\$ 35 million marketing campaign that emphasizes how close Mexico is to both Canadians and Americans. It will be easier for Americans to get to Mexico as, for the first time in more than 40 years, international flights will depart from Chicago's Midway Airport direct to Mexico.

Market Overview

The consensus among Mexican tour operators surveyed suggests that overall bookings to Canada for the summer 2002 season will be *down* by 35 per cent compared to a year ago. Air capacity to Canada was identified as part of the problem. Exchange rates were stated as having a positive influence to visit Canada.

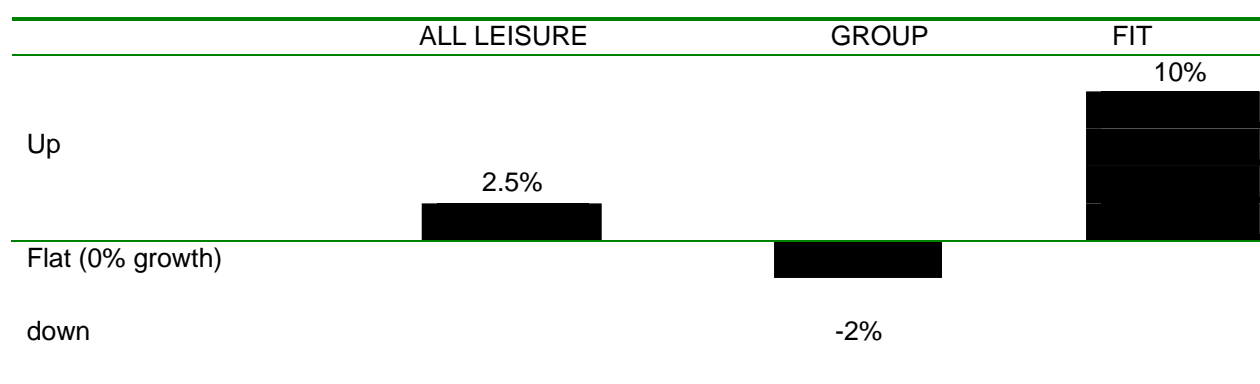
No specific trends were identified as more popular than another. Individual travel with or without a package, group with a package, and couples with or without packages all sold. Interest was focused on Quebec (44%), Ontario (24%) and B.C. (22%). This is a switch from the spring market overview where Ontario led the way, followed by B.C. then Quebec. The touring and cities/resorts product cluster remains the most popular package purchased followed by nature, outdoor/sports and then culture/history. (Canadian Tourism Commission's foreign office).

Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for Mexican travel this summer indicate an overall 2.5 per cent increase compared to last year. The positive outlook is based primarily on the 10 per cent growth expected by independent (FIT) leisure travel. The outlook for group travel is for a 2 per cent decline. Unfortunately, we can not report on the level of advance business bookings for summer 2002, since the number of responses was not sufficient enough to ensure confidentiality.

MEXICO LEISURE TRAVEL SUMMER 2002

Expectations for Mexico summer travel to Canada in 2002, compared with last spring.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

Mexico-to-Canada Air Capacity, OAG Worldwide

Overall, air capacity does not appear to be a problem over the summer 2002 period—based on comparing the direct air capacity available for the summer months of 2002 compared to 2001. In fact, direct air capacity is expected to be up 24.9 per cent. The potential problem for air capacity to Canada—as raised by the foreign tour operators surveyed—might be with respect to air travel via Mexican branded airlines. The number of direct seats available to Canada this summer on Mexican branded airlines is down 21.8 per cent, compared to last summer. As Mexicans may prefer to fly Mexican branded airlines, this would be in line with the decline in air capacity and bookings that Mexican tour operators are reporting.

SEATS AVAILABLE FOR DIRECT TRAVEL FROM MEXICO TO CANADA (SUMMER)

	2001	2002
Seats available	41,720	52,096
Per cent change	NA	24.9

Source: OAG Worldwide.

Summary Outlook for Summer

The recent mini-survey of key tour operators in Mexico, conducted by the CTC's foreign office, reported summer bookings to Canada are down by 35 per cent compared to BO monitor participants, who indicated overall bookings are up 2.5 per cent. Air capacity, while up 24.9 per cent overall, is actually down 21.8 per cent for Mexican branded airlines. BO respondents reported leisure independent travellers lead the positive outlook this summer. We feel the overall positive outlook, as reported by BO monitor participants, is possible as the most recently completed medium-term travel forecast suggests a similar positive outlook.

Brazil Travel Outlook, Summer 2002

Economic Overview

A combination of both domestic and international events undermined Brazil's economy in 2001. Real GDP growth slipped from 2000 as a result of: an energy crunch caused by a lack of rainfall, slower demand for Brazil's exports and higher interest rates due to the uncertainty created by the debt crisis in Argentina. This year, economic growth will rebound somewhat. Equity markets and the value of the *real* have held up well since the beginning of this year and this partly reflects the fact that less than 12 per cent of Brazil's exports are destined for Argentina. Brazil's biggest trading partner is the United States and the rebound in the U.S. economy will provide a boost for the country's external sector. Exports are expected to expand this year.

Tourism Trends

The U.S. was the number one long haul travel destination for Brazilians in the first half of 2001, however, figures for the second half of the year are not expected to be as rosy. Still the market is expected to recover in 2002 and an indication of this is the increase in airline passengers to the U.S. to date this year. Domestic travel within Brazil has managed just fine in the days after September 11 and in fact grew at a faster rate than the Brazilian GDP.

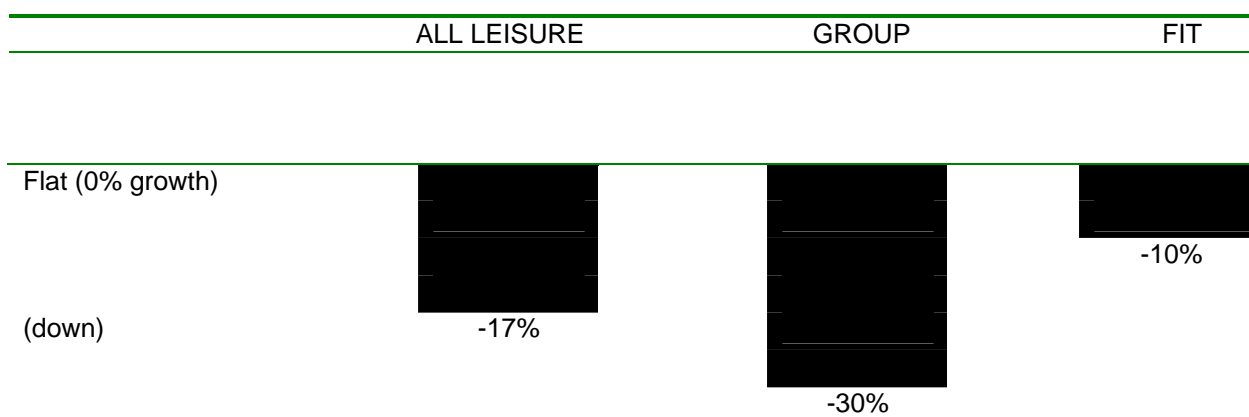
Preliminary estimates for the Brazilian cruise market indicate that between 80,000 and 120,000 Brazilians are expected to go on a cruise holiday along the Brazilian coast during the upcoming summer season. This is an increase of approximately 60 per cent compared with last year.

Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The business outlook—as indicated by Canadian travel supplier and receptive agent bookings—for Brazil leisure travel in the summer of 2002 suggests a decline of 16 to 18 per cent, compared to last year. Group leisure bookings are the down the most, with a decline of 30 per cent compared to a year ago. Independent (FIT) leisure travel will see a decline of 10 per cent. Unfortunately there were not enough responses for advance business bookings to ensure confidentiality.

BRAZIL LEISURE TRAVEL SUMMER 2002

Expectations for Brazil summer travel to Canada in 2002, compared with same period last year.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

Brazil to Canada Air Capacity, OAG Worldwide

Air capacity might represent a slight concern over the summer 2002 period—based on comparing the direct air capacity available for the summer months of 2002 compared to 2001. The number of direct seats available is expected to be down 5.1 per cent, compared with last year.

SEATS AVAILABLE FOR DIRECT TRAVEL FROM BRAZIL TO CANADA (SUMMER)

	2001	2002
Seats available	17,643	16,748
Per cent change	NA	-5.1

Source: OAG Worldwide.

Summary Outlook for Summer

Like the spring, outbound international traffic is still very much below the levels of previous years. For the near-term, Brazilians are expected to continue to change their traditional international travel destinations to domestic options. Our short-term outlook suggests a further decline of 16 to 18 per cent of Brazilian visitors to Canada for the summer 2002. Since 16,000 Brazilians visited last summer, our analysis suggests 2,500 to 2,900 fewer visitors can be expected.

U.K. Travel Outlook, Summer 2002

Economic Overview

The U.K. economy has fared better than most of mainland Europe mainly because of healthy increases in consumer spending. Last year, it is estimated that real consumer spending increased by almost 4 per cent, the fastest growth rate in Europe. Growth in consumer spending has offset a significant downturn in manufacturing activity, which has yet to reach bottom. Exporters are still reporting weak demand conditions and have unsuccessfully called for interest rate cuts in a bid to weaken the pound against the Euro and make British goods more competitive on global markets. Rolls-Royce, BAE Systems, and GKN have announced nearly 55,000 job cuts in the past three months. To make matters worse, Marconi recently announced that it would institute yet another round of job reductions, totaling 4,000 worldwide. At least 1,000 of the cuts will be in the United Kingdom.

Tourism Trends

For the first time since the terrorist attacks, the number of passengers moving through British airports increased in February. The UK's official airport operator, BBA, reported that passenger numbers rose slightly by 0.3 per cent. While short haul remains the growth sector, long haul has recovered to within 6 per cent of the record levels set last year. Demand for travel to Canada is now at the same level as last year, according to a survey of UK operators.

The CTC in the U.K. reports that there has been a 15 per cent reduction in the number of leisure holidays offered by operators this year, compared to last year. Despite this, there are fears that supply will still exceed demand, prompting fears of possible reductions on package prices this summer.

According to the Guild of Business Travel Agents, business travel bookings decreased by 2 per cent in February compared to the same month a year ago, while revenues for this same period declined by 6 per cent. American Express reported that nearly three-quarters of British executives say they have not cut back on travel since September 11. But when business travellers are flying they generally are taking economy class (63%) or a no-frills airline (60% flew on a no-frills airline within the last 12 months).

PricewaterhouseCoopers reported that average hotel occupancy in London hotels fell 9.7 per cent to 72.9 per cent last year, compared to the previous year. This is the first time in eight years that London occupancy rates fell below 80 per cent.

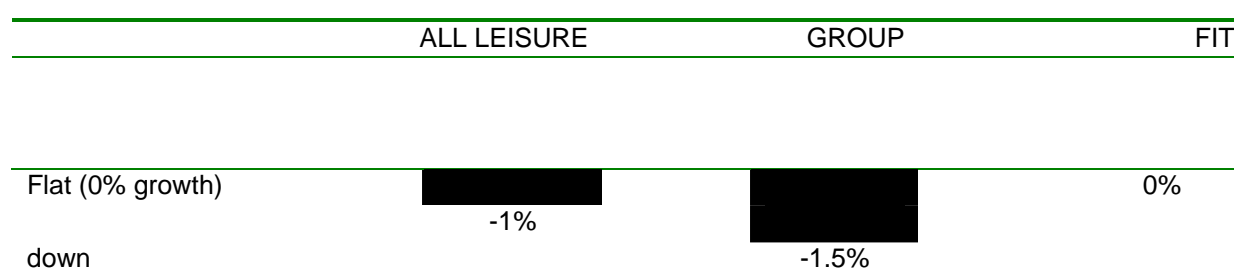
Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for U.K. leisure travel this summer indicates an overall 1 per cent decline, compared to last year. The outlook for group leisure travel shows a decline of 1.5 per cent, while the independent (FIT) leisure travel segment is expected to be flat (0 per cent growth). The outlook for U.K. travel to Alberta/BC (down 2 %) is expected to be less favourable than for Ontario/Quebec (flat).

Advance business bookings for summer are estimated to be down 1 per cent, compared with the summer 2001 – a slightly better outlook than in the spring.

U.K. TRAVEL SUMMER 2002

Expectations for U.K. summer travel to Canada in 2002, compared with last summer.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

U.K.-to-Canada Air Capacity, OAG Worldwide

Air capacity might be a problem for the summer 2002 period— based on comparing the direct air capacity available for the summer months of 2002 compared to 2001. OAG Worldwide indicates that direct air capacity planned for summer 2002 will be down 13.4 per cent, compared to summer 2001. U.K. branded airlines are expected to have 12.7 per cent fewer seats this summer, compared to last summer.

SEATS AVAILABLE FOR DIRECT TRAVEL FROM THE U.K TO CANADA (SUMMER)

	2001	2002
Seats available	659,010	570,376
Per cent change	NA	-13.4

Source: OAG Worldwide.

Summary Outlook for Summer

Our short-term outlook suggests overnight travel from the U.K. this summer will decline 1 per cent, compared to summer 2001. The outlook for U.K. travel to Alberta/B.C. is expected to be slightly worse than that for Ontario/Quebec. Canada was host to 339,450 visitors from the U.K. last summer. This analysis suggests that visitation from the U.K. could decline by 3,400 this summer.

France Travel Outlook, Summer 2002

Economic Overview

The French economy has held up fairly well compared with other European economies. Real GDP expanded by 2.1 per cent last year. Consumer spending was the main factor behind the economic growth, as tax cuts left most households with more disposable income. It is estimated that real consumer spending grew by 2.7 per cent in 2001, one of the highest growth rates on the continent. The revival in U.S. economic activity will help exports somewhat, however, the sluggish growth in Germany will put a damper on overall export activity. While consumer spending will continue to expand in 2002, growth will not be as strong as last year because of a rising unemployment rate.

Travel Trends

According to tour operators in France, North American traffic declined 10.6 per cent last year and overall 48 per cent less packages were sold. Travel agents, on the other hand, report that their earnings remained stable last year as the average price of a trip increased 6.3 per cent. Volume declined 3.4 per cent. It was reported that more tour operators are showcasing Canada as 5 tour operators have produced brochures featuring Canada —up from 2 a year ago.

Market Overview

According to French tour operators, advance bookings to Canada for the upcoming summer are down an average of 20 per cent. Tour operators are split on whether or not air capacity is a problem. Of the five reporting tour operators, 3 identified it as a problem, while 2 said it was not. However, the exchange rate had no effect on sales for the majority of the operators.

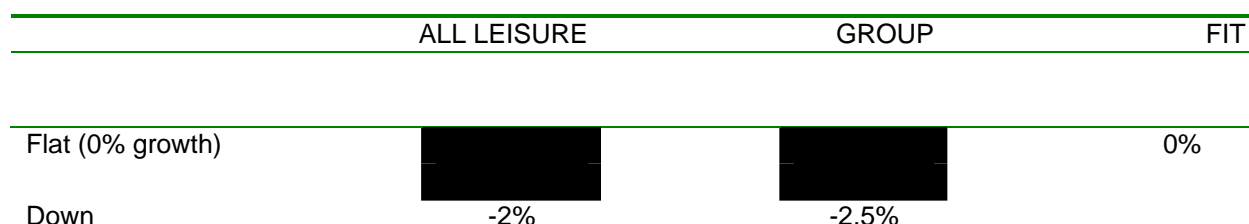
The strongest sales are for individuals with no package and individuals as part of a package. Quebec still constituted the bulk (70-100%) of Canadian destinations sold, with Ontario representing 10-50 per cent of the sales. Like the spring, New Brunswick was mentioned as being a potential larger market for French travellers. Touring was noted as the most popular product cluster purchased by summer visitors followed by nature and then trips to cities and resorts. (Canadian Tourism Commission's foreign office).

Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for French travel to Canada this summer 2002 indicates an overall 1 to 3 per cent decline, compared to last year. The outlook is slightly worse for group travel (-2.5%) than for independent (FIT) leisure travel (flat). As in the spring, the decline of French travellers in the Ontario/Quebec region is expected to exceed that witnessed for Alberta/BC—the two regions of Canada specifically identified by participants.

FRANCE TRAVEL SUMMER 2002

Expectations for France summer travel to Canada in 2002, compared with last summer.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

France-to-Canada Air Capacity, OAG Worldwide

Air capacity by scheduled and scheduled charter airlines will again represent a problem for the summer 2002 period. Direct air capacity for summer 2002 is expected to be down 10.5 per cent, compared to 2001. Air access due to the demise of Canada 3000 and cutbacks of Air France will negatively impact the short-term outlook for French travel to Canada. On a slightly more positive note, the number of direct seats available this summer on French branded airlines is expected to be stable (0%) compared with last summer.

SEATS AVAILABLE FOR DIRECT TRAVEL FROM FRANCE TO CANADA (SUMMER)

	2001	2002
Seats available	243,000	217,539
Per cent change	NA	-10.5

Source: OAG Worldwide.

Summary Outlook for Summer

More dramatic declines have been reported by French tour operators than those reported by BO monitor participants. We expect overnight travel this summer to be off 1 to 3 per cent, compared with last year. Last summer, the number of visitors from France was 153,000. Our short-term outlook suggests that between 1,500 and 4,600 fewer travellers from France will visit Canada this summer.

Germany Travel Outlook, Summer 2002

Economic Overview

The German economy is currently in the grips of a recession, with hopes of a recovery late this year. Industrial exports are a major component of the German economy and they have been negatively affected by the global downturn in economic activity. Companies in the automotive and chemicals sectors have recently announced massive layoffs in their respective industries. The banking sector has also taken a hit. Last year it is estimated that the German economy expanded by only 0.6 per cent, the poorest performance in Western Europe. The economy will remain in the doldrums for much of this year, although activity will pick up in the second half of this year in line with the anticipated rebound in U.S. economic activity.

Tourism Trends

According to the CTC's foreign office, Europeans preferred to spend their ski holidays in Europe due to the overall weak economy and introduction of the Euro. Initial summer bookings are poor but are improving. Italy is currently the most popular destination for short-haul trips, while South Africa and Australia are favoured for long haul trips. South Africa continues to be popular due to intense marketing and a low exchange rate. Overall, the industry expects a decrease of 4 to 6 per cent for this summer in German outbound travel.

Lufthansa's capacity will be about 10 per cent less this summer than last year. Air Transat is picking up some of Canada 3000's capacity but some hubs are still weak. The CTC is reporting the need for additional capacity to Vancouver this summer as many flights are already fully booked on some departure dates. Access to Atlantic Canada continues to be weak.

Market Overview

According to major tour operators in Germany, advance bookings to Canada for the upcoming summer season are generally flat or slightly negative compared to last summer. Air capacity remains a problem. For most tour operators, the exchange rate had a favourable effect.

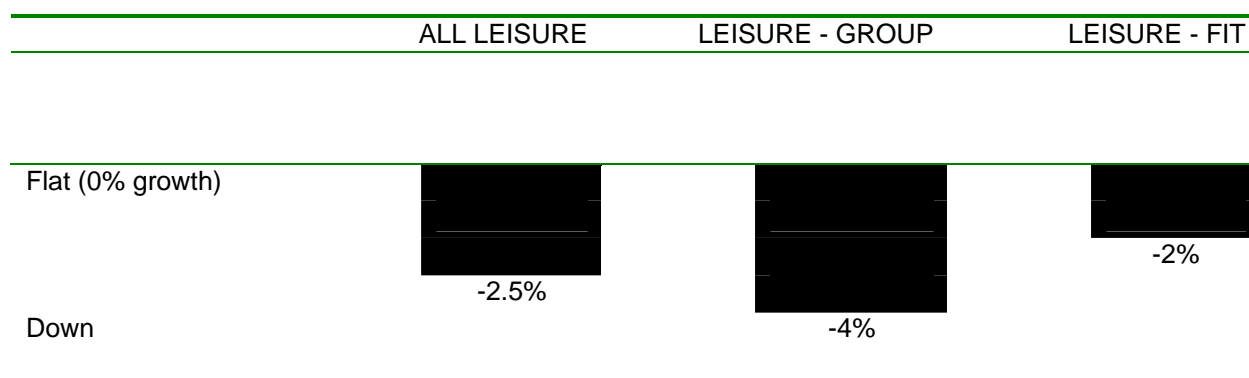
German tour operators found that B.C. and Alberta are the most popular Canadian destinations, representing 55 per cent of overall business, followed by Ontario/Quebec with roughly 30 per cent and the Yukon with 15 per cent. Touring was noted as the most popular product cluster purchased by summer visitors. This was followed by trips to cities/resorts, nature and culture/history. (Canadian Tourism Commission's foreign office).

Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for German leisure travel this summer indicates an overall 2 to 3 per cent decline, compared to last year. The outlook for group travel appears slightly gloomier (-4%) compared to independent (FIT) leisure travel (-2%). The overall decline is expected to be slightly worse in Alberta/BC region than Ontario/Quebec—the two regions of Canada specifically identified by participants.

GERMANY LEISURE TRAVEL SUMMER 2002

Expectations for Germany summer travel to Canada in 2002, compared with same period last year.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

Germany-to-Canada Air Capacity, OAG Worldwide

Unfortunately, air capacity is expected to be a problem over the summer 2002 period for German travel to Canada. The level of direct air capacity planned for summer is down 18.6 per cent, compared to summer 2001.

SEATS AVAILABLE FOR DIRECT TRAVEL FROM THE GERMANY TO CANADA (SUMMER)

	2001	2002
Seats available	257,098	209,223
Per cent change	NA	-18.6

Source: OAG Worldwide.

Summary Outlook for Summer

For the summer, our short-term outlook suggests that travel from Germany to Canada will decline 2 to 3 per cent compared with last summer. Air capacity remains a major stumbling block as reported by tour operators and the OAG. This analysis translates into 3,000 – 4,600 fewer German travellers visiting Canada, compared to last summer—when 153,700 Germans visited.

Italy Travel Outlook, Summer 2002

Economic Overview

The Euro has officially become legal tender in Italy. This means more transparency in prices around Europe. The first few months of 2002 found the GDP of Italy declining. However a recovery is forecasted and total growth for 2002 is expected to be 1.2 per cent. Inflation remained fairly stable at 2.5 per cent in February and, for the first time since September 11, the mood of consumers is more optimistic than pessimistic. Still, unemployment continues to be a challenge but is slightly improving compared to the same period last year (9.3% compared to 10%). The uncertainty over employment will cause household consumption and investment expectations to remain modest in the short term.

Tourism Trends

Domestic tourism continues to be the destination of choice for Italians, as 82 per cent of the 10 million Italians who took New Years holidays stayed in Italy. The number of Italians taking holidays over New Years remained stable from 2001. For the summer, a recent survey by the Association of Italian tour operators found that 61 per cent of consumers will spend their summer holidays in Europe, 20 per cent will go to Africa, 17.2 per cent to the Americas while 13 per cent don't know yet. As such, tour operators are stepping up marketing of countries such as Spain, Greece, Croatia and domestic destinations.

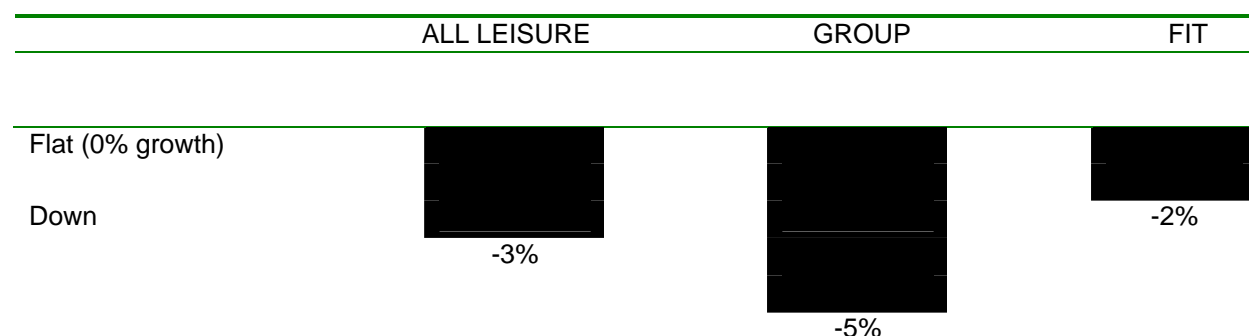
Delta Airlines reported that air traffic between Italy and the U.S. fell by 32 per cent from October to February, compared to the same period a year earlier. Overall in 2001, traffic to Canada was down 16 per cent. For the coming season, tour operators are noting that requests for quotes for travel to Canada are increasing. However, air capacity appears to still represent a problem.

Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for leisure travel from Italy during summer 2002 is for an overall 2 to 4 per cent decline compared to last year. The outlook appears to be slightly worse for group travel (-5 %) compared with independent (FIT) leisure travel (-2%). The decline of Italian visitors this summer will probably be felt primarily in the Ontario/Quebec region—the only region of Canada specifically identified by monitor participants.

ITALY LEISURE TRAVEL SUMMER 2002

Expectations for Italy summer travel to Canada in 2002, compared with same period last year.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

Italy-to-Canada Air Capacity, OAG Worldwide

Air capacity continues to represent a problem for travel from Italy to Canada for the summer 2002 period. The OAG Worldwide data suggests that the number of direct seats available to Canada will be down a staggering 47.7 per cent, compared to summer 2001. On a slightly more positive note, the number of direct seats available this summer on Italian branded airlines is expected to be down 36.7 per cent, compared with last summer.

SEATS AVAILABLE FOR DIRECT TRAVEL FROM ITALY TO CANADA (SUMMER)

	2001	2002
Seats available	57,586	30,096
Per cent change	NA	-47.7

Source: OAG Worldwide.

Summary Outlook for Summer

The tourism climate is improving in Italy as total bookings, while still down compared to last year, are not nearly as dismal as they were in the spring Business Outlook. Direct air capacity remains a stumbling block as it continues to be down. Our short-term outlook suggests 2 to 4 per cent fewer visitors from Italy will travel to Canada this summer. Based on the 48,600 that visited last year, this would suggest 975 – 1,950 fewer Italians may visit Canada this summer.

Netherlands Outlook, Summer 2002

Economic Overview

Last year the Dutch economy experienced its lowest growth rate since 1993. This year, economic growth is expected to expand slightly as consumer activity recovers. However, inflation in the Netherlands remains the highest of all countries in the Eurozone and unemployment is expected to see a slight increase in this year. In March, municipal elections were held with the right wing movement, “Leefbaar Nederland/Fortuyn” the nationwide winner.

Tourism Trends

Tour operators in the Netherlands reported an 8 per cent increase in sales of packages to Canada in February while package sales to the U.S. are down 40 per cent. The Dutch consumer is flying again, charters until the end of March as well as the May spring break were fully booked – in fact bookings were reported to be at the same levels as a year ago. Recognizing this positive trend, KLM has decided to purchase between 12 and 34 new jumbo jets.

Market Overview

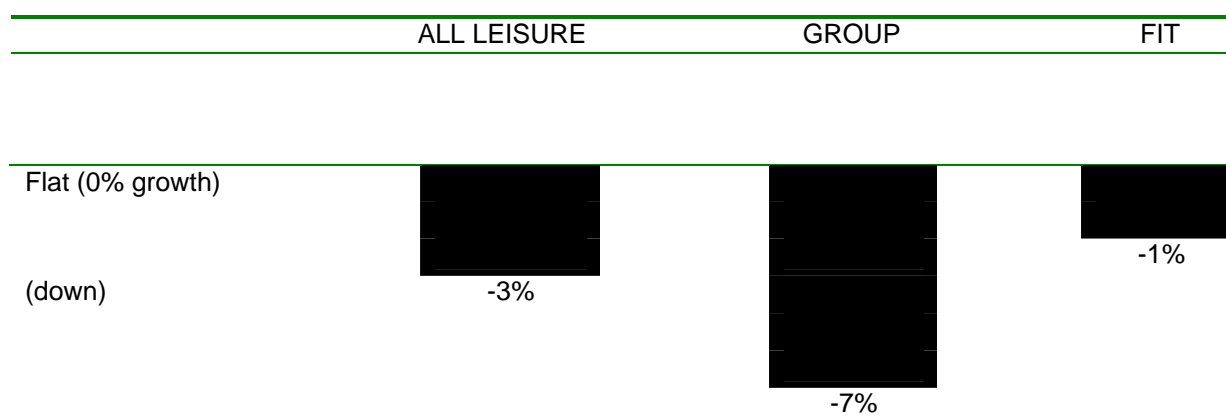
The overall impression from Dutch tour operators was that summer bookings to Canada would be up by 24 per cent compared with 2001. Unlike many other countries, air capacity was not identified as having a negative influence on sales. Likewise, the exchange rate had a neutral effect on sales. The current sales trend was for couples with a package. Alberta represented 39 per cent of the sales to Canada, while B.C. had 33 per cent and Ontario 18 per cent. Nature was the best selling product cluster, followed by cities and resorts and then outdoor/sports. (Canadian Tourism Commission’s foreign office)

Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook for leisure travel for summer 2002 from BO monitor participants indicate an overall decline of 3 per cent. This overall leisure market decline is comprised of a 7 per cent decline in group leisure bookings and more modest 1 per cent decline in independent (FIT) leisure travel.

NETHERLANDS LEISURE TRAVEL SUMMER 2002

Expectations for Netherlands summer travel to Canada in 2002, compared with same period last year.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

Netherlands-to-Canada Air Capacity, OAG Worldwide

Air capacity has improved since the spring and unlike many other countries might not represent a concern over the summer 2002 period—based on comparing the direct air capacity available for the summer months of 2002 compared to 2001. The number of direct seats available is expected to be down only 0.9 per cent, compared with last year. On an even more positive note, the number of direct seats available this summer on Dutch branded airlines is expected to up 2.8 per cent, compared with last summer.

SEATS AVAILABLE FOR DIRECT TRAVEL FROM THE NETHERLANDS TO CANADA (SUMMER)

	2001	2002
Seats available	144,625	143,336
Per cent change	NA	-0.9

Source: OAG Worldwide.

Summary Outlook for Summer

Our short-term outlook suggests that travel from the Netherlands will decline 3 per cent this summer. Last summer, the number of overnight visitors from the Netherlands to Canada was 56,275. Our short-term outlook suggests that visitation from the Netherlands will decline by approximately 1,700 this summer, compared with last year. Air capacity is not expected to represent a problem.

Japan Travel Outlook, Summer 2002

Economic Overview

Japan's economic situation continues to be gloomy. Real GDP declined by 0.5 per cent in 2001 and a further drop of 0.6 per cent is anticipated in 2002. The economy continues to labour under massive excess capacity, which has led to deflation. Consumer prices have declined every year since 1999 and this trend will continue in 2002. Short-term interest rates have already been reduced to nearly zero and fiscal policy has been used repeatedly with little long lasting effect beyond adding to the mountain of debt. One factor that could help the Japanese economy has been the aggressive depreciation of the *yen*. The *yen* has depreciated by almost 13 per cent since the middle of September. This could boost demand for exports and possibly help to end the deflationary cycle. However, some Japanese economists are skeptical of a weak *yen* policy and fear that, if the depreciation got out of control, it could further destabilize the economy.

Tourism Trends

The CTC's foreign office reported that major Japanese wholesalers saw a rise in bookings between February and March – a much needed positive indicator. Demand has shifted from large groups (generally those over the age of 45) to small groups, as well as from incentive travel to individual travel. The beneficiary of this increased demand has been Oceania. Recognizing the shift back to travelling, the Australian Tourism Commission has launched a marketing campaign in co-operation with Qantas that focuses on middle-aged Japanese consumers and the experienced female traveller.

China has emerged as a popular destination—it received 8 per cent more Japanese visitors in 2001, compared to a year earlier and will likely see further increases in 2002 due to the 30th anniversary of the normalization of relations between China and Japan. The United States continues to be viewed as a potentially dangerous destination. To counter this vision, it is expected U.S. airlines and ground operators will use pricing to persuade the Japanese to visit the U.S. mainland. The events of September 11 have meant that Japanese wholesalers are showing a willingness to offer Canada only programs.

Finally, agents report that like consumers worldwide, Japanese travellers are booking much closer to their departure dates. This is caused in part by international uncertainty but also there is the perception that better pricing is available closer to the departure date.

Market Overview

The consensus among Japan tour operators suggests that overall bookings to Canada for the summer season would be stable or slightly less than last year. Like the spring, all the operators indicated that this was a difficult period to anticipate due to the late bookings by consumers. Air capacity was mentioned as a constraint for agents who did not have substantial block space on Air Canada. The exchange rate was also mentioned as having an impact on summer travel plans to Canada. Our direct competitor, Switzerland, has seen its currency remain stable, making Canada more expensive.

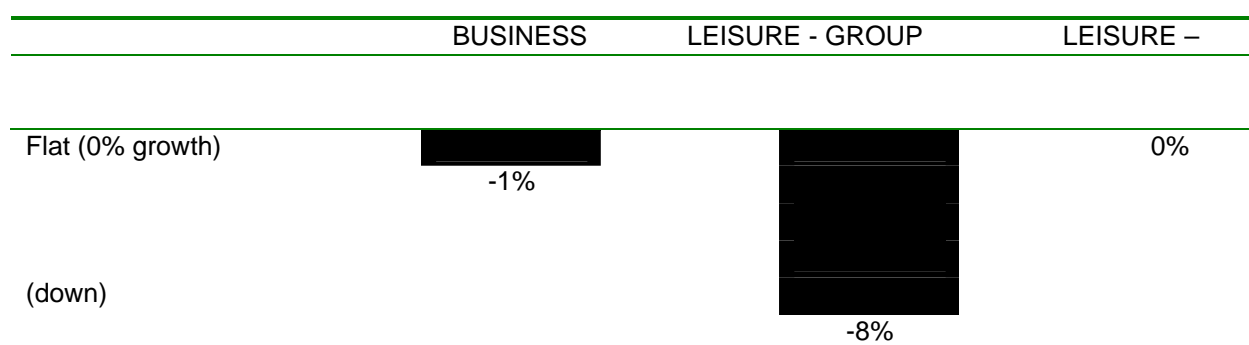
The most popular Canadian travel product sold by tour operators this summer was packages for couples. The destination with the greatest interest was B.C. (40%) followed by Ontario (30%), Alberta (20%) and then Quebec/Atlantic region (10%). The touring product cluster was the most popular package followed by cities/resorts. (Canadian Tourism Commission's foreign office)

Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agents bookings—for Japan travel this summer 2002 indicates an overall 4 to 6 per cent decline. Independent (FIT) leisure travel has the best outlook, as it is expected to remain stable from last year (0% growth or decline). However, group bookings are down 8 per cent, compared to last year. Business travel has rebounded slightly from the spring, as it is expected to be off only 1 to 2 per cent compared with last summer. The overall decline for Japanese travel is expected to be slightly worse in Alberta/B.C compared to Ontario/Quebec.

JAPAN TRAVEL SUMMER 2002

Expectations for Japan summer travel to Canada in 2002, compared with same period last year.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

Japan-to-Canada Air Capacity, OAG Worldwide

At present, overall direct air capacity does not appear to represent a problem over the summer 2002 period. In fact, the number of seats available is expected to be up 7.8 per cent, compared with last year. However, the number of direct seats available this summer on Japanese branded airlines is expected to be down 17.9 per cent, compared with last summer. As many Japanese may tend to prefer to fly Japanese carriers, this could represent an impediment to international travel.

SEATS AVAILABLE FOR DIRECT TRAVEL FROM JAPAN TO CANADA (SUMMER)

	2001	2002
Seats available	154,572	166,586
Per cent change	NA	7.8

Source: OAG Worldwide.

Summary Outlook for Summer

Our short-term outlook suggests travel to Canada for summer 2002 will decline 4 to 6 per cent, compared with last year. Last summer, the number of visitors from Japan to Canada was 181,576. Our analysis suggests suggest approximately 7,300 to 10,900 fewer Japanese travellers can be expected to visit Canada this summer.

Taiwan Outlook, Summer 2002

Economic Overview

Taiwan is still being hampered by a weak economy. The Taiwanese government reported that economic growth was down 1.9 per cent last year, compared to a year earlier. The good news is growth for this year is expected to be a healthier 2.3 per cent. Last year was a tough year to find employment in Taiwan as unemployment hit a record high—nearly 4.7 per cent—the highest it has been in 20 years. This year it should drop back to 4.1 per cent. Steady inflation probably helped consumer confidence as a survey by MasterCard International found that Taiwan's consumer confidence index ticked up sharply from 23.8 in the middle of the year to 46.2 by the end of the year.

Tourism Trends

Domestic travel continues to lead the tourism rebound in Taiwan—due largely to the government. In 2002, every public servant is eligible to receive up to a NT\$ 16,000 (CDN\$ 745) travel credit from the government if they travel domestically on weekdays. The travel costs include transportation, accommodation, meal and shopping in attractions.

The Taiwanese government has also opened tourism to Chinese visitors—with certain conditions. Conversely, China remains the top destination for the Taiwanese, followed by Hong Kong, Japan and Thailand. Traffic to Japan fell off a little last year due to higher land costs. Australia and New Zealand are perceived as the safest long haul destinations and as such performed the best among long haul competitors. Still, in the first quarter of this year, Canada and Europe were slowly coming back to life.

Market Overview

The consensus among Taiwanese tour operators suggests that overall bookings to Canada for the summer season are positive—in fact tour operators are expecting increases of 10 to 15 per cent. At the moment air capacity does not represent a problem. Nor does the exchange rate present a problem, although the Canadian dollar is stronger than last summer.

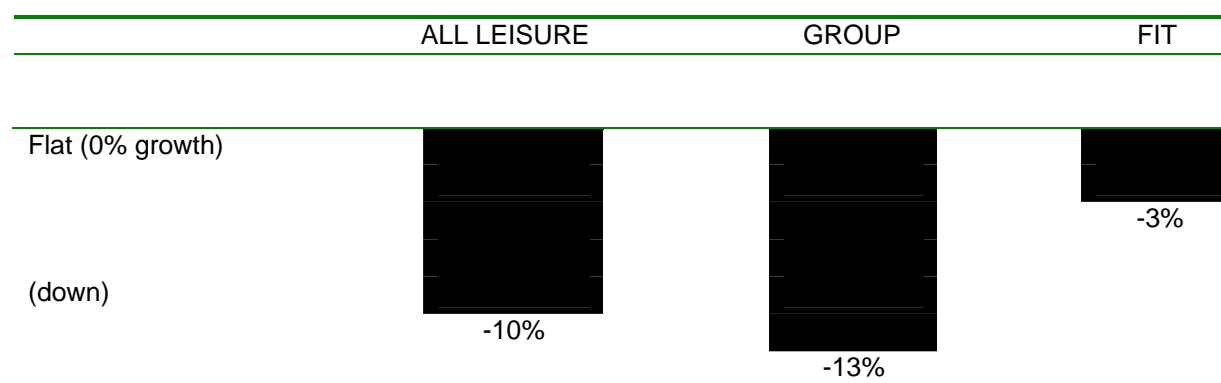
Operators are split regarding best sellers: 3 operators rate groups with packages as their best sellers while the other 2 say individuals as part of a package are the leaders. The destinations with the greatest interest by far were B.C./Alberta (often tacked onto an Alaskan cruise), while Ontario, Quebec, Saskatchewan and Atlantic Canada picked up the remaining travellers. The touring product cluster was the most popular package followed by cities/resorts. (Canadian Tourism Commission's foreign office)

Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for Taiwan leisure travel this summer indicates an overall 9 to 11 per cent decline, compared to last year. Monitor respondents were very pessimistic regarding advanced bookings for group leisure travel (-13 %), while independent (FIT) leisure travel only declined 3 per cent.

TAIWAN LEISURE TRAVEL SUMMER 2002

Expectations for Taiwan summer travel to Canada in 2002, compared with same period last year.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

Taiwan-to-Canada Air Capacity, OAG Worldwide

Air capacity does not appear to represent a concern over the summer 2002 period. The number of direct seats available is in fact expected to increase 55.1 per cent compared with last year.

SEATS AVAILABLE FOR DIRECT TRAVEL FROM TAIWAN TO CANADA (SUMMER)

	2001	2002
Seats available	51,782	78,252
Per cent change	NA	55.1

Source: OAG Worldwide.

Summary Outlook for Summer

Over the short-term, we still expect domestic and short-haul destinations will continue to sell better than long-haul destinations. Our short-term outlook for travel from Taiwan to Canada in the summer suggests an overall 9 to 11 per cent decline, with group leisure bookings taking the hardest hit. While 45,800 Taiwanese visitors came to Canada last summer, this analysis suggests 4,100 to 5,000 fewer visitors will visit this summer.

South Korea Travel Outlook, Summer 2002

Economic Overview

The outlook for South Korea has been upgraded as once again its GDP forecast rose in February. Recently released data showed that last year the South Korean economy ended on a fairly upbeat note, which positions the country well for 2002. Industrial production is expected to bounce back early in the year and business sentiment is riding high—it improved for the third straight month in January. Domestic demands continue to remain robust and these conditions are likely to persist into the short term.

Travel Trends

Tourism is emerging as a viable option that allows a reduction in work hours without making a major dent in the GDP, as Korea moves towards implementation of its new five-day workweek. The tourism industry in Korea has announced a goal of attracting over 10 million foreign visitors every year and it is felt this figure will easily be attained in 2002 due to the World Cup in June and the Asian Games in September. Recently, the Government of Korea announced it will launch a “tourism police squad” comprised of policemen and officials to clamp down on those who charge tourists excessive fees, dump waste illegally and generally undermine the country’s tourism industry.

The CTC’s foreign office reported that January registered Korea’s highest monthly outbound tourism numbers in history. More than 50 per cent of Korean households use the Internet and these households favour major portal sites such as Yahoo and Lycos to obtain travel information for their outbound travels.

Airlines will start launching their summer rates in newspapers in April. It is expected that airfares will be slightly higher than last summer. In 2001, Canada ranked 9th in top travel destinations for Koreans. Japan was number one, followed by China and the U.S.

Market Overview

The consensus among Korean tour operators suggests that overall bookings to Canada for the summer season will increase 5 to 10 per cent. Air capacity does represent an obstacle as demand presently exceeds capacity. The exchange rate is reported as having a neutral effect on sales.

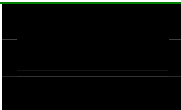
Operators are split citing both individuals as part of a package and groups with a package as the best sellers. The destinations with the greatest interest by far were B.C. with 40 per cent of sales to Canada, followed by Ontario, Alberta and Quebec. Potential new destinations of interest are the Northwest Territories (for aurora viewing) and PEI. The nature product cluster was the most popular package followed by touring, cities/resorts and culture/history. (Canadian Tourism Commission’s foreign office)

Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for South Korean leisure travel this summer 2002 indicate a 3 to 4 per cent decline, compared to last year.

SOUTH KOREA LEISURE TRAVEL SUMMER 2002

Expectations for South Korean summer travel to Canada in 2002, compared with same period last year.

	ALL LEISURE	GROUP	FIT
Flat (0%) (down)	 -3.5%	N/A	N/A

Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

South Korea-to-Canada Air Capacity, OAG Worldwide

Air capacity might represent a slight concern over the summer 2002 period—based on comparing the direct air capacity available for the summer months of 2002 compared to 2001. The number of direct seats available is expected to be down 6.2 per cent compared with last year.

SEATS AVAILABLE FOR DIRECT TRAVEL FROM SOUTH KOREA TO CANADA (SUMMER)

	2001	2002
Seats available	61,176	57,384
Per cent change	NA	-6.2

Source: OAG Worldwide.

Summary Outlook for Summer

While BO monitor participants suggests that current bookings for the upcoming summer are down compared with last year, Korean tour operators as well as our medium-term travel forecast suggest a more positive outlook. In fact, our recent medium-term travel forecast suggested that overnight travel from South Korea would increase by 4.6 per cent in 2002 compared to 2001. Taking these other factors into consideration, we anticipate overnight travel from South Korea will increase 3 to 5 per cent this summer, compared to last year. Under this scenario, 1,800 to 3,100 more Koreans can be expected to visit Canada this summer, compared to last summer when 62,000 Koreans visited Canada.

Hong Kong Outlook, Summer 2002

Economic Overview

Recent economic data released suggest Hong Kong remains in an economic slump and there is little hope for a recovery in the short term. Hong Kong's economic woes have been reflected in the unemployment rate, which rose again in December and January. Deflationary pressures are likely to remain as wage increases are minimal. Retail sales, consumer prices and total exports all fell in January, compared to a year earlier.

Tourism Trends

Tourism was one of the only growth sectors in the economy last year and continued to grow in January. Agents also confirm that outbound travel was rebounding with Japan, Korea and Taiwan the leading destinations. This past winter the most popular Canadian products were ski packages – especially to Whistler.

Air Canada offered a special fare two weeks before the Chinese New Year and as a result saw its load factor from Hong Kong to Canada increase.

Market Overview

The consensus among Hong Kong tour operators surveyed suggest that overall bookings to Canada for the summer 2002 season will increase by 5 per cent. The consensus was that the increase in demand would not be stifled by air capacity worries or exchange rates.

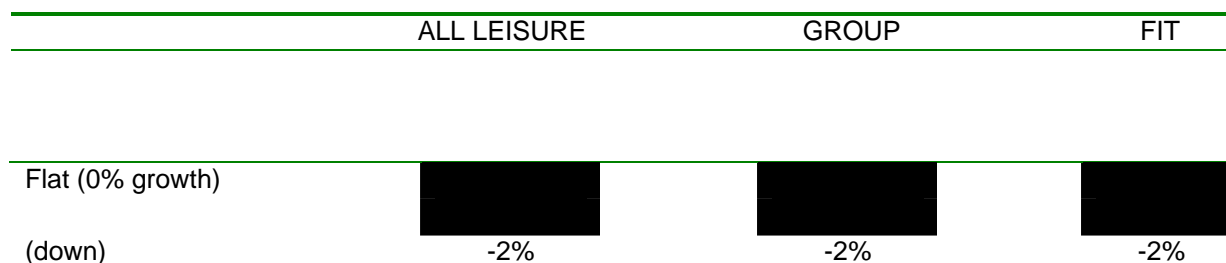
The most popular summer travel product identified was for couples as part of a package. The destination of choice is Ontario with 80 per cent of the market. (Canadian Tourism Commission's foreign office)

Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook for Hong Kong leisure travel to Canada—as reported by BO monitor participants—indicates a decline of 1 to 3 per cent in overall advance bookings, with a 2 per cent decline noted for group travel and a 2 per cent decline for independent (FIT) travel.

HONG KONG LEISURE TRAVEL SUMMER 2002

Expectations for Hong Kong summer travel to Canada in 2002, compared with same period last year.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

Hong Kong-to-Canada Air Capacity, OAG Worldwide

Air capacity might represent a slight concern over the summer 2002 period—based on comparing the direct air capacity available for the summer months of 2002 compared to 2001. The number of direct seats available is expected to be down 11.6 per cent compared with last year.

SEATS AVAILABLE FOR DIRECT TRAVEL FROM HONG KONG TO CANADA (SUMMER)

	2001	2002
Seats available	114,830	101,525
Per cent change	NA	-11.6

Source: OAG Worldwide.

Summary Outlook for Summer

Our short-term outlook based on BO monitor participants suggest that travel from Hong Kong will decline 1 to 3 per cent in the summer 2002. This contrasts with the CTC's foreign office survey of tour operators that indicated travel would increase 5 per cent compared to last year. While giving some consideration to the positive results of Hong Kong tour operators, we still feel that travel will decline in the summer. Last summer, the number of visitors from Hong Kong to Canada was 55,000. By adopting this more modest short-term outlook, we will still expect between 550 and 1,650 fewer visitors from Hong Kong to visit Canada this summer, based on visitation from 2001.

China Travel Outlook, Summer 2002

Economic Overview

Although China's economy has been insulated from the worst of the global downturn, real GDP growth is slowing down from the heights attained in 2000. The main factor behind the slower growth is trade performance. Much slower growth in China's biggest trading partners, Japan and the United States is behind the poorer export growth. The economy's robust domestic performance has helped offset weakness in the external sector. Retail sales are expected to expand by close to 10 per cent in 2002. To prevent a sharper downturn in growth, the government plans to launch another fiscal stimulus package. Real GDP is expected to increase by 7.4 per cent in 2002.

Tourism Trends

Starting on January 1, 2002, in an effort to develop and encourage tourism, foreign tour groups were able to receive their entry visas at the entry port of arrival. Still, inbound tour operators must submit travellers' names to the entry port 3 days prior to their arrival. Visas are valid for one month.

Tourism did well in China last year. Foreign currency from international travellers increased 9.7 per cent over the prior year. Outbound tourism also increased as 15.9 per cent more Chinese travelled outside their country last year, compared to the previous year.

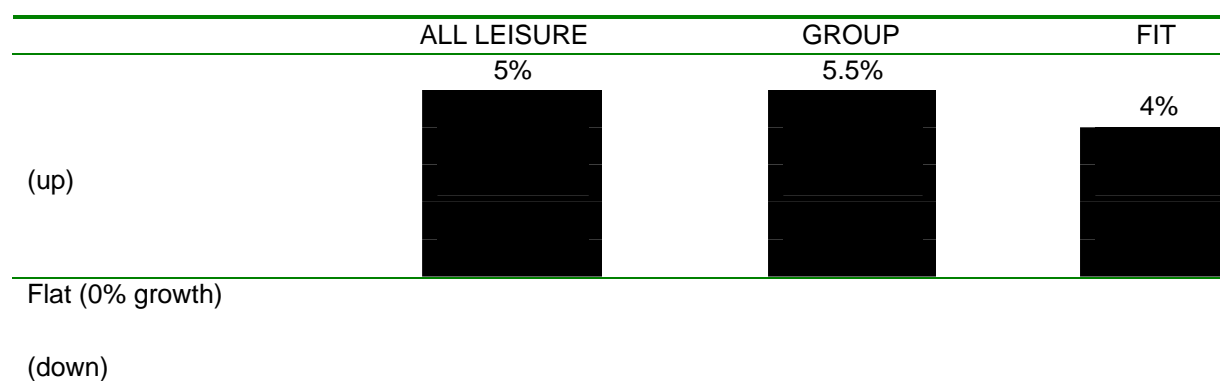
Chinese New Year continued to be a popular time to travel. Estimates for the period of January 18 – March 8 were set at over 1.74 billion people travelling—or an average of 43.5 million travellers daily. Travel abroad during this time has also become more popular. South East Asia is still the first choice both in terms of affordability and travel time. Canada is regarded as one of the safest destinations and appeals to the Chinese due to its natural and clean environment. Air Canada and other North American carriers have been trying to attract travellers by reducing airfares.

Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for China leisure travel this summer 2002 indicate a 4 to 6 per cent increase, compared to last year. Monitor responses for advance bookings show group leisure travel increasing 5.5 per cent while the independent (FIT) leisure travel should rise 4 per cent.

CHINA LEISURE TRAVEL SUMMER 2002

Expectations for China summer travel to Canada in 2002, compared with same period last year.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

China to Canada Air Capacity, OAG Worldwide

Air capacity does not appear to represent a major concern for the summer 2002 period. The number of direct seats available is expected to increase slightly (0.8%) compared with last year.

SEATS AVAILABLE FOR DIRECT TRAVEL FROM CHINA TO CANADA (SUMMER)

	2001	2002
Seats available	53,929	54,359
Per cent change	NA	0.8

Source: OAG Worldwide.

Summary Outlook for Summer

The results from BO monitor participants suggest that travel from China during the summer period will increase 4 to 6 per cent, with group leisure travel slightly more popular than the independent traveller. Since 30,200 Chinese visited last summer, our BO suggests 1,200 to 1,800 more Chinese visitors can be expected this summer, compared to last year.

Australia Travel Outlook, Spring 2002

Economic Overview

Considering the weakness in the global economy last year, Australia's estimated real GDP growth of 2.1 per cent has to be viewed as a positive development. This year, even stronger growth of 3.2 per cent is anticipated. The economy has benefited from a very weak currency and falling interest rates. The former has partly insulated Australia from the world economic slowdown (the trade balance is actually improving), while the latter has helped boost consumer spending. Part of the strength in Australia's domestic economy has been robust construction activity. Housing activity has been strong due to low mortgage rates and a generous government incentive scheme. As global demand increases in 2002, commodity prices should start to move up and this will improve Australia's terms of trade and also help to reduce the current account deficit, which currently stands at more than \$15 billion.

Tourism Trends

According to the CTC's Australian office, late bookings have become the norm. This has led to an increase in sales to Canada recently—with the cruise/rail and ski products the most popular. Tour operators in Australia reported that sales to Canada were down 5 to 15 per cent this spring, compared to last year.

American Express in Australia expects a recovery in corporate travel in the second half of the year and predicts a return to annual growth rates of 5 to 7 per cent next year.

Sydney Airport Corporation announced a 200 per cent increase, as profits climbed to A\$44.1 million (CDN\$ 36.7) for the months of July – December 2001, up from A\$14.7 million (CDN\$ 12.2) the previous year. The increase is attributed to the doubling of landing fees, which compensated for a 10 per cent decrease in traffic numbers during the same period.

Market Overview

The consensus among Australian tour operators surveyed suggest that overall bookings to Canada for the summer 2002 season will be up by 7.5 per cent. Tour operators stated that air capacity was not a constraint for travel to Canada. The tour operators stated that the exchange rate had a neutral effect on sales to Canada.

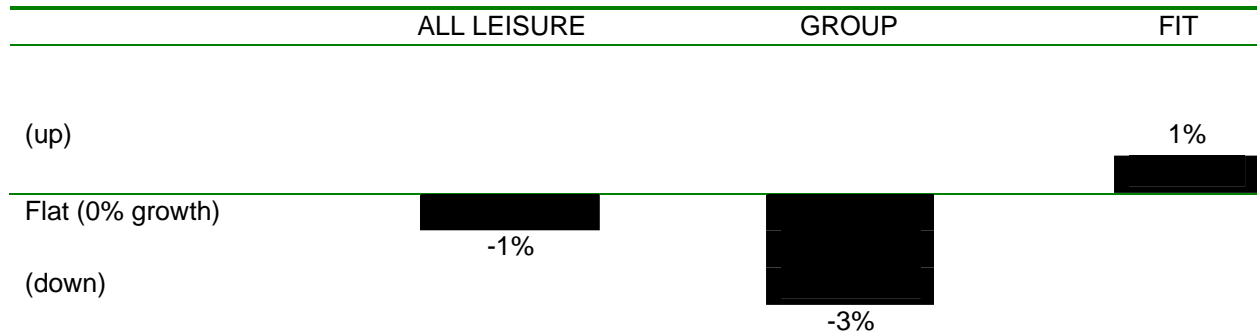
The most popular summer travel product identified was for individuals as part of a package. Interest is greatest to British Columbia (48%) followed by Alberta (38%). Ontario and Quebec combined for 14 per cent of the sales of the operators surveyed. The touring and cities/resorts clusters were the most popular packages sold. (Canadian Tourism Commission's foreign office)

Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook—as indicated by Canadian travel supplier and receptive agent bookings—for Australian leisure travel this summer 2002 indicate a 1 per cent decline. Group travel is expected to decline by 3 per cent while independent leisure travel (FIT) is expected to increase by 1 per cent, compared with last year.

AUSTRALIA LEISURE TRAVEL SUMMER 2002

Expectations for Australia summer travel to Canada in 2002, compared with same period last year.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

Summary Outlook for Summer

The results of our BO monitor respondents show that leisure travel to Canada will be down 1 per cent, while Australian tour operators expect it to increase 7.5 per cent during the summer 2002 compared with last year. Last summer, the number of visitors from Australia to Canada was 56,500. Our outlook suggests approximately 560 fewer Australians will visit Canada this summer.

New Zealand Travel Outlook, Summer 2002

Economic Overview

The negative economic impact of the collapse in exports has so far been cushioned by buoyant domestic activity. Business surveys and the growth of capital goods imports in recent months suggest that investment will pick up. As such, gross fixed investment and manufacturing production forecasts have been upgraded for this year. The main risk in the rise in domestic consumption is the expected rise in the unemployment rate.

Tourism Trends

The CTC's foreign office report that highly competitive airfares are available to Canada as Qantas and Air New Zealand/Air Canada are currently engaged in a price war. It is felt by the CTC in New Zealand that travel to Canada accelerated in February, while travel to the U.S. remained slow. Other long haul destinations are returning but are still below 2001 levels. Major competitors for Canada are short haul destinations, which are engaged in active marketing campaigns.

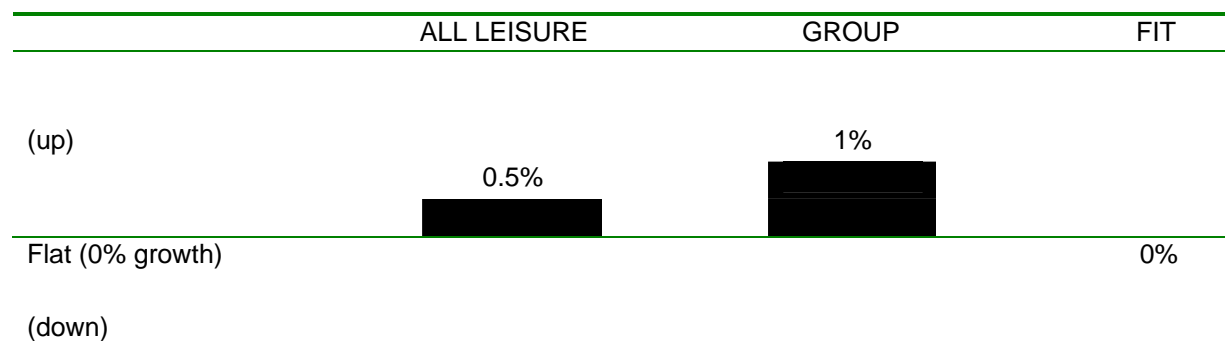
It was reported that New Zealand tour operators have found that advance bookings to Canada for the summer are strong even though air capacity is a problem. New Zealanders are reluctant to use the Los Angeles airport, preferring the perceived safeness of Honolulu. The most popular summer travel product identified was for couples and individuals as part of a package. The regions of Canada that generate the most interest to visit were B.C. and Alberta (70% of all sales), followed by Ontario and Quebec. New Zealand tour operators reported that the product clusters that are selling the best are cities/resorts followed by culture/history and nature.

Destination Supplier–Receptive Agent Monitor, Business Outlook (BO)

The outlook for New Zealand leisure travel to Canada—as indicated by BO monitor respondents—was for slightly positive (0.5%) growth this summer, compared to last year. Monitor responses indicated group leisure travel is expected to grow by 1 per cent this summer, while the independent (FIT) leisure segment will remain stable.

NEW ZEALAND LEISURE TRAVEL SUMMER 2002

Expectations for New Zealand summer travel to Canada in 2002, compared with same period last year.



Source: Summer 2002 Business Outlook System, Canadian Tourism Research Institute.

Summary Outlook for Summer

Based upon the BO monitor respondents, it is estimated that summer bookings from New Zealand to Canada will be flat or increase slightly compared to 2001. Last summer, the number of visitors from New Zealand to Canada was 12,900. Our short-term outlook suggests 650 *more* visitors will arrive in Canada this summer.

Appendix: Medium-Term Travel Forecasts (CTRI)

Background

Since 1991–92, the Canadian Tourism Research Institute (CTRI) has used econometric models to forecast international travel both to and from Canada. The forecasts presented here represent an update to those included in the Winter BO. These forecasts (completed in March 2002) consider the magnitude of changes as a result of the economic and psychological fallout from the terrorist attacks. The forecast assumes a status quo scenario.

Travel Forecasts (Medium-Term)

Overnight Travel from Select International Countries to Canada—All Purposes (thousands of person-trips)			
	2000	2001f	2002f
United States	15,225 0.3%	15,529 2.0%	15,970 2.8%
Mexico	143 12.2%	150 5.1%	159 5.7%
United Kingdom	866 10.9%	838 -3.4%	856 2.2%
France	404 -2.4%	365 -10.8%	373 2.2%
Germany	381 -1.9%	340 -11.9%	347 2.0%
Italy	109 -2.5%	94 -16.3%	98 4.4%
Switzerland	104 3.0%	98 -6.6%	100 2.9%
Netherlands	128 6.0%	117 -9.8%	116 -0.8%
Japan	500 -3.1%	425 -17.6%	425 0.0%
Taiwan	160 3.0%	124 -28.6%	125 0.1%
South Korea	134 35.4%	143 6.8%	150 4.6%
Hong Kong	137 2.2%	124 -10.4%	124 0.1%
China	72 13.7%	80 10.7%	90 5.2%
Australia	173 13.2%	164 -5.3%	165 0.4%
Brazil	52 13.2%	42 -22.4%	43 0.7%

Sources: Canadian Tourism Research Institute; Statistics Canada.