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Short-Term Business Outlook Spring 2003

Domestic, U.S. and Overseas Travel to Canada

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Domestic, U.S. and Overseas Travel to Canada

Short-Term Business Outlook
Spring 2003

Prepared by

The Conference
Board of Canada

For the

Canadian Tourism Commission

February 2003

WHAT'S INSIDE

The purpose of this study is to provide a short-term outlook for domestic & international travel to Canada for the second quarter of 2003 (April 2003 to June 2003) using readily available market intelligence in a timely and cost-efficient manner.

The short-term outlook for travel to, and within, Canada for the second quarter of 2003 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.

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Executive Summary

Highlights

The outlook for Canada's key markets for the second quarter of 2003 (relative to the second quarter of 2002) from the *Business Outlook (BO) Monitor* participants is summarized as follows:

Q2-2003 Business Outlook for Canada's Key Markets (% change over Q2-2002)

COUNTRY	MARKET SEGMENT				
	LEISURE – FIT	LEISURE - GROUP	LEISURE – OVERALL	BUSINESS	TOTAL - OVERALL
Canada	5.0%	3.0%	4.7%	3.6%	4.3%
United States	5.0%	7.5%	5.6%	3.0%	5.2%
Mexico	3.0%	6.0%	4.3%	*	*
Brazil	*	*	*	*	5.0%
United Kingdom	7.0%	12.0%	8.2%	4.0%	7.6%
France	8.0%	6.0%	7.1%	4.0%	6.5%
Germany	6.0%	10.0%	7.4%	3.0%	6.8%
Italy	*	*	*	*	10.0%
Netherlands	*	*	*	*	5.0%
Japan	6.0%	2.0%	3.0%	2.0%	2.8%
Taiwan	5.0%	0.0%	1.8%	*	*
South Korea	*	*	*	*	6.5%
Hong Kong	*	*	*	*	5.0%
China	4.5%	5.0%	4.9%	*	*
Australia	4.5%	12.0%	6.9%	*	*
New Zealand	4.5%	2.5%	3.8%	*	*

* Not enough responses to ensure confidentiality

Background

The short-term Business Outlook (BO) provides performance scenarios for Canada's major travel markets. These scenarios are based on survey data as well as the Canadian Tourism Institute's (CTRI) own medium term forecast. A quarterly survey of advance bookings and market intelligence is derived from the *Destination Supplier/Receptive Agent Monitor*. This monitor was developed by CTRI, on behalf of the Canadian Tourism Commission (CTC). To bolster the quality of the monitor, quarterly staff reports and surveys of key tour operators – developed by the CTC's foreign offices – are also incorporated.

Please note that, since the outlook's scope is restricted to the second quarter of 2003, all growth comparisons are reported on a year-over-year basis compared with the second quarter of 2002.

North America Markets

Canada

According to *BO Monitor* participants, domestic travel is expected to increase 4.3 per cent in the second quarter of 2003. As with previous BO reports, leisure travel is expected to outperform business travel (4.7% versus 3.6%). In particular, *BO Monitor* participants indicated that fully-independent travel (FIT) should post the strongest growth of all during the second quarter of 2003 (up 5.0%).

Supporting strong domestic travel growth is finding from the Canadian Tourism Research Institute's (CTRI) Winter 2002/03 *Travel Intentions Survey*. The December survey found that 60 per cent of Canadians that intend to take a winter vacation (between December 1, 2002 and April 30, 2003) plan to spend the majority of their nights within Canada. This is the highest percentage recorded for domestic winter vacations since CTRI started its seasonal survey in 1990.

The optimism for domestic tourism growth is also due to the continuing optimism in the Canadian economy. By all indications, Canadians can expect to see a highly stimulative federal budget unveiled before the start of the second quarter in 2003.

U.S.

BO Monitor participants anticipate overall travel from the U.S. will grow by a rather robust 5.2 per cent during the second quarter of 2003. The expectation is that group leisure travel will increase more than the other travel segments during this period (up 7.5%). This segment was hit particularly hard after September 11th and it appears *BO Monitor* respondents expect a fairly strong rebound to be made during the second quarter of 2003. Meanwhile, another segment that took a considerable hit after September 11th, business travel, is also expected to post a rebound albeit by a more modest 3 per cent.

Facing economic and political uncertainty, the U.S. traveller remains a cautious, a last minute booker that increasingly is concerned about not having enough time for travel. While the latest Official Airline Guide (OAG) data indicates that air capacity is not expected to decline during the second quarter of 2003, compared with 2002, there is a strong chance that United Airlines (and maybe other U.S. carriers) might still wind up cutting some capacity. On a positive note, Canada remains well positioned to benefit from on-going U.S. travel trends established after September 11th that seek out safe, English speaking, close-to-home destinations that are accessible by automobile.

Mexico

Overall, *BO Monitor* participants expect leisure travel from Mexico to increase by approximately 4.3 per cent during the second quarter of 2003. In particular, group leisure travel, which took a bit of a hit during the spring of 2002, is expected to rebound by 6 per cent. Meanwhile, independent (FIT) travel is expected to post more modest growth of 3 per cent.

Supporting growth is an expanding economy and a perception among Mexicans that Canada is a safe destination that offers great value. A potential constraint might be that, according to OAG, direct air capacity from Mexico is expected to decline 3.2 per cent during the second quarter of 2003, compared with the same period in 2002.

Brazil

BO Monitor participants anticipate that overall Brazilian travel to Canada will increase 5 per cent during the second quarter of 2003. While this growth might be reasonable in context to the declines witnessed last year, the economy remains in an uncertain state. In fact, the expectation is that the economic and political outlook will not improve before the end of the second quarter of 2003 or even by the end of 2003. Another hurdle that outbound travel faces is that many Brazilian tour operators are actively promoting domestic products in place of international product offerings in an effort to stay in business during these uncertain times.

European Markets

U.K.

According to *BO Monitor* participants, overall U.K. travel to Canada is poised to increase by 7.6 per cent during the second quarter of 2003. In particular, it was noted that group leisure travel should increase by 12 per cent while independent leisure travel posts solid growth of 7 per cent. This level of growth indicates that *BO Monitor* participants anticipate a strong rebound in U.K. leisure travel to Canada, particularly in light of the declines posted last year. While business travel is also expected to increase, the rate of growth will be more modest (4%). Within Canada, *BO Monitor* participants expect Alberta/B.C. to witness the strongest growth in U.K. travel.

Helping spur the U.K. outbound travel market is the fact that many U.K. tour operators are actively testing different incentives to convince last minute bookers to lock in earlier than they have in the past. Unfortunately, this task remains an uphill battle as consumers increasingly prefer to keep their options open, especially with political uncertainty. Still, working in the tourism industry's favour is strong consumer spending and an overall feeling of confidence among consumers. One potential constraint for Canada might be that direct air capacity from the U.K. during the second quarter of 2003 is expected to decline 13 per cent, compared with 2002.

France

BO Monitor participants indicate that overall travel from France will increase 6.5 per cent during the second quarter of 2003. Like many international markets, leisure travel is expected to lead the growth (up 7.1%), while business travel posts more modest growth (up 4.0%). In particular, *BO Monitor* participants expect independent (FIT) travel to be the strongest growth segment. A possible impediment might be the latest data that suggests direct air capacity will fall by 20 per cent during the second quarter, compared with last year.

Germany

Over the second quarter of 2003, overall travel from Germany is expected to rebound quite sharply, particularly relative to last year's declines. Specifically, *BO Monitor* participants expect overall travel to increase 6.8 per cent with group leisure travel posting growth of 10 per cent. Travel to Canada could get a boost from a Porsche promotion featuring Alberta's mountains and with a solid increase in direct air capacity expected.

However, facing a sluggish economy, security worries and falling consumer confidence, German tour operators will have their work cut out for them. Innovative techniques to entice weary travellers include providing attractive financing options, offering flexible, individualized packages and safety updates combined with the option to re-book to an alternative destination up to two weeks before departure.

Italy

Overall, *BO Monitor* participants expect travel from Italy to improve by 10 per cent during the second quarter of 2003. Fortunately, direct air capacity is expected to more than keep pace with the growth in travel.

The increase in air capacity during the shoulder season supports the view that Italians are increasingly open to taking vacations outside the traditional summer season. However, as with most international travel markets, the risk to growth is contingent on the level of political unrest and the state of economic uncertainty. Should a war break out, *BO Monitor* participants indicate that achieving growth projections will be more difficult.

Netherlands

BO Monitor participants anticipate that overall travel from the Netherlands will increase by 5 per cent during the second quarter of 2003. This growth is supported by gains in air capacity as well as information from tour operators suggesting strong bookings for the second quarter are already occurring.

Asia/Pacific

Japan

According to *BO Monitor* participants, overall travel from Japan is expected to increase by a rather modest 2.8 per cent. Independent (FIT) travel will lead the way by posting growth of 6 per cent. Meanwhile, group leisure travel and business travel are both expected to increase by 2 per cent. *BO Monitor* participants suggest that of the three Canadian regions specifically identified (Ontario/Quebec, Alberta/B.C. and Atlantic Canada), Ontario/Quebec should see the strongest growth.

While the feedback from *BO Monitor* participants is positive, the threat of war and a still fragile economy means these positive trends could be reversed quickly.

Taiwan

In the short-term, the outlook for travel from Taiwan remains mixed. *BO Monitor* participants expect overall leisure travel from Taiwan will increase 1.8 per cent during the second quarter. While independent (FIT) leisure travel is expected to fare reasonable well (up 5%), group leisure travel is not expected generate any improvement, compared with last year. Not helping matters is that direct air capacity remains below last year's levels. This fact alone will constrain the number of Taiwanese visitors to Canada, particularly those that may wish to travel further east than B.C. On a more positive note, it is reported that the number of tourist visas issued is rising again and economic growth is expected to accelerate during the year.

South Korea

BO Monitor participants anticipate that overall travel from South Korea will increase 6.5 per cent during the second quarter of 2003. While for many countries this level of growth would be considered amazing, for the South Korean travel market it might be considered rather modest. It is possible that challenges may arise stemming from the expected 7.6 per cent decline in direct air capacity during the second quarter, compared with last year. However, the South Korean economy is still expected to perform well and recent reports indicate that South Korean travellers are spending more, partly the result of using the credit cards more often.

Hong Kong

Overall travel from Hong Kong is expected to increase 5 per cent during the second quarter of 2003, according to *BO Monitor* participants. Supporting growth is the expectations of solid growth in direct air capacity and steadily improving economic prospects. However, Canada will have to contend with possible competition arising from significant package price discounts by some tour operators, as they struggle to survive in a very competitive environment.

China

BO Monitor participants anticipate overall leisure travel from China will increase 4.9 per cent during the second quarter of 2003. Just like South Korea, this level of growth might be considered rather tame for the Chinese travel market. *BO Monitor* participants did indicate that slightly stronger growth (5%) is expected for the group leisure market than for the independent (FIT) leisure market. Supporting travel growth are increased air capacity, a re-organization of the Chinese aviation industry, loosening travel restrictions and an economy that is outperforming most countries in the world.

Australia

Overall leisure travel from Australia is expected to increase 6.9 per cent during the second quarter of 2003. According to *BO Monitor* participants, group leisure travel is expected to increase by 12 per cent while independent leisure travel posts more modest growth of 4.5 per cent. Encouraging news for Canadian tourism suppliers are recently released statistics from the Australian Bureau of Statistics that indicated more Australians travelled internationally and of those, the average length of trip increased.

In general, the Australian tourism industry, like the economy, is doing relatively well. The exception might be those agents and tour operators specializing in South East Asia because of the Bali bombings. Fortunately, travel to Canada was not and is not expected to be impacted by that event. Still, a large decrease in the level of air capacity planned for the second quarter might prove troubling.

New Zealand

Leisure travel from New Zealand, according to both *BO Monitor* participants and New Zealand tour operators, is expected to increase 3.8 per cent during the second quarter of 2003. While the independent (FIT) travel segment is expected to post slightly stronger growth than group leisure travel, both should perform well.

The positive outlook is, in part, supported by the expectation for modest air capacity growth, an appreciating New Zealand dollar (relative to the Canadian dollar), a healthy economy and Canada's image as a safe destination.

International Travel Statistics – Statistics Canada

Overnight Travel to Canada, January-October, 2002

COUNTRY	PERSON-TRIPS	CHANGE OVER 2001(%)
United States	14,441,519	3.5
Mexico	143,363	5.66
Europe	1,809,872	-11.53
United Kingdom	663,333	-13.31
France	284,998	-14.39
Germany	272,128	-14.20
Netherlands	98,193	-8.28
Italy	87,273	4.05
Asia	1,071,393	-0.80
Japan	390,698	0.97
South Korea	134,092	5.09
Taiwan	94,404	-12.41
Hong Kong	105,052	-7.64
Oceania	162,874	-7.69
Australia	133,651	-8.20

Source: International Travel Survey, Statistics Canada.

Introduction

The purpose of this study is to provide a short-term outlook for domestic & international travel to Canada for the second quarter of 2003 (April 2003 to June 2003) using readily available market intelligence in a timely and cost-efficient 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.

The short-term outlook for travel to and within Canada for the second quarter of 2003 should be interpreted in context of the uncertainty still surrounding world affairs. In this respect, the outlook is presented as being valid only under status quo conditions.

The short-term outlook presented within 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 Business Outlook Monitor. The *BO 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’s foreign posts and obtains advance bookings and market intelligence from key foreign tour operators in each country.

All advance-booking data and market intelligence collected by the Destination Supplier–Receptive Agent Business Outlook Monitor is confidential and not included in the short-term outlook if any individual response can be singled out. All dissemination of *BO 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 1: 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.

Economic Overview

World Outlook

Global economic growth is expected to improve in 2003. However, the risks to this outlook are all currently on the downside. The possible war in Iraq and its impact on the price of oil is causing uncertainty in the U.S. and around the world. This uncertainty is causing businesses to delay investment plans, from building new plants, to buying equipment. It has also hindered firms' decisions to hire new employees. Until the "situation" in Iraq is resolved, with or without a war, this uncertainty will weigh on economic growth around the world.

The positive global outlook hinges on a rebound in the U.S. economy. According to Consensus Forecasts, the U.S. economy is expected to grow by 2.7 per cent, in 2003. Outside of the U.S. the world's major economies are not doing as well, nor are they expected to. Japan and Germany, the second and third largest economies in the world, are expected to grow by 0.4 and 0.9 per cent respectively in 2003. The countries of Western Europe will probably do slightly better, growing by 1.7 per cent. According to Consensus Forecasts, Canada will likely lead the Western World in economic growth as it expands 3.2 per cent in 2003.

In the developing world, South America is expected to recover from a dismal 2002. The South American improvement is based on initial evidence of an economic rebound in Argentina as well as budding confidence in Brazil's new political regime. Fortunately, the current status quo economic outlook for Asia-Pacific is positive. However, the spectre of a nuclear-armed North Korea may prove to be a distraction to economic growth.

North America

The North American economy has been resilient over the last year. Despite sliding stock markets, consumers have been confident enough to keep the economy afloat. Canada has been decidedly stronger than the U.S. In 2002, employment growth in Canada should be the strongest it has been in nine years. This strong employment growth and slowly shrinking unemployment rate is supporting solid (real) income gains. The momentum of these gains bodes well for Canada in 2003.

Meanwhile, the U.S. economy did not perform as well. Personal consumption has been satisfactory but business investment stood still in 2002. Fortunately, U.S. stock markets began recovering in the latter half of 2002 and should continue to improve in 2003. Assuming a positive resolution to the situation in Iraq, U.S. business investment should recover in 2003.

South America

Economic prospects in Latin America seemed to have turned a corner. According to Consensus Forecasts, regional growth is expected to increase by 2.3 per cent in 2003. Growth in Chile and Peru is expected to exceed 3 per cent in 2003 as the global economy lifts commodity prices. After three years of recession, the consensus is that Argentina's economy will grow by 2 per cent. Brazil's economy is expected to grow by 1.7 per cent in 2003.

Unfortunately, just as the Brazilian and Argentinean economies are beginning to stabilize, the economy of Venezuela is starting to slide. The national oil strike in Venezuela has brought that country's economy to a standstill and put upward pressures on oil prices. The strikers are demanding the resignation of President Hugo Chavez. Until this political stalemate is resolved, the economic future of Venezuela and its neighbouring countries is uncertain.

Euroland

European economies struggled in 2002. Both business and consumer confidence have been lackluster. In 2002, continental European stock markets were hit harder than North American ones, hurting business investment and employment. According to Consensus Economics' survey participants – including over 30 major banks and consulting companies – the outlook for 2003 is increasingly uncertain. Yet, following a dismal 2002, the consensus does suggest modest real economic growth of 1.5 per cent for 2003.

In the U.K., growth in consumption and government spending is supporting the economy. During 2003, real GDP growth should pick-up in line with a rebound in economic growth in the United States, the U.K.'s largest trade partner. Meanwhile, the French economy has turned the corner and is beginning a modest recovery as the prospects of tax cuts are lifting income expectations. Unfortunately, the German economy continues to be hurt by declining confidence among businesses, poor labour market conditions and a weak global recovery.

Asia–Pacific

The terrorist attack in Bali has had a profound affect on the economic outlook for Indonesia. It will also weigh on prospects for neighboring countries in South East Asia. While the South Korean economy has been relatively strong, the growing uncertainty concerning North Korea's nuclear program is hurting their outlook in 2003.

With the rest of Asia reeling, the forecast for the Japanese economy in 2003 does not look much better. Consumers and businesses remain cautious and there are not many, if any reasons for their moods to change. Following a dismal performance in 2002, the consensus is that the economy should increase by a mild 0.4 per cent in 2003. In fact, the government is considering devaluing the yen, in yet another effort to revive their weak economy by stimulating exports.

Exchange Rates

Exchange Rate Comparison – December 2002 to December 2001 (% change in exchange rates between selected countries)

	CANADIAN DOLLAR	U.S. DOLLAR	BRITISH POUND	EURO	JAPANESE YEN	TAIWANESE DOLLAR	AUSTRALIAN DOLLAR
Canadian dollar	--	1.2%	-8.1%	-11.4%	-3.1%	1.6%	-7.5%
U.S. dollar	-1.2%	--	-9.1%	-12.4%	-4.3%	0.4%	-8.6%
British pound	8.8%	10.0%	--	-3.6%	5.3%	10.5%	0.6%
Euro	12.9%	14.3%	3.8%	--	9.3%	14.7%	4.4%
Japanese yen	3.3%	4.5%	-5.1%	-8.5%	--	4.9%	-9.1%
Taiwanese dollar	-1.5%	-0.4%	-9.5%	-12.8%	-4.7%	--	-9.0%
Australian dollar	8.1%	9.4%	-0.6%	-4.2%	4.7%	9.8%	--

Source: The Conference Board of Canada.

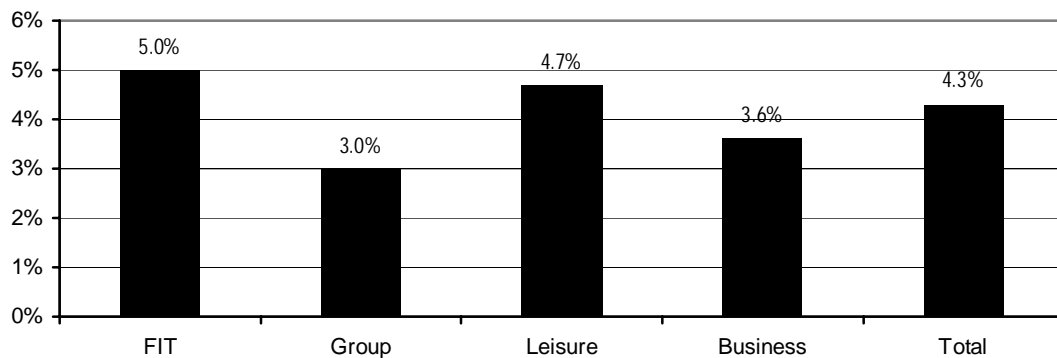
Domestic (Canada) Travel Outlook, Q2 2003

Economic Overview

The Canadian economy is still strong and is forecast to expand by 3.2 per cent in both 2002 and 2003. Stimulated by low interest rates and record employment growth, the Canadian consumer is enjoying a real run at making up for lost ground in the mid-1990's. In February of 2003, just when this household spending spree might be expected to weaken, the federal government is forecast to come forward with a highly stimulative budget, largely implementing the recommendations of the Romanow Report (health care) and launching an effort to meet the targets of the Kyoto accord. This will maintain job growth through the latter half of 2003, keeping shoppers in the stores despite rising interest rates.

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003
Overnight Domestic Travel
(% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute.

Once again, the business outlook—as indicated by Canadian travel suppliers and receptive agent bookings—suggests a positive 4.3 per cent growth in overall advance bookings for domestic travel for the second quarter of 2003, compared to the previous year.

Leading the growth in the second quarter of 2003, similar to previous quarters, will be independent (FIT) leisure travel. According to *BO Monitor* participants, bookings for this segment are up 5 per cent while group leisure bookings are up a more modest 3 per cent. Meanwhile, domestic business travel is also expected to post solid 3.6 per cent in the second quarter of 2003, compared with last year—the strongest increase in a year.

Similar to previous quarters, bookings are coming much closer to actual travel dates. Uncertainty over the world political situation is behind this level of indecision, as is the increasing delays and costs associated with air travel due to security issues.

BO Monitor participants indicate that domestic travel growth expectations are now becoming more stable across the country. While Ontario/Quebec is expected to lead the recovery with 5 per cent growth during the second quarter of 2003, Atlantic Canada and Alberta/B.C. are just marginally behind at 4 per cent growth. Meanwhile, Manitoba/Saskatchewan can expect slightly more modest growth of 3 per cent.

BO Monitor participants did indicate that a possible war with Iraq and/or further terrorists attacks would likely keep more Canadians at home during the next six months and potentially might increase domestic travel growth even further for some suppliers.

Consumer Confidence and Travel Intentions, The Conference Board of Canada

After a promising start to 2002, the Consumer Confidence Index has slipped in the latter half of the year. Although fewer consumers say now is a good time for a major purchase, financial optimism remains strong. Moreover, while the index is down over the last two quarters, it remains at relatively high levels and should not be a cause for concern.

Consumer Confidence (1991=100 Index)

	2002:07	2002:08	2002:09	2002:10
Consumer Confidence Index	124.1	121.6	123.7	117.8

Source: *The Conference Board of Canada.*

According to the Canadian Tourism Research Institute's (CTRI) latest *Winter Travel Intentions Survey*, conducted in December 2002, 41 per cent of Canadians intend on taking a winter/spring vacation this year (defined as between December 1, 2002 and April 30, 2002). This figure is basically unchanged from the September survey findings but is up compared with the 38 per cent of those who planned to take a winter vacation when the survey was conducted in December 2001.

In fact, the biggest change in the most recent survey from the September 2002 survey is in the level of domestic travel intentions. It appears that domestic winter travel intentions are now at their highest level since CTRI initiated its seasonal *Travel Intentions Survey* in 1990. The December survey indicates that, of those who intend to take a winter vacation, 60 per cent intend to spend the majority of their vacation nights in Canada. This is up from the 46 per cent of respondents who had indicated likewise during this past September.

Apparently, the potential for a war in Iraq is enough to change many Canadians' travel plans this winter. Compared to September, respondents in the December survey were also found less likely to continue their planned vacation trip if a war broke out in Iraq.

Winter Vacation Intentions (%)

	2001/02	2002/03
Vacation Intended	37.6	41.3
Canada	21.2	24.6
US	7.6	7.6
Other	8.8	9.0

Source: *The Conference Board of Canada.*

**Likelihood of Continuing to Take a Trip between
Nov 1, 2002 – April 30, 2003 if a War Broke Out in Iraq (%)**

	OCT 2002	DEC 2002
Very Likely	44.7	44.1
Likely	29.1	25.5
Unlikely	9.3	9.8
Very Unlikely	15.0	18.0

Source: *The Conference Board of Canada.*

Summary Outlook for Q2 2003

According to *BO Monitor* participants, domestic travel is expected to increase 4.3 per cent in the second quarter of 2003. As with previous BO reports, leisure travel is expected to outperform business travel (4.7% versus 3.6%). In particular, *BO Monitor* participants indicated that fully-independent travel (FIT) should post the strongest growth of all during the second quarter of 2003 (up 5.0%).

Supporting strong domestic travel growth are findings from the Canadian Tourism Research Institute's (CTRI) Winter 2002/03 *Travel Intentions Survey*. The December survey found that 60 per cent of Canadians that intend to take a winter vacation (between December 1, 2002 and April 30, 2003) plan to spend the majority of their nights within Canada. This is the highest percentage recorded for domestic winter vacations since CTRI initiated its seasonal survey in 1990.

The optimism for domestic tourism growth is also due to the continuing optimism in the Canadian economy. By all indications, Canadians can expect to see a highly stimulative federal budget unveiled before the start of the second quarter in 2003.

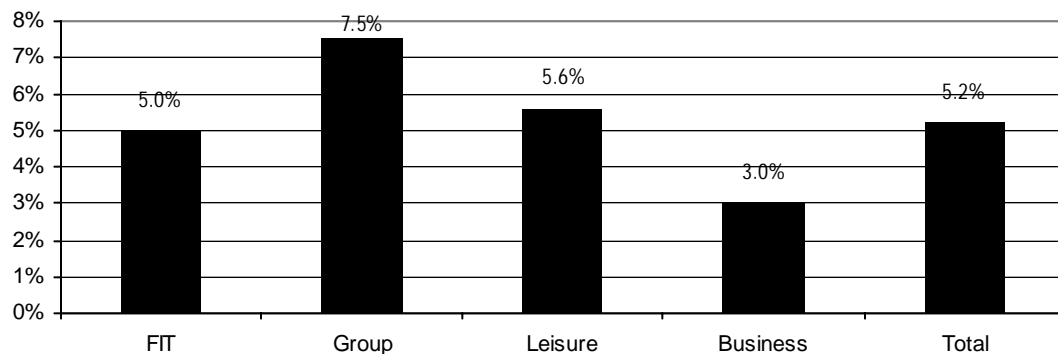
U.S. Travel Outlook, Q2 2003

Economic Overview

The positive news is that the U.S. economy is showing signs of recovery. Economists expect that the strong productivity growth achieved in 2002 will eventually translate into solid employment growth as companies further increase output in 2003. As a result, we expect solid income growth in 2003 as a result of a tightening labour market. U.S. consumer spending is expected to increase by 2.6 per cent in 2003, even as light vehicle and home sales fall-off. Meanwhile, real GDP is expected to grow by 2.5 per cent in 2003 and 3.5 per cent in 2004.

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003
Overnight Person-Trips from the U.S. to Canada
(% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute.

The outlook for overall U.S. travel to Canada in the second quarter of 2003—as indicated by *BO Monitor* participants—is for a 5.2 per cent increase, compared to last year. Of all the travel segments, U.S. group leisure travel is expected to post the strongest growth (7.5 %).

According to *BO Monitor* participants, Ontario/Quebec is expected to see the strongest growth (6 %) while U.S. travel to Alberta/B.C. is expected to be 4.5 per cent. Meanwhile, travel to Atlantic Canada is poised to expand by 4 per cent and Manitoba/Saskatchewan a slightly more modest, 3 per cent.

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

U.S. consumers are increasingly cautious about their financial situation. The Conference Board's Consumer Confidence Index, which rebounded in November, declined by more than four points in December. The Index now stands at 80.3 (1985=100), down from 84.9 in November. But the major factor dampening consumers spirits has been the rising unemployment rate and the discouraging job outlook.

Consumer Confidence (1985=100 Index)

	SEPT 2002	OCT 2002	Nov 2002 (R)	DEC 2002 (P)
Consumer Confidence Index	93.7	79.6	84.9	80.3
Present Situation	88.5	77.2	78.3	69.9
Expectations	97.2	81.1	89.3	87.2

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

The latest U.S. Vacation Travel Intentions survey by The Conference Board Inc. reported overall U.S. vacation intentions in December of 2002 fell after sharply increasing in October. December results indicated that (on a seasonally adjusted basis) over the next six months, 42.5 per cent of Americans intend to take a vacation somewhere. These intentions were the among the lowest for 2002 and are even slightly less than vacation intentions recorded back in December 2001.

However, the survey also revealed that the percentage of Americans who intend to travel outside the U.S. increased in December to 8.7 per cent after falling in October. This is stable compared with December 2001. By and large, the most significant change with respect to U.S. travel intentions is towards domestic U.S. travel, rather than foreign travel.

Vacation Intentions (Seasonally adjusted) (%)

	JUNE 2002	AUGUST 2002	OCTOBER 2002	DEC 2002
Vacation Intended	44.5	42.2	47.3	42.5
U.S.	38.7	35.2	40.1	34.0
Foreign	7.3	9.2	8.0	8.7

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

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

Because the ability to get to a destination is an integral part of planning and taking a trip, the level of air service offered between the U.S. and Canada was studied. To accomplish this task, a product from OAG Worldwide, called OAG Max—which shows flights worldwide—was used. Air access is important since the growth for specific travel segments is linked to improvements in air access.

Seats Available for Travel from the U.S. to Canada (Q2 –April to June)

	2002 (DIRECT)	2003 EST. (DIRECT)
Non-stop seats available	3,703,631	3,708,754
Per cent change	N/A	0.1

Source: OAG Worldwide.

The number of seats available (as of December 2002) for direct U.S. to Canada air travel during the second quarter of 2003 is 3,708,754. For 2002, direct air capacity was 3,703,631 seats. This planned increase of direct air capacity amounts to a negligible 0.1 per cent. It should be noted that some of this capacity is at risk due to potential capacity cuts stemming from airline bankruptcy operations.

Summary Outlook for Q2 2003

BO Monitor participants anticipate overall travel from the U.S. will grow by a rather robust 5.2 per cent during the second quarter of 2003. The expectation is that group leisure travel will increase more than the other travel segments during this period (up 7.5%). This segment was hit particularly hard after September 11th and it appears *BO Monitor* respondents expect a fairly strong rebound to be made during the second quarter of 2003. Meanwhile, another segment that took a considerable hit after September 11th, business travel, is also expected to post a rebound albeit by a more modest 3 per cent.

Facing economic and political uncertainty, the U.S. traveller remains cautious, last minute booker that increasingly is concerned about not having enough time for travel. While the latest Official Airline Guide (OAG) data indicates that air capacity is not expected to decline during the second quarter of 2003, compared with 2002, there is a strong chance that United Airlines (and maybe other U.S. carriers) might still wind up cutting some capacity. On a positive note, Canada remains well positioned to benefit from on-going U.S. travel trends established after September 11th that seek out safe, English speaking, close-to-home destinations that are accessible by automobile.

Mexico Travel Outlook, Q2 2003

Economic Overview

Mexico's economy is out of recession and in the midst of recovery. This is welcomed news as the recovery suffered a setback when U.S. consumption began to slow in the third quarter of 2002. It is believed however, that a promising holiday shopping season in the U.S. will re-ignite the recovery in Mexico. According to Consensus Forecasts, the Mexican economy is expected to post growth of 3.2 per cent in 2003, more than twice as strong as it was in 2002.

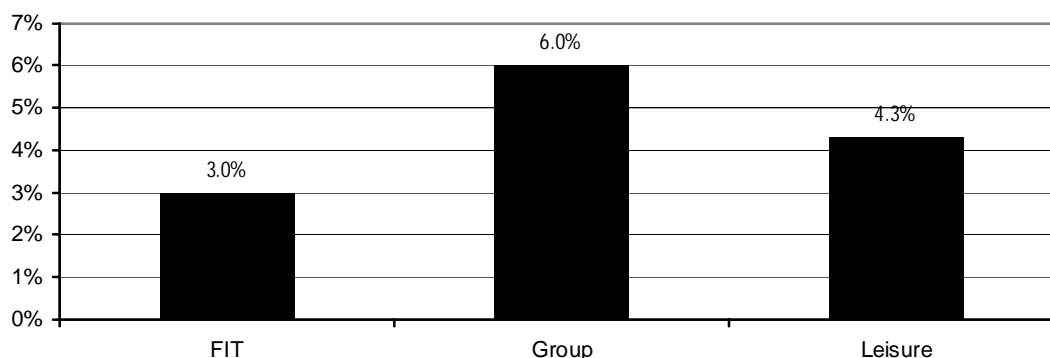
Tourism Trends

The Canadian Tourism Commission's foreign office in Mexico reported that Mexican tour operators have noticed an increase in Mexican interest in visiting, although the U.S. continues to provide strong competition. Vancouver is proving popular as Mexicana de Aviacion reported solidly booked flights throughout December for a new scheduled flight.

According to Dow Jones Business News, the privatization of AeroMexico and Mexicana has been postponed again due to poor market conditions in the airline industry. The bankruptcy filing of United Airlines does threaten to spread turbulence throughout the Star Alliance network, of which Mexicana is a member. For now, however, it is business as usual.

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003
Overnight Person-Trips from Mexico to Canada
(% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall travel from Mexico in the second quarter of 2003—as indicated by *BO Monitor* participants—is for a solid 4.3 per cent growth. In particular, group leisure travel is expected to surge 6 per cent while independent (FIT) leisure travel posts gains of 3 per cent.

Mexico-to-Canada Air Capacity, OAG Worldwide

Unfortunately, air capacity is expected to decline by 3.2 per cent during the second quarter of 2003, compared with the same period in 2002. Presently, this level of decline does not appear to represent a significant constraint, but if capacity declines further it may.

Seats Available for Travel from Mexico to Canada (Q2–April to June)

	2002 (DIRECT)	2003 EST. (DIRECT)
Non-stop seats available	60,377	58,436
Per cent change	N/A	-3.2

Source: OAG Worldwide.

Summary Outlook for Q2 2003

Overall, *BO Monitor* participants expect leisure travel from Mexico to increase by approximately 4.3 per cent during the second quarter of 2003. In particular, group leisure travel, which took a bit of a hit during the spring of 2002, is expected to rebound by 6 per cent. Meanwhile, independent (FIT) travel is expected to post more modest growth of 3 per cent.

Supporting growth is an expanding economy and a perception among Mexicans that Canada is a safe destination that offers great value. A potential constraint might be that, according to OAG, direct air capacity from Mexico is expected to decline 3.2 per cent during the second quarter of 2003, compared with the same period in 2002.

Brazil Travel Outlook, Q2 2003

Economic Overview

With the landslide election of Lula da Silva—a pro-market president—a good deal of uncertainty about Brazil has been resolved. What is not resolved is whether he will deliver on promises to maintain fiscal order as well as set-up an inflation fighting central bank. The repercussions of delivering or not delivering on these promises will have serious consequences for Brazilian consumers. As a result of these risks, Consensus Forecasts pegs real economic growth at a tepid 1.7 per cent for 2003.

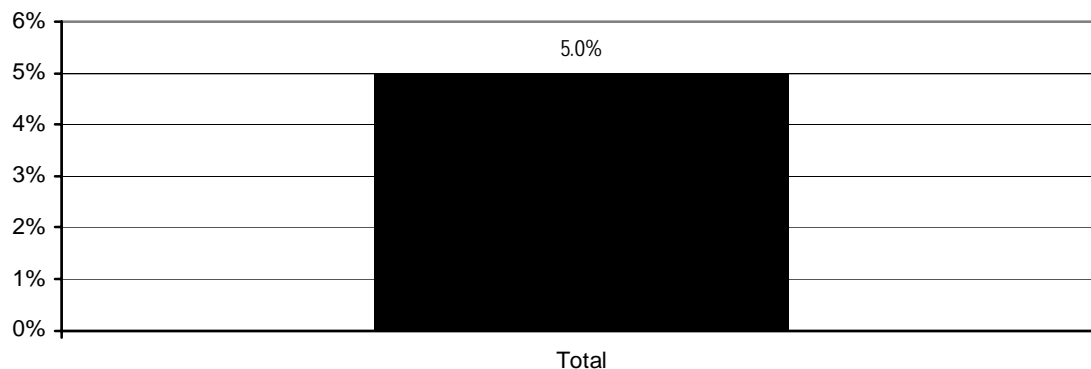
Tourism Trends

The Canadian Tourism Commission's foreign office in Brazil reported outbound tour operators are very concerned about a large slowdown in international package sales. Furthermore, most operators do not foresee any change in the situation in the next six to ten months. In response to the outbound sales slowdown, tour operators are stepping up promotion and product offerings of domestic packages.

The bankruptcy filing of United Airlines threatens to spread turbulence throughout the Star Alliance network, of which Varig is a member. For now, however, it remains business as usual.

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003
Overnight Person-Trips from Brazil to Canada
(% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall travel from Brazil in the second quarter of 2003—as indicated by *BO Monitor* participants—suggests a fairly robust increase of 5 per cent, compared to last year. Unfortunately, there were not enough responses to break down bookings by segment to ensure confidentiality.

Brazil to Canada Air Capacity, OAG Worldwide

Meanwhile, direct air capacity to Canada is expected to continue its upward trend during the second quarter of 2003, compared to the same period in 2002. In particular, OAG indicates direct air capacity will increase 5.4 per cent.

Seats Available for Direct Travel from Brazil to Canada (Q2–April to June)

	2002 (DIRECT)	2003 EST. (DIRECT)
Non-stop seats available	15,688	16,536
Per cent change	N/A	5.4

Source: OAG Worldwide.

Summary Outlook for Q2 2003

BO Monitor participants anticipate that overall Brazilian travel to Canada will increase 5 per cent during the second quarter of 2003. While this growth might be reasonable in context of the declines witnessed last year, the economy remains in an uncertain state. In fact, the expectation is that the economic and political outlook will not improve before the end of the second quarter of 2003 or even by the end of 2003. Another hurdle that outbound travel faces is that many Brazilian tour operators are actively promoting domestic products in place of international product offerings in an effort to stay in business during these uncertain times.

U.K. Travel Outlook, Q2 2003

Economic Overview

The U.K. economy is doing relatively well. Personal consumption and government spending gains have so far offset declines in the manufacturing sector. In general, British consumers are in a confident mood, in part because of the rapid appreciation in the value of their homes. This appreciation is expected to continue in 2003, but at a slower pace. According to Consensus Forecasts, real economic growth in 2003 will hit 2.3 per cent. While this is better than in 2002, it can not be considered robust growth.

Tourism Trends

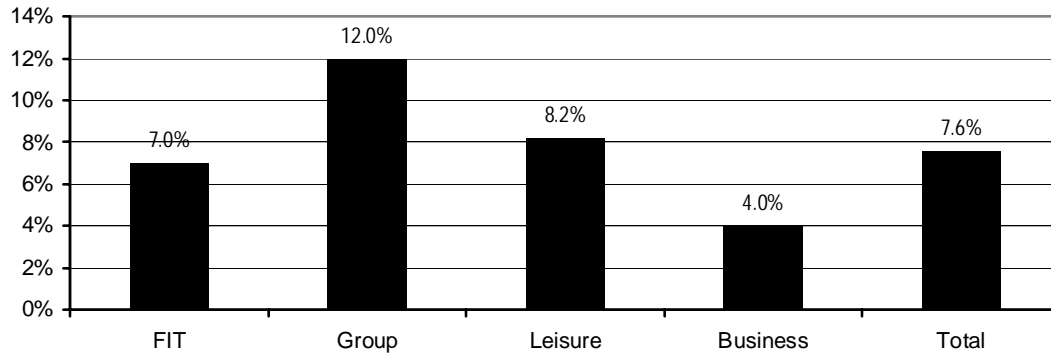
According to the Travel Industry of America (TIA) and British tour operators, in an effort to thwart the last-minute booking trend, many U.K. tour operators are offering major discounts for overseas packages for early bookings. Still, winter bookings are reportedly struggling despite the availability of cheap packages. Consumers appear to still prefer to keep their options open by not committing to travel purchases too far in advance. Fortunately, compared to winter, summer 2003 bookings are reportedly performing well.

The Canadian Tourism Commission (CTC) reported that direct-to-operator bookings are growing in popularity, at least according to recent data from U.K. tour operators. In 1990, 78 per cent of travellers purchased their package holidays via a travel agent while only 19 per cent went directly to the tour operator. In 2002, it was reported that 36 per cent of travellers had booked through a tour operator.

According to Travel Alberta, travellers in the U.K. now have new methods to select and purchase their holidays. The Exceptional Travel Company is launching "T cards" for impulse buyers who do not want to plough through brochures. The cards contain essential information only and photos of the resort/hotel. Price and availability is checked by scanning the card through a PC, and then the product is either purchased at an Internet café, at a supermarket checkout, via a telephone or online using the card reference number.

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003 Overnight Person-Trips from the U.K. to Canada (% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall travel from the U.K. in the second quarter of 2003—as indicated by *BO Monitor* participants—is for rather robust growth of 7.6 per cent, compared to last year. The outlook for leisure travel remains stronger than for business travel. Specifically, group leisure travel is expected to post the strongest growth potential (up 12.0%) while the independent (FIT) leisure travel segment is expected to grow by 7 per cent.

Travel to Alberta/B.C. is expected to increase by 8 per cent while visits to Ontario/Quebec climb 6 per cent. Unfortunately, these were the only regions of Canada where responses could ensure confidentiality.

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

Unfortunately, the number of direct seats available (as of December 2002) for travel from the U.K. to Canada during the second quarter of 2003 is expected to decline 1.8 per cent compared with the same period a year earlier. After increasing steadily over the past two quarters, the decline could represent a constraint for U.K. travellers wanting to visit Canada.

Seats Available for Direct Travel from the U.K to Canada (Q2-April to June)

	2002 (DIRECT)	2003 EST. (DIRECT)
Non-stop seats available	418,948	411,340
Per cent change	N/A	-1.8

Source: OAG Worldwide.

Summary Outlook for Q2 2003

According to *BO Monitor* participants, overall U.K. travel to Canada is poised to increase by 7.6 per cent during the second quarter of 2003. In particular, it was noted that group leisure travel should increase by 12 per cent while independent leisure travel posts solid growth of 7 per cent. This level of growth indicates that *BO Monitor* participants anticipate a strong rebound in U.K. leisure travel to Canada, particularly in light of the declines posted last year. While business travel is also expected to increase, the rate of growth will be more modest (4%). Within Canada, *BO Monitor* participants expect Alberta/B.C. to witness the strongest growth in U.K. travel.

Helping spur the U.K. outbound travel market is the fact that many U.K. tour operators are actively testing different incentives to convince last minute bookers to lock in earlier than they have in the past. Unfortunately, this remains an uphill battle as consumers increasingly prefer to keep their options open, especially in face of political uncertainty. Still, working in the tourism industry's favour is strong consumer spending and an overall feeling of confidence among consumers. One potential constraint for Canada might be that direct air capacity from the U.K. during the second quarter of 2003 is expected to decline 2 per cent, compared with 2002.

France Travel Outlook, Q2 2003

Economic Overview

The French economy continues to be plagued by the same factors that have affected almost every country in Europe, namely weak consumer and business confidence as well as declining investment spending. In spite of lacklustre confidence, consumers continue to spend. Real GDP growth is forecast to grow by 1.7 per cent in 2003, close to the continent-wide average.

Travel Trends

The Australian Tourism Commission (ATC) released a Market Profile for French travellers that noted the French are generally last minute planners who prefer a short lead time between booking and departure. Overall, French travellers still prefer to use a retail agent to make vacation plans although, increasingly, travellers are driven by airline deals and a growing percentage are booking directly through the airlines.

According to the Canadian Tourism Commission's foreign office in France, fear of terrorism cost French tour operators EUR 5 billion (CDN\$ 8.1 billion) in 2002. As well, French tour operators indicated they believe French travellers will continue the trend of taking short holidays in 2003.

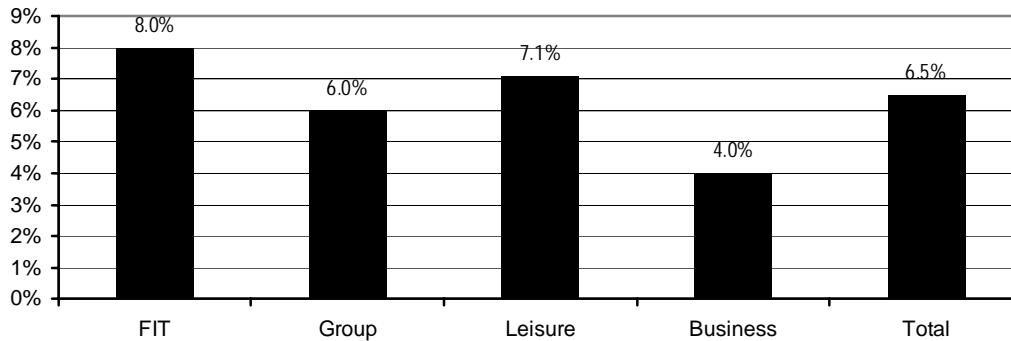
Market Overview

According to the French tour operators surveyed by the CTC, many do not have a clear impression regarding the overall state of bookings to Canada for the second quarter of 2003. While some operators felt sales would improve significantly, others thought they would remain stable. In fact, most felt it was still too early to judge. However, the majority of operators do agree that air capacity to Canada will once again represent a problem when selling Canadian products during the second quarter of 2003. Fortunately, the appreciation of the euro versus the Canadian dollar is expected to help attract more French tourists.

Specific trends identified as selling well by French tour operators were: customized tours for all travellers, individuals without a package as well as individuals as part of a package. Tour operators indicated that interest was focused on Quebec (60%-80% of all sales) and Ontario (10%-50% of all sales). For the second quarter, the nature product cluster is expected to be the number one product cluster for packages purchased followed by outdoor/sports and cities and resorts. (Canadian Tourism Commission's foreign office)

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003 Overnight Person-Trips from France to Canada (% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall travel from France in the second quarter of 2003—as indicated by *BO Monitor* participants—is for growth of 6.5 per cent, compared with last year. *BO Monitor* participants appear to be most optimistic regarding independent (FIT) travel (up 8.0%) and group leisure travel (up 6%). Meanwhile, business travel is also expected to register solid 4 per cent growth.

Not surprisingly, *BO Monitor* participants indicated that a war with Iraq could impact the outlook negatively as travellers lean towards short-haul, closer-to-home destinations.

France-to-Canada Air Capacity, OAG Worldwide

Direct air capacity is expected to decline sharply during the second quarter of 2003. This follows several quarters of fluctuating changes in air capacity. Meagre increases over the last couple of quarters in 2002 were preceded by sharp declines during the early part of 2002. According to the latest data by OAG, it appears that air capacity might represent a concern for French travel to Canada during the second quarter of 2003.

Seats Available for Direct Travel from France to Canada (Q2-April to June)

	2002 (DIRECT)	2003 EST. (DIRECT)
Non-stop seats available	143,026	133,694
Per cent change	N/A	-6.7

Source: OAG Worldwide.

Summary Outlook for Q2 2003

BO Monitor participants indicate that overall travel from France will increase 6.5 per cent during the second quarter of 2003. Like many international markets, leisure travel is expected to lead the growth (up 7.1%), while business travel posts more modest growth (up 4.0%). In particular, *BO Monitor* participants expect independent (FIT) travel to be the strongest growth segment. A possible impediment might be the latest data that suggests direct air capacity will fall by 7 per cent during the second quarter, compared with last year.

Germany Travel Outlook, Q2 2003

Economic Overview

Unfortunately, the German economy continues to be hurt by declining confidence among businesses, poor labour market conditions and a weak global recovery. Moreover, according to a recent Bloomberg article, a high euro and rising oil prices are combining to hammer an economy that depends on manufacturing and exports. Business confidence is at an 11-month low and consumer confidence has fallen to its lowest level in eight years. On top of this, stock markets are also down. The benchmark DAX Index dropped 44 percent last year and November retail sales are at their lowest level in more than three years. Metro Group, Germany's largest retailer, expects Europe's largest economy to remain "unfavourable" in the near-term.

Tourism Trends

The Australian Tourism Commission (ATC) released a German Market Profile in which it was noted that German travellers are careful planners who seek detailed information from a range of sources. As with other travel markets, the trend is towards shorter lead times for booking.

According to the German travel and tourism magazine, Fvw, price cuts are expected to continue to dominate the German tourism market during the summer of 2003 as tour operators attempt to generate more business. Faced with a sluggish economy, rising unemployment, falling consumer confidence and the rapid growth of no-frills carriers, tour operators are putting pressure on hoteliers and other suppliers to reduce rates. According to TIA, this is necessary for tour operators to survive as the German market is known to be very price-conscious and tends to choose self-organized travel when package prices rise excessively.

The CTC and Fvw report that tour operators are also using other methods to entice customers. Thomas Cook's mass-market brand, Neckermann Reisen and TUI have all launched pay for your vacation by installment options. Meanwhile, study tours operator, Studiosus, is offering travellers the chance to re-book to an alternate destination up to two weeks before departure should safety fears become an issue.

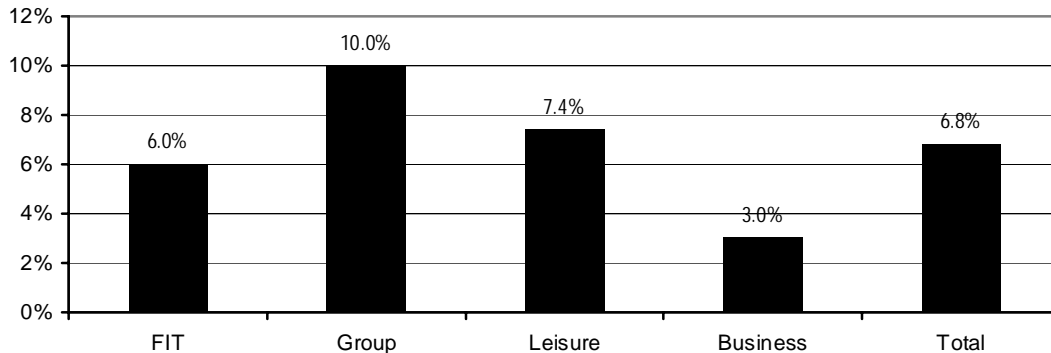
Market Overview

The outlook, according to German tour operators, is quite upbeat for travel to Canada during the second quarter of 2003. A majority of respondents report bookings have risen 14 to 50 per cent for the second quarter of 2003 compared with the same period a year earlier. The other operators reported stable bookings. Also adding to the good news: air capacity was not reported to be a problem by any of the operators surveyed. As well, for the majority of operators, the exchange rate was said to have a positive effect. Unfortunately, German tour operators noted a price disadvantage exists for travel to Canada compared with travel to the U.S. since the Star Alliance implemented sudden airfare increases for 2003 bookings.

Sales trends identified were package tours of all types. The most popular tours included group packages, couple packages and individuals' packages. German tour operators have found B.C. and Alberta to be the most popular provinces to visit for packaged travel during the second quarter of 2003. This is followed by Ontario and, to a very small extent, Quebec. Finally, German tour operators reported that the number one selling product cluster was ski and outdoor product. (Canadian Tourism Commission's foreign office)

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003 Overnight Person-Trips from Germany to Canada (% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall travel from Germany in the second quarter of 2003—as indicated by *BO Monitor* participants—is for growth of 6.8 per cent, compared with last year. German group leisure travel is expected to post the strongest growth (up 10%) while independent (FIT) travel should expand by 6 per cent. Meanwhile, business travel is expected to post modest growth of 3 per cent.

Overall, travel growth from both Germany and France is expected to be slightly less than that of the U.K.'s. *BO Monitor* participants suggest that weaker economic factors are a key reason.

Germany-to-Canada Air Capacity, OAG Worldwide

Direct air capacity from Germany is expected to increase significantly during the second quarter of 2003, compared to the second quarter of 2002. This continues Germany's upward trend over the last couple of quarters where capacity increases have been or are expected to be increased.

Seats Available for Direct Travel from the Germany to Canada (Q2-April to June)

	2002 (DIRECT)	2003 EST. (DIRECT)
Non-stop seats available	155,483	189,955
Per cent change	N/A	22.2

Source: OAG Worldwide.

Summary Outlook for Q2 2003

Over the second quarter of 2003, overall travel from Germany is expected to rebound quite sharply, particularly relative to last year's declines. Specifically, *BO Monitor* participants expect overall travel to increase 6.8 per cent with group leisure travel posting growth of 10 per cent. Travel to Canada could get a boost from a Porsche promotion featuring Alberta's mountains and with a solid increase in direct air capacity expected.

However, facing a sluggish economy, security worries and falling consumer confidence, German tour operators will have their work cut out for them. Innovative techniques to entice weary travellers include providing attractive financing options, offering flexible, individualized packages and safety updates combined with the option to re-book to an alternative destination up to two weeks before departure.

Italy Travel Outlook, Q2 2003

Economic Overview

The Italian economy is expected to muster marginal 0.4 per cent growth in 2002. This is well below its relatively modest average of 1.5 per cent growth over the last ten years. Persistent unemployment is hurting both income expectations as well as consumption and is expected to remain a problem in 2003. While the government has been urged to stimulate the economy through fiscal policy, it must adhere to agreements signed with the rest of the Eurozone which limit government deficits. According to Consensus Forecasts, Italy's economic growth is expected to be 1.5 per cent in 2003.

Tourism Trends

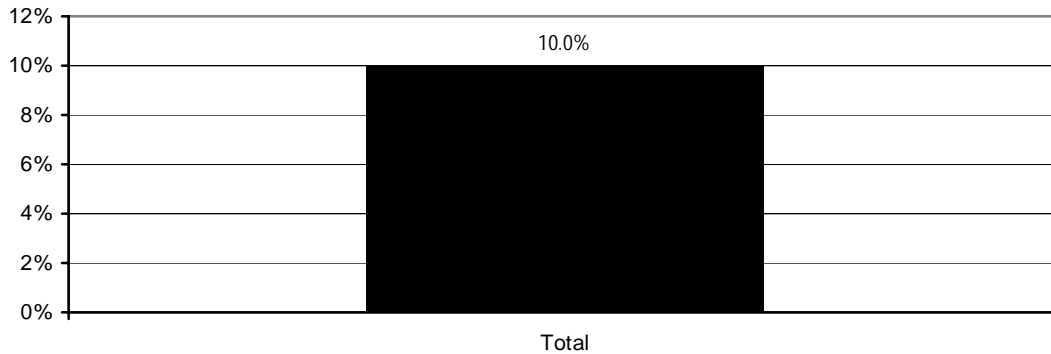
The Australian Tourism Commission (ATC) released a Market Profile for Italian travellers that notes Italian travellers are slowly moving away from the traditional August – September holiday period, although that period still remains the most popular time for long haul-travel. The ATC also reported that consumers, while satisfied to conduct research over the Internet, prefer to book through their travel agent. When choosing a destination, Italians are influenced by recommendations from their relatives, though for long-haul travel, safety is also a big concern.

According to the UIC (Italian Currency Office), between January – September 2002, Italians spent 7.8 per cent more on outbound travel than during 2001. It appears Italians saved money on air travel because low-cost carriers represent 15 per cent of the Italian air travel marketplace, the highest in continental Europe.

ENIT, Italy's tourism board expected some 8 million Italians to travel domestically between December 8th and the end of 2002. More than half are expected to return to their families' hometowns with fewer travellers than normal opting to go overseas. However, in the event of a war in Iraq, the European Tour Operators Association (ETOA) reported that a 38 per cent decrease in travel abroad would occur.

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003 Overnight Person-Trips from Italy to Canada (% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall travel from Italy in the second quarter of 2003—as indicated by *BO Monitor* participants—is for growth of 10 per cent, compared with last year. Unfortunately, not enough responses were obtained to break down travel segments and still maintain confidentiality.

Italy-to-Canada Air Capacity, OAG Worldwide

Direct air capacity to Canada is expected to significantly improve during the second quarter of 2003, compared to the second quarter a year ago. However, it should be noted that large decreases were experienced during the spring of 2002, compared with what existed in 2001.

Seats Available for Direct Travel from Italy to Canada (Q2-April to June)

	2002 (DIRECT)	2003 EST. (DIRECT)
Non-stop seats available	27,028	60,788
Per cent change	N/A	124.9

Source: OAG Worldwide.

Summary Outlook for Q2 2003

Overall, *BO Monitor* participants expect travel from Italy to improve by 10 per cent during the second quarter of 2003. Fortunately, direct air capacity is expected to more than keep pace with the growth in travel.

The increase in air capacity during the shoulder season supports the view that Italians are increasingly open to taking vacations outside the traditional summer season. However, as with most international travel markets, the risk to growth is contingent on the level of political unrest and the state of economic uncertainty. Should a war break out, *BO Monitor* participants indicate that achieving growth projections will be more difficult.

Netherlands Outlook, Q2 2003

Economic Overview

The Netherlands economy is currently quite weak. In fact, during 2002 economic growth is expected to be a meager 0.4 per cent. Unfortunately, the outlook for growth next year is not much better—1.1 per cent. The appreciation of the euro has hurt Dutch manufacturing as well as investment, both of which fell in 2002. According to Consensus Forecasts, the outlook for 2003 continues to be revised downward as more economic data become available. The prospects for 2003 depend on growth in the rest of Europe as well as the state of the global economic recovery.

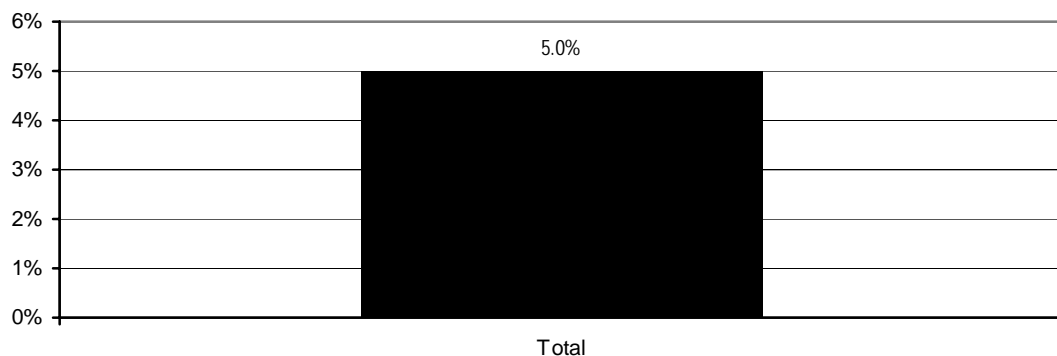
Tourism Trends

The Australian Tourism Commission released a Market Profile for the Netherlands in which it was noted that Dutch travellers tend to research a destination in depth prior to departure. In many instances, they will purchase the air-only portion of their trip before departure and arrange the land content upon arrival at their destination.

The CTC's foreign office in the Netherlands reported that winter bookings to Canada from the Netherlands are up over 60 per cent compared with last year, while summer bookings are down slightly.

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003
Overnight Person-Trips from the Netherlands to Canada
(% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall travel from the Netherlands in the second quarter of 2003—as indicated by *BO Monitor* participants—is for growth of 5 per cent, compared with last year. Unfortunately there were not enough responses to break down bookings by segments to ensure confidentiality.

Netherlands-to-Canada Air Capacity, OAG Worldwide

After experiencing declines during the early part of 2002, compared with 2001, air capacity from the Netherlands improved during the fourth quarter of 2002 and during the first quarter of 2003.

According to OAG, direct air capacity is expected to improve further during the second quarter of 2003, but the rate of growth will be modest (up 3.9 %).

Seats Available for Direct Travel from the Netherlands to Canada (Q2-April to June)

	2002 (DIRECT)	2003 EST. (DIRECT)
Non-stop seats available	109,648	113,928
Per cent change	N/A	3.9

Source: OAG Worldwide.

Summary Outlook for Q2 2003

BO Monitor participants anticipate that overall travel from the Netherlands will increase by 5 per cent during the second quarter of 2003. This growth is supported by gains in air capacity as well as information from tour operators suggesting strong bookings for the second quarter are already occurring.

Japan Travel Outlook, Q2 2003

Economic Overview

The outlook for the Japanese economy continues to be bleak. The uncertainties over a possible war in Iraq as well as nuclear developments in North Korea add to the reservations of an economic recovery. In addition, consumers are plagued with shrinking wage growth and persistent deflation. Moreover, at 5.5 per cent, the Japanese unemployment rate hit a record high in October 2002. This situation will not likely be resolved soon. According to Consensus Forecasts, Japan is expected to grow by 0.4 per cent in 2003. To offset this meager growth, the Japanese government is considering a devaluation of the yen. If this happens, it will further weigh on international travel from Japan.

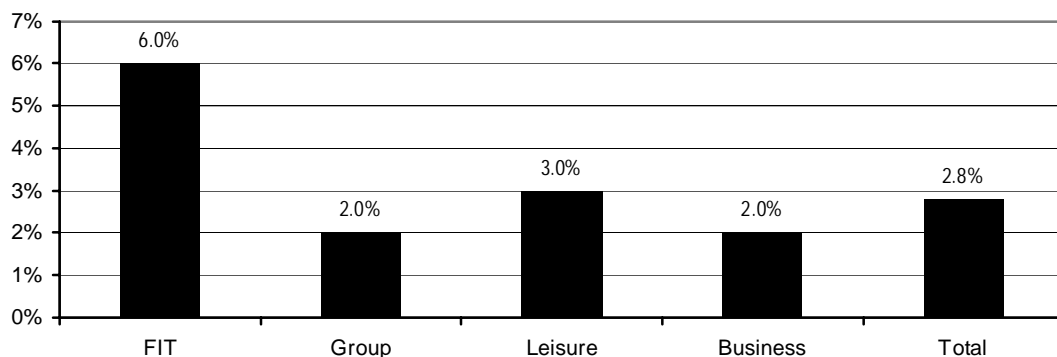
Tourism Trends

According to the recently released “2nd Japanese Association of Travel Agents (JATA) Survey on Travel Market Trends”, overall demand for overseas travel is showing signs of recovery. The survey was conducted from July to September with results released in December 2002. A highlight of the survey included a sharp increase in the number of Japanese travellers visiting Canada rather than the U.S. Instead of choosing the usual sightseeing tours, an increasing number of Japanese prefer trips with a specific purpose such as studying the manners and customs of the destination country. Of all market segments surveyed, the honeymoon travel market segment showed the greatest improvement compared with the same period a year earlier. Lagging behind in recovery were the “business”, “family” and “young women” travel market segments.

The CTC’s foreign office in Japan reported that while package tour holiday bookings are decreasing, the independent (FIT) market is growing. For suppliers, this phenomenon means more last minute bookers. Unfortunately, the CTC reported ski holidays are moving slowly due to Canada’s warm winter and subsequent shortage of snow. Northern lights bookings were also reported to be slow.

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003
Overnight Person-Trips from Japan to Canada
(% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall travel from Japan in the second quarter of 2003—as indicated by *BO Monitor* participants—is for modest growth of 2.8 per cent, compared with last year. Independent (FIT) leisure travel will lead growth by a wide margin as bookings are expected to increase by 6 per cent compared to the growth of group leisure travel at 2 per cent. Business travel is expected to generally be weaker than leisure travel but still post growth of 2.0 per cent.

Of the three regions *BO Monitor* participants commented on, Ontario/Quebec is expected to see the strongest growth (up 4.0%) while Alberta/B.C. should expect to see 3 per cent more Japanese visitors. Meanwhile, travel to Atlantic Canada is expected remain fairly stable with a modest 1 per cent increase.

Japan-to-Canada Air Capacity, OAG Worldwide

Direct air capacity from Japan has been steadily improving over the past year and it is expected to continue to improve during the second quarter of 2003, compared with 2002. According to OAG, direct air capacity is expected to improve nearly 16 per cent during the second quarter of 2003.

Seats Available for Direct Travel from Japan to Canada (Q2-April to June)

	2002 (DIRECT)	2003 EST. (DIRECT)
Non-stop seats available	133,914	155,216
Per cent change	N/A	15.9

Source: OAG Worldwide.

Summary Outlook for Q2

According to *BO Monitor* participants, overall travel from Japan is expected to increase by a rather modest 2.8 per cent. Independent (FIT) travel will lead the way by posting growth of 6 per cent. Meanwhile, group leisure travel and business travel are both expected to increase by 2 per cent. *BO Monitor* participants suggest that of the three Canadian regions specifically identified (Ontario/Quebec, Alberta/B.C. and Atlantic Canada), Ontario/Quebec should see the strongest growth.

While the feedback from *BO Monitor* participants is positive, the threat of war and a still fragile economy means these positive trends could be reversed quickly.

Taiwan Outlook, Q2 2003

Economic Overview

The economy of Taiwan is generally doing quite well. Consensus forecasts for 2002 and 2003 suggest real economic growth of 3.3 and 3.4 per cent, respectively. Taiwan's growth relies heavily on U.S. exports as well as global information technology demand. Stronger growth in the U.S. in 2003 as well as low interest rates should continue to fuel Taiwan's economy.

Tourism Trends

According to the CTC's foreign office in Taiwan, while overall outbound travel increased 3 per cent from January – September 2002 compared with a year earlier, the number of Taiwanese visitors to Canada decreased 17 per cent during the same period. However, during September and October, the number of tourist visas issued climbed 60 per cent and 116 per cent, respectively. This corresponds to reports by tour operators of increased bookings for the fall period. Overall, suppliers report a strong leisure travel market while the business, visiting friends and relatives (VFR), and immigration travel markets have decreased.

In December, China Airlines and three other Taiwanese airlines, offered historic flights between Taiwan and mainland China—albeit with a stopover either in Hong Kong or Macau. The flights operated during the Chinese New Year season and represented the first flights between Taiwan and China since direct flights were suspended over 50 years ago.

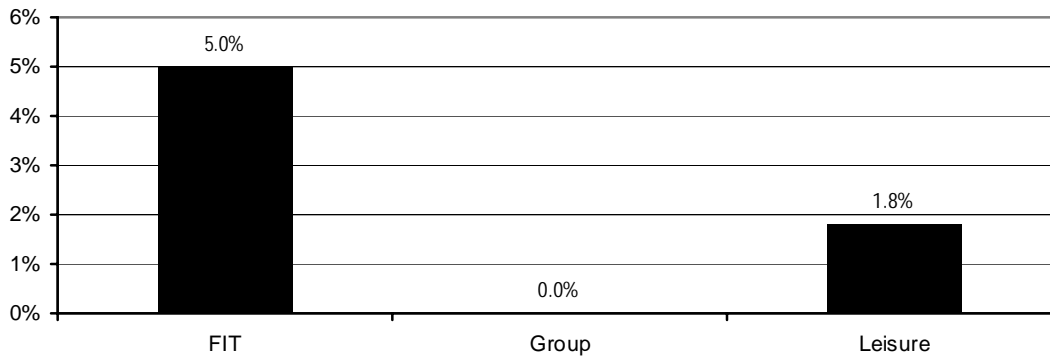
Market Overview

According to tour operators in Taiwan, bookings to B.C. are holding up well but providing tours beyond B.C. remains a challenge. Due to air capacity constraints, the confirmation of seats is not completed until the last minute, making the promotion of a destination very difficult for tour operators.

Tour operators reported B.C. and Alberta touring products to be the most popular products booked and noted strong interest in staying at Fairmont Hotel's properties. Gaining in popularity was Aurora viewing tours. (Canadian Tourism Commission's foreign office)

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003 Overnight Person-Trips from Taiwan to Canada (% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall leisure travel from Taiwan in the second quarter of 2003—as indicated by *BO Monitor* participants—is for marginal growth of 1.8 per cent, compared with last year. Once again, *BO Monitor* respondents were more optimistic regarding expectations for independent (FIT) leisure travel (up 5%) as opposed to group leisure travel (flat).

BO Monitor participants commented that a lack of capacity from Asia in general is limiting growth for Asian travel to Canada. As well, it was felt a war with Iraq would have a negative impact on Asian travel to Canada.

Taiwan-to-Canada Air Capacity, OAG Worldwide

Consistent with declines experienced during the first quarter of 2003, air capacity is expected to fall another 2 per cent during the second quarter of 2003, compared with a year earlier.

Seats Available for Direct Travel from Taiwan to Canada (Q2-April to June)

	2002 (DIRECT)	2003 EST. (DIRECT)
Non-stop seats available	77,247	75,867
Per cent change	N/A	-1.8

Source: OAG Worldwide.

Summary Outlook for Q2 2003

In the short-term, the outlook for travel from Taiwan remains mixed. *BO Monitor* participants expect overall leisure travel from Taiwan will increase 1.8 per cent during the second quarter. While independent (FIT) leisure travel is expected to fare reasonably well (up 5%), group leisure travel is not expected to generate any improvement, compared with last year. Not helping matters is that direct air capacity remains below last year's levels. This fact alone will constrain the number of Taiwanese visitors to Canada, particularly those that may wish to travel further east than B.C. On a more positive note, it is reported that the number of tourist visas issued is rising again and economic growth is expected to accelerate during the year.

South Korea Travel Outlook, Q2 2003

Economic Overview

Economically, South Korea is doing fine. Income growth in South Korea is strong, consumption is strong, and so too is investment. As one-fifth of the South Korean exports go the U.S. a forecast risk is that the American recovery is less than robust. According to the latest Consensus Forecast, South Korea's economy is expected to grow by 5.1 per cent in 2003. Clearly the nuclear developments in North Korea increase the downward risk to the forecast. The longer the North Korean nuclear situation remains unresolved, the longer it will weigh on the prospects for economic growth.

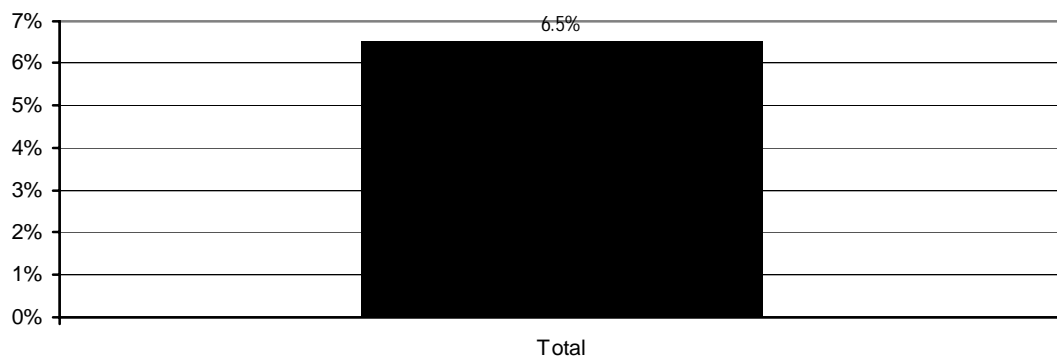
Travel Trends

According to the Bank of Korea, overseas credit card usage by Koreans set a new record in the third quarter of 2002 by increasing 27.7 per cent compared with the same period a year earlier. During this period, the number of Koreans travelling overseas increased 14.2 per cent from last year. The average overseas trip expenditure was US\$ 551 (CDN\$ 861), up US \$50 (CDN\$ 78) from a year earlier.

Both Korean Airlines (KAL) and Asiana Airlines are looking for ways to alleviate the heavy burden that frequent flier miles are causing for the two airlines. It is hoped that flier miles being accepted by more hotels as well being used as payment for extra baggage and increasing the minimum mileage needed for farther routes such as Europe will encourage members to use up their accumulated flier miles as quickly as possible.

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003
Overnight Person-Trips from South Korea to Canada
(% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall travel from South Korea in the second quarter of 2003—as indicated by *BO Monitor* participants—is for growth of 6.5 per cent, compared with last year. Unfortunately there were not enough responses to break down bookings by segments to ensure confidentiality.

As mentioned for Taiwan, *BO Monitor* participants commented that a lack of direct air capacity from Asia is limiting overall growth of Asian travel to Canada. As well, it was felt a war with Iraq would have a negative impact on Asian travel to Canada.

South Korea-to-Canada Air Capacity, OAG Worldwide

Unlike gains experienced during the spring of 2002, direct air capacity during the second quarter of 2003 is expected to decline by 7.6 per cent compared with a year earlier.

Seats Available for Direct Travel from South Korea to Canada (Q2-April to June)

	2002 (DIRECT)	2003 EST. (DIRECT)
Non-stop seats available	56,095	51,857
Per cent change	N/A	-7.6

Source: *OAG Worldwide*.

Summary Outlook for Q2 2003

BO Monitor participants anticipate that overall travel from South Korea will increase 6.5 per cent during the second quarter of 2003. While for many countries this level of growth would be considered amazing, for the South Korean travel market it might be considered rather modest. It is possible that challenges may arise stemming from the expected 7.6 per cent decline in direct air capacity during the second quarter, compared with last year. However, the South Korean economy is still expected to perform well and recent reports indicate that South Korean travellers are spending more, partly the result of using credit cards more often.

Hong Kong Outlook, Q2 2003

Economic Overview

The Hong Kong economic outlook is mixed. International trade is doing well but consumer and investment spending remain rather weak. Fortunately, prospects for economic growth in Hong Kong improve in 2003 as exports to China should continue to grow. According to Consensus Forecasts, real consumer spending is expected to increase by 1.4 per cent in 2003, after falling by 1.2 per cent in 2002. The overall economy should fare even better, growing by 2.9 per cent in 2003.

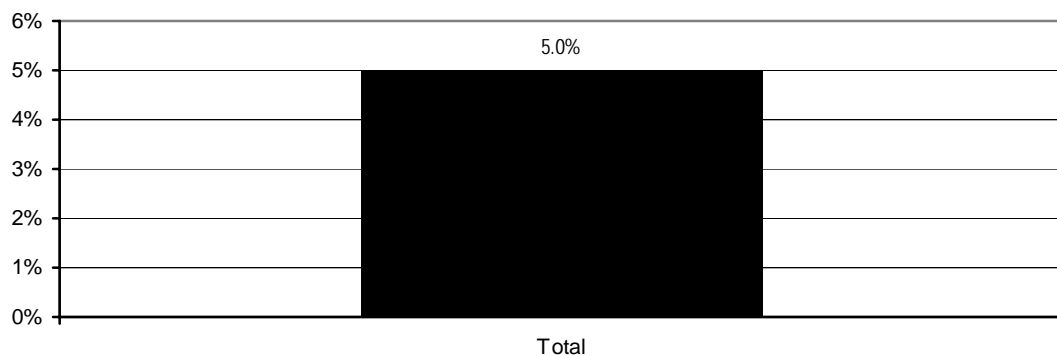
Tourism Trends

According to the South China Morning Post, the tour operator industry in Hong Kong is struggling through massive lay-offs and downsizing due to poor economic conditions and a sharp fall in long-haul travel since the terrorist attacks. Major tour operators are resorting to undercutting competitors. For instance, packages that used to sell for HK\$8,000 (CDN\$ 1,602) are now as low as HK\$ 3,000 (CDN\$ 601).

According to the Travel Industry Association of America (TIA) and Pacific Asia Travel Association (PATA), travel insurance is becoming more common among Hong Kong leisure travellers, even for short-haul travel. For the 2002 holiday season, travel insurance purchases were up 10 per cent compared with last year.

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003
Overnight Person-Trips from Hong Kong to Canada
(% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall travel from Hong Kong in the second quarter of 2003—as indicated by *BO Monitor* participants—is for growth of 5 per cent, compared with last year.

Hong Kong-to-Canada Air Capacity, OAG Worldwide

After experiencing declines since the beginning of 2002, air capacity rose during the first quarter of 2003, compared with the previous year. According to OAG, air capacity increases are expected to be even stronger during the second quarter of 2003.

Seats Available for Direct Travel from Hong Kong to Canada (Q2-april to June)

	2002 (DIRECT)	2003 EST. (DIRECT)
Non-stop seats available	95,777	109,564
Per cent change	N/A	14.4

Source: OAG Worldwide.

Summary Outlook for Q2 2003

Overall travel from Hong Kong is expected to increase 5 per cent during the second quarter of 2003, according to *BO Monitor* participants. Supporting growth is the expectations of solid growth in direct air capacity and steadily improving economic prospects. However, Canada will have to contend with possible competition arising from significant package price discounts by some tour operators, as they struggle to survive in a very competitive environment.

China Travel Outlook, Q2 2003

Economic Overview

China continues to be one of the strongest economies in the world. Exports are soaring and consumers are buying. For example, the latest retail sales data were up 9.4 per cent in October 2002. According to Consensus Forecasts, sales of automobiles and communication goods did particularly well. Overall real GDP growth is expected at 7.5 per cent in 2003. The stability of the government and the economy was secured by the smooth transition of power in November, as Hu Jintao succeeded Jiang Zemin as President.

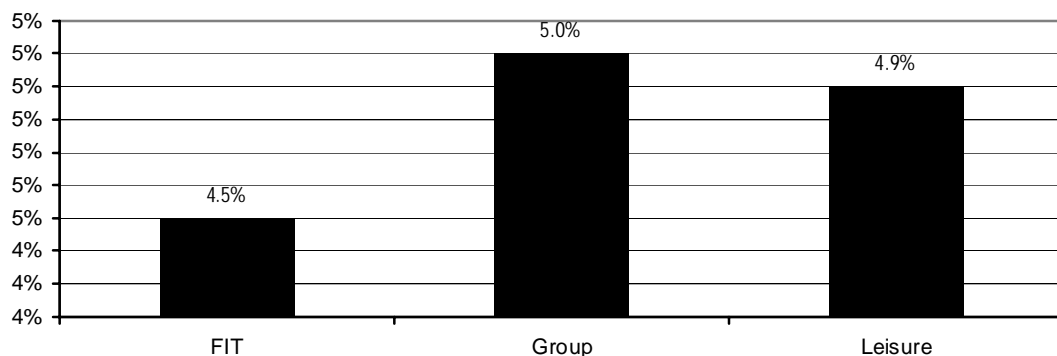
Tourism Trends

The Chinese Academy of Social Sciences reported the number of Chinese tourists travelling abroad will continue to record double-digit growth over the next few years. The Academy named Australia, New Zealand, The Republic of Korea and Japan as being among the most attractive destinations.

China Southern Airlines made it into the world's top 20 airlines list after passing the 20 million passenger mark as part of a re-organization of the Chinese aviation industry. While the global aviation industry struggles through a difficult time, China Southern has been posting double digit growth and has quadrupled in size since it was formed in 1991. It is now the fifth largest carrier in Asia. This year, China Southern expects to absorb both China Northern and Xinjiang Airlines.

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003
Overnight Person-Trips from China to Canada
(% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall leisure travel from China in the second quarter of 2003—as indicated by *BO Monitor* participants—is for growth of 4.9 per cent, compared with last year. *BO Monitor* participants expect group leisure travel to post slightly stronger growth than independent (FIT) travel (5% versus 4.5%).

China to Canada Air Capacity, OAG Worldwide

Air capacity should help overall growth, as the number of direct seats available in the second quarter of 2003 is expected to increase by 9.8 per cent, compared with 2002.

Seats Available for Direct Travel from China to Canada (Q2-April to June)

	2002 (DIRECT)	2003 EST. (DIRECT)
Non-stop seats available	49,106	53,935
Per cent change	N/A	9.8

Source: OAG Worldwide.

Summary Outlook for Q2 2003

BO Monitor participants anticipate overall leisure travel from China will increase 4.9 per cent during the second quarter of 2003. Just like South Korea, this level of growth might be considered rather tame for the Chinese travel market. *BO Monitor* participants did indicate that slightly stronger growth (5%) is expected for the group leisure market than for the independent (FIT) leisure market. Supporting travel growth are increased air capacity, a re-organization of the Chinese aviation industry, loosening travel restrictions and an economy that is outperforming most countries in the world.

Australia Travel Outlook, Q2 2003

Economic Overview

By all indications, the Australian economy is doing relatively well. Rising home prices and low interest rates are supporting stalwart consumption gains. Income growth should remain solid as the unemployment rate is expected to fall from 6.3 per cent in 2002 to 6.1 per cent in 2003. Although real economic growth is expected to slow in 2003, to 3.3 per cent, the Australian economy should outperform both Europe and Japan. The Australian dollar is also expected to appreciate in 2003 to average 1.77 (AUD) per U.S. dollar.

Tourism Trends

According to the CTC's foreign office in Australia and tour operators contacted by Travel Alberta, bookings, especially for FIT product offerings to Western Canada, for April, May and June of 2003, are strong. Further, non-ski products are selling better than they have in the past.

In December, the Australian government announced new security measures that will tighten security substantially at Australian airports. Part of the new security measures includes upgrading passenger and baggage screening procedures. By the end of 2004, checked bags at international and domestic terminals must be screened. Presently only carry-on baggage for departing international flights is routinely screened.

According to the Australian Financial Review and Tourism Futures, overseas business trips by Australians declined about 5 per cent in July and August compared with the same period a year earlier. The Review attributed the decline to fears related to terrorism, the weak Australian dollar and the threat of war. As well, Australian business travel is shifting from international to domestic, New Zealand or Pacific Islands destinations.

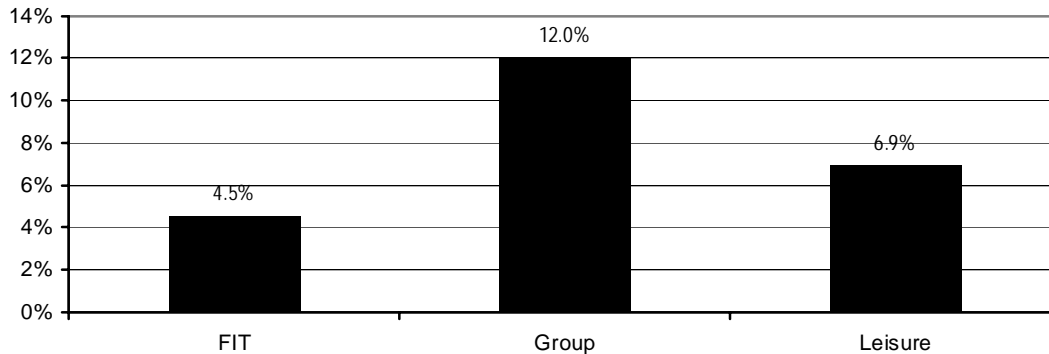
Market Overview

The consensus among Australian tour operators surveyed suggests overall bookings to Canada for the second quarter will be up an average of 93 per cent, compared with last year. However, tour operators stated that air capacity was a constraint for travel to Canada and is affecting their sales for the second quarter. Once again, tour operators stated that the exchange rate had a favourable effect on sales to Canada.

The most popular second quarter travel product identified was for couples or individuals as part of a package. Tour operators mostly sell just British Columbia and Alberta, with British Columbia being slightly stronger. During the second quarter, the touring product cluster is expected to be sold the most, followed by nature, cities and resorts and then culture/history. (Canadian Tourism Commission's foreign office)

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003 Overnight Person-Trips from Australia to Canada (% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall leisure travel from Australia in the second quarter of 2003—as indicated by *BO Monitor* participants—is for growth of 6.9 per cent, compared with last year. Group travel is expected to increase considerably over other segments—it should be up 12 per cent while independent leisure travel (FIT) is expected to increase by 4.5 per cent.

Australian to Canada Air Capacity, OAG Worldwide

Unfortunately, total air capacity from Australia (including both direct and non-direct flights) is expected to decline 31.1 per cent during the second quarter of 2003, compared with 2002. As reported, this potentially may hinder the level of visitor growth from Australia.

Seats Available for Stop-Over Travel from Australia to Canada (Q2-April to June)

	2002 (DIRECT)	2003 EST. (DIRECT)
Non-stop seats available	27,992	19,292
Per cent change	N/A	-31.1

Source: OAG Worldwide.

Summary Outlook for Q2 2003

Overall leisure travel from Australia is expected to increase 6.9 per cent during the second quarter of 2003. According to *BO Monitor* participants, group leisure travel is expected to increase by 12 per cent while independent leisure travel posts more modest growth of 4.5 per cent. Encouraging news for Canadian tourism suppliers are recently released statistics from the Australian Bureau of Statistics that indicated more Australians travelled internationally and of those, the average length of trip increased.

In general, the Australian tourism industry, like the economy, is doing relatively well. The exception might be those agents and tour operators specializing in South East Asia because of the Bali bombings. Fortunately, travel to Canada was not and is not expected to be impacted by that event. Still, a large decrease in the level of air capacity planned for the second quarter might prove troubling.

New Zealand Travel Outlook, Q2 2003

Economic Overview

While the international global economy is weighing on exports, the domestic economy of New Zealand is quite strong. The latest report from Consensus Forecasts states that, a rise in net migration and a tightening labour market have fuelled consumer confidence and are contributing to improved home and retail sales. New Zealand's economy is expected to grow by 2.9 per cent in 2003.

Tourism Trends

The Canadian Tourism Commission's foreign office in New Zealand reported New Zealanders on their way to Europe are increasingly using Canada as a stopover destination. Since Canada is perceived as a safe location, it is chosen as an alternative to Asia and the U.S.

The Australian Tourism Commission reported New Zealand's travel industry is dynamic and fiercely competitive. As a result, the consumers have become savvier and expect deals, discounts and value add-ons as standard items when booking. With younger generations, there is a trend towards direct bookings, particularly in established getaway destinations.

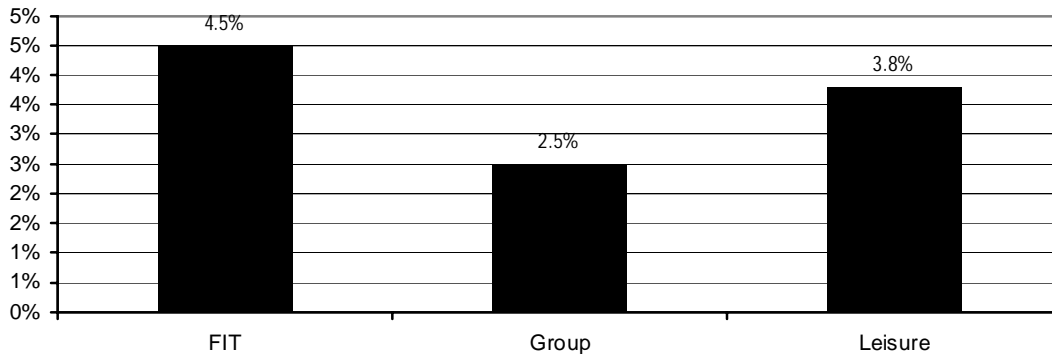
Market Overview

The consensus among New Zealand tour operators surveyed suggests that overall bookings to Canada, for the second quarter of 2003, will considerably be higher than last year—possibly up 20 to 30 per cent. It was reported that Air capacity to Canada is not expected to pose a problem for tour operators. The appreciation of the New Zealand dollar versus the Canadian dollar was cited as a positive factor in attracting more New Zealand travellers.

Specific trends identified as selling well were couples with a package and singles as part of a package tour. Next in popularity were families as part of a package. Interest was focused on B.C. and Alberta (80%), Ontario (15%) and Quebec (5%). For the second quarter, skiing and snowboarding was the product cluster that is expected to sell the most. (Canadian Tourism Commission's foreign office)

Destination Supplier–Receptive Agent Monitor, Business Outlook

Short Term Outlook – Q2 2003 Overnight Person-Trips from New Zealand to Canada (% change from previous year – same quarter)



Source: Q2 2003 Business Outlook System, Canadian Tourism Research Institute

The outlook for New Zealand leisure travel to Canada—as indicated by *BO Monitor* respondents—is for 3.8 per cent growth during the second quarter of 2003, compared with 2002. *BO Monitor* respondents indicated that independent (FIT) leisure travel is expected to post the strongest growth (4.5 %), while group leisure travel increases 2.5 per cent.

Summary Outlook for Q2 2003

Leisure travel from New Zealand, according to both *BO Monitor* participants and New Zealand tour operators, is expected to increase 3.8 per cent during the second quarter of 2003. While the independent (FIT) travel segment is expected to post slightly stronger growth than group leisure travel, both should perform well.

The positive outlook is, in part, supported by the expectation for modest air capacity growth, an appreciating New Zealand dollar (relative to the Canadian dollar), a healthy economy and Canada's image as a safe destination.

Appendix 1: Preliminary Medium-Term Travel Forecasts (CTRI)

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 in the following table were completed in December 2002 and are still preliminary. As such, a few forecasts for some countries are not yet available.

Travel Forecasts (Medium-Term)

Overnight Travel from Select International Countries to Canada—All Purposes (thousands of person-trips; % change from previous year)

COUNTRY	2001	2002F	2003F
United States	15,570 2.5%	16,100 3.4%	16,429 2.0%
Mexico	148 5.8%	155 4.7%	161 4.0%
United Kingdom	826 -4.2%	724 -12.3%	760 4.9%
France	357 -11.2%	309 -13.4%	325 5.0%
Germany	330 -13.1%	288 -12.8%	302 4.7%
Italy	N/A*	N/A*	N/A*
Switzerland	N/A*	N/A*	N/A*
Netherlands	N/A*	N/A*	N/A*
Japan	410 -16.9%	400 -2.5%	391 -2.2%
Taiwan	118 -27.5%	104 -11.5%	108 3.5%
Hong Kong	125 -8.9%	118 -5.5%	123 4.5%
South Korea	139 7.7%	145 4.0%	157 8.5%
China	82 10.7%	93 14%	109 9.0%
South East Asia	87 2.5%	87 0.0%	91 5.0%
Australia	159 -8.3%	148 -7.2%	156 6.0%

Source: Canadian Tourism Research Institute; Statistics Canada

N/A*: Preliminary forecasts not available yet

Appendix II: Accuracy of the Business Outlook

**Business Outlook expectations compared to Statistics Canada
actual overnight tourists data
Summer 2002 (June 2002 to August 2002) (%)**

COUNTRY	STATISTICS CANADA OVERNIGHT - ACTUAL	BUSINESS OUTLOOK - PROJECTION
U.S.	+2.3%	+0 to +1.5%
Mexico	+3.5%	+2.5%
Brazil	+0.4%	-16% to -18%
United Kingdom	-13.3%	-1%
France	-15.5%	-1% to -3%
Germany	-17.3%	-2% to -3%
Italy	+11.0%	-2% to -4%
Netherlands	-10.2%	-3%
Japan	-20.5%	-4% to -6%
Taiwan	-15.1%	-9% to -11%
South Korea	+1.1%	+3% to +5%
Hong Kong	-13.4%	-1% to -3%
China	+16.0%	-4% to -6%
Australia	-2.6%	-1%
New Zealand	-2.0%	+0.5%

Source: Canadian Tourism Research Institute; Statistics Canada

Note: It should be noted that some tour operators reporting for the Summer 2002 Business Outlook reported quarterly (July, August and September) instead of seasonally (June, July, August). Subsequently, the Business Outlook has switched from a seasonal reporting period to a quarterly reporting period.