

**RESEARCH**

**DOMESTIC, U.S. AND  
OVERSEAS TRAVEL  
TO CANADA**

**Short-Term Business Outlook**

**Quarter 2, 2004**

**Research  
report  
2004-2-1**

*Discover our true nature*

CANADIAN  
TOURISM  
COMMISSION



COMMISSION  
CANADIENNE  
DU TOURISME



---

# Domestic, U.S. and Overseas Travel to Canada

---

Short-Term Business Outlook  
Quarter 2 2004

Prepared for the

Canadian Tourism Commission

by

The Conference Board of Canada

Ottawa, April 2004

---

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 2004 (April 2004 to June 2004) 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 2004 should be interpreted in context with the uncertainty surrounding world affairs. In this respect, the outlook is presented as being valid only under status quo conditions.

**National Library of Canada cataloguing in publication data**

Main entry under title :

Domestic, U.S. and overseas travel to Canada : Short-Term Business Outlook, Quarter 2, 2004

Irregular.

2002-

(Research report)

Issued also in French under title : Voyages intérieurs et voyages en provenance des États-Unis et d'outre-mer à destination du Canada.

Subtitle varies.

Prepared by the Conference Board of Canada.

ISSN 1708-5853

Cat. no. IU85-1/2003-1E

1. Tourism – Canada – Forecasting.
  2. Americans – Travel – Canada.
  3. Tourism – Economic aspects – Canada.
- I. Conference Board of Canada.
  - II. Canadian Tourism Commission.

G155.C3D65

338.4'79171'04648

C2003-980272-8

If you require additional copies, please visit our website at [www.canadatourism.com](http://www.canadatourism.com) or e-mail your order to the CTC Distribution Centre at: [distribution@ctc-cct.ca](mailto:distribution@ctc-cct.ca). Please quote #C50368E when ordering by e-mail.

# Table of Contents

---

<b>Executive Summary .....</b>	<b>1</b>
<b>Introduction .....</b>	<b>7</b>
<b>Economic Overview .....</b>	<b>9</b>
<b>Domestic (Canada) Travel Outlook, Q2 2004 .....</b>	<b>11</b>
<b>U.S. Travel Outlook, Q2 2004.....</b>	<b>15</b>
<b>Mexico Travel Outlook, Q2 2004 .....</b>	<b>19</b>
<b>Brazil Travel Outlook, Q2 2004.....</b>	<b>21</b>
<b>U.K. Travel Outlook, Q2 2004 .....</b>	<b>23</b>
<b>France Travel Outlook, Q2 2004.....</b>	<b>27</b>
<b>Germany Travel Outlook, Q2 2004.....</b>	<b>29</b>
<b>Italy Travel Outlook, Q2 2004 .....</b>	<b>31</b>
<b>Netherlands Outlook, Q2 2004 .....</b>	<b>33</b>
<b>Japan Travel Outlook, Q2 2004 .....</b>	<b>35</b>
<b>Taiwan Outlook, Q2 2004.....</b>	<b>39</b>
<b>South Korea Travel Outlook, Q2 2004 .....</b>	<b>41</b>
<b>Hong Kong Outlook, Q2 2004.....</b>	<b>43</b>
<b>China Travel Outlook, Q2 2004.....</b>	<b>45</b>
<b>Australia Travel Outlook, Q2 2004 .....</b>	<b>47</b>
<b>New Zealand Travel Outlook, Q2 2004.....</b>	<b>49</b>
<b>Appendix 1: Preliminary Medium-Term Travel Forecasts (CTRI).....</b>	<b>51</b>



---

## Executive Summary

### Highlights

The outlook for Canada's key markets for the second quarter of 2004 (relative to the second quarter of 2003) from the *Business Outlook (BO) Monitor* participants is summarized as follows:

**Q2-2004 Business Outlook for Canada's Key Markets**  
(per cent change over Q2-2003)

COUNTRY	MARKET SEGMENT				
	LEISURE – GROUP	LEISURE - FIT	LEISURE – OVERALL	BUSINESS	TOTAL - OVERALL
Canada	8.0%	8.0%	8.0%	10.0%	8.5%
United States	8.0%	10.0%	9.5%	7.5%	9.0%
Mexico	12.0%	10.0%	10.9%	*	10.5%
Brazil	*	*	*	*	6.0%
United Kingdom	7.0%	10.0%	9.3%	10.0%	9.5%
France	9.5%	6.0%	7.5%	*	7.5%
Germany	8.0%	7.0%	7.4%	*	7.5%
Italy	*	*	*	*	10.0%
Netherlands	*	*	*	*	8.5%
Japan	30.0%	25.0%	28.8%	12.0%	25.0%
Taiwan	13.0%	17.0%	14.0%	*	14.0%
South Korea	*	*	*	*	12.0%
Hong Kong	*	*	*	*	17.0%
China	19.0%	16.0%	17.0%	*	17.0%
Australia	6.0%	7.0%	6.5%	*	6.5%
New Zealand	6.0%	7.5%	6.5%	*	6.5%

\* Not enough responses to ensure confidentiality

### Background

The short-term *Business Outlook (BO)* provides performance scenarios for Canada's major travel markets. 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 *Business Outlook* report, 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 2004, all growth comparisons are reported on a year-over-year basis compared with the second quarter of 2003.

---

## North and South American Markets

### Canada

According to *BO Monitor* participants, domestic travel is expected to post 8.5% growth in the second quarter of 2004. Domestic business travel is leading growth expectations for this quarter (up 10%) followed by an 8% rise in leisure travel. Group and independent (FIT) travel segments are expected to perform equally well (both up 8%). Survey participants noted that growth in the second quarter will likely be substantial, particularly in the corporate travel segment, compared with the dismal performance of the second quarter of 2003 when the impact of the war in Iraq and SARS outbreak sent bookings into a nose dive. However, most survey respondents said that short booking patterns are still a dominant trend, making it difficult to predict the extent of the bookings rebound, even within the group segment.

Results of the latest Summer 2004 *Travel Intentions Survey* by the Canadian Tourism Research Institute (CTRI) support the domestic travel growth forecasted by *BO Monitor* participants. The survey found that 72.8% of Canadians—the highest number in three years—plan on taking a summer vacation this year. These travel intentions are a clear sign of pent-up travel demand, and the current momentum of economic growth increase the likelihood that these travel intentions will materialize into actual trips. Not surprisingly, the number of Canadians planning a vacation to the U.S. or abroad showed the most dramatic increase, compared with the previous year, but domestic travel intentions were higher, as well.

### U.S.

*BO Monitor* participants anticipate that overall U.S. travel to Canada in the second quarter of 2004 will grow 9% compared to last year—this is positive news, considering that this market has been lagging behind others in showing signs of a recovery. Independent (FIT) travel is expected to post the highest growth, up 10%, while group travel follows closely behind at 8%, resulting in overall leisure travel gains of 9.5%. Business travel is projected to rise 7.5%, lagging slightly behind the leisure segment.

*BO Monitor* participants indicated that the lingering effects of the SARS outbreak are continuing to influence travel from the U.S., even into the second quarter of 2004. Toronto, in particular, is still suffering from the lack of forward bookings which would have been made in 2003 for 2004, had SARS not been a factor. Generally speaking, the SARS outbreak appears to have left a negative impression of Canada with some American travellers, and for these reasons, the outlook for the U.S. market has been mixed. Some survey participants reported signs of a rebound, while others felt more reserved about how quickly this market will recover.

On a positive note, travel intentions gathered through The Conference Board Inc. suggest more Americans plan to travel to Canada in the next six months. Of the Americans polled, 2.1% who plan to take a vacation in the next six months intend to choose a Canadian destination, up from 1.4% in October 2003.

---

## **Mexico**

Overall, *BO Monitor* participants expect leisure travel from Mexico to increase 10.9% during the second quarter of 2004, compared with the same quarter of 2003. A similar increase in direct air capacity from Mexico (10.3%) expected for the second quarter should ensure that air capacity will not impede this expected surge in demand. Meanwhile, reports from Mexico indicate that Mexican travel to Canada has picked up considerably in recent months. Strong growth expectations for the Mexican economy should help support the increasingly positive outlook for this travel market.

## **Brazil**

*BO Monitor* participants anticipate a 6% surge in travel from Brazil to Canada during the second quarter of 2004. A substantial expansion (26.2%) of direct air capacity from Brazil during this period should help accommodate the expected increase in travel demand. In line with this optimistic outlook are reports that Brazil's economic prospects are the strongest they have been in two years. Consumer spending is forecast to rise this year, as well, gaining momentum for further growth in 2005.

## **European Markets**

### **U.K.**

According to *BO Monitor* participants, overall travel from the U.K. is expected to increase 9.5% in the second quarter of 2004, compared with the previous year. Business travel is projected to jump 10%, while leisure travel rises 9.3%, driven by a 10% increase in independent (FIT) travel. Group travel is expected to lag slightly behind, up 7% compared with the same quarter of 2003.

Travel suppliers in the U.K. reported that U.K. consumers appear to be increasingly resistant to booking their vacations too far in advance. Forward bookings for the upcoming summer season are considerably behind last year's figures at this time largely because of growing last-minute booking trends and the absence of price discounts. Fuelling this trend is the rapid growth of on-line travel bookings which is causing a shift in U.K. travel preferences. In addition, more consumers are moving away from all-inclusive vacation packages, which are typically booked further in advance. Instead, travellers are increasingly arranging travel themselves over the internet where they can search for the lowest prices.

### **France**

*BO Monitor* participants anticipate that travel from France will grow 7.5% during the second quarter of 2004. Overall leisure travel is expected to increase 7.5% compared with a year earlier, led by a 9.5% rise in group travel. The pace of growth in the independent (FIT) segment is expected to be somewhat slower, increasing 6% in the second quarter of 2004. The 8.5% increase in direct air capacity from France expected for this period should help facilitate the anticipated growth in travel.

Meanwhile, French travel agents have reported that they are cautiously optimistic in their business outlook after experiencing a steady growth in travel demand through the fall and winter season. Strengthening this sentiment is the increasingly optimistic economic outlook for 2004, which gained momentum in the final months of December. This should help encourage consumer confidence in France and support the growth in travel demand predicted for the second quarter of 2004.



---

## Germany

In the second quarter of 2004, *BO Monitor* participants anticipate that overall travel from Germany will increase 7.5 cent compared with the previous year. Group bookings are expected to continue leading the growth in leisure travel (up 8.0%) followed closely behind by FIT bookings (up 7.0%).

The German Association of Travel Agents has reported that Germany's travel industry is optimistic about a recovery in 2004, despite the fact that package prices for advance bookings continue to drop in order to counteract the growing trend of last-minute bookings. Germany's two largest travel agencies have reported that bookings for the upcoming summer season are well ahead of last year's figures at this time. Fortunately, direct air capacity from Germany is expected to increase 9.6% during the second quarter of 2004 and should help facilitate the expected growth in travel.

## Italy

Fortunately, the pace of growth of travel from Italy is expected to continue building through the second quarter of 2004. *BO Monitor* participants anticipate that travel to Canada from Italy will grow by 10% in the second quarter of 2004, compared with 2003. However, after plummeting over 40% in the same quarter of 2003, the expected gains represent only a partial recovery of the Italian travel market. Massive cuts (-45.5%) in direct air capacity by Air Canada may present an added constraint to travel growth.

## Netherlands

*BO Monitor* participants anticipate that overall travel from the Netherlands will climb 8.5% during the second quarter of 2004, building on the 4.2% growth in actual visits posted the previous year. Fortunately, after a period of declining levels, direct air capacity from the Netherlands is expected to increase 6.7% during this period.

However, reports from the Netherlands indicate that lower consumer confidence levels are perpetuating a wait-and-see attitude among Dutch travellers. Another contributing factor is the increasing popularity of discounted on-line travel bookings—this, in turn, is shifting consumer preferences towards independent, rather than group travel. With consumer confidence not expected to strengthen until 2005, it is likely that these trends will continue throughout this year.

## Asia/Pacific

### Japan

According to *BO Monitor* participants, overall travel from Japan in the second quarter of 2004 is expected to grow 25% compared with a year earlier. Group leisure travel is expected to continue driving the surge in growth, rising 30% during this period. Meanwhile independent (FIT) travel is expected to post growth of 25%. As in previous quarters, the outlook for business travel is still not quite as optimistic; it is expected to rise 12%.

Japanese tour operators surveyed by the CTC remain somewhat more cautious about travel from Japan to Canada during this period—unfortunately, they have found that the less favourable exchange rate, as well as a substantial reduction in direct air capacity (down 21% in the second quarter, according to OAG) are continuing to hamper growth potential. Fortunately, a solid recovery in Japan's outbound market is expected this year, which should help provide additional momentum for an increase in travel to Canada.

---

## **Taiwan**

*BO Monitor* participants expect overall travel from Taiwan to Canada will increase 14% in the second quarter of 2004, maintaining that market's slow but steady pace of recovery since visits from Taiwan all but disappeared during the SARS outbreak. The CTC's foreign office in Taiwan reported that prospects for the country's economy continue to improve, which is boosting consumer confidence with respect to planning travel for 2004. However, Taiwanese travellers are still quite sensitive to international events, and the burgeoning recovery in outbound travel remains fragile—two of the main reasons for its fragility are the persistent consequences of the Taiwanese SARS outbreak and the political uncertainty surrounding the presidential election in March 2004.

## **South Korea**

*BO Monitor* participants anticipate that overall leisure travel from South Korea will grow 12% during the second quarter of 2004. CTC's foreign office in Korea reported a steady increase in overseas travel demand through the winter holiday season, including Canadian destinations. Overseas travel expenditures are on the rise as well; Korean travellers have increased their travel spending on international trips by an average of 6% since 2001. Brisk expansions in Korea's economy and per capita income forecast for this year should help support continued growth in overseas travel expenditures.

## **Hong Kong**

According to *BO Monitor* participants, leisure travel from Hong Kong to Canada is expected to grow by 17% during the second quarter of 2004, compared with 2003. Fortunately, it appears that this market is steadily gaining ground after plummeting dramatically in 2003. However, growth expectations for FIT travel (up 24%) are significantly more optimistic than for group travel (up 8%). The CTC's foreign office in Hong Kong reported that outbound travel volume climbed steadily upwards through the final quarter of 2003, reaching levels only slightly below those seen 2002. Business and consumer confidence appeared to be rebounding faster than anticipated, driven by the successful post-SARS recovery of Hong Kong's local tourism industry.

## **China**

*BO Monitor* participants anticipate overall travel from China to grow by 17% during the second quarter of 2004. group travel (19.0%) will continue to outperform independent (FIT) travel (16.0%), although both segments continue to post a healthy growth. Supporting these growth expectations are recent reports by Chinese airlines suggesting that the demand for air travel, both domestic and international, continues to expand by leaps and bounds. In addition, the Chinese economy continues to exceed all expectations with economists predicting that 2004 will see the largest growth in consumer consumption witnessed in 8 years.

## **Australia**

According to *BO Monitor* participants, leisure travel from Australia to Canada is expected to maintain a steady pace of growth in the second quarter of 2004, rising 6.5% compared with the previous year. These gains would push the growth of Australian travel to Canada well above 2002 and 2003 levels for this period. Overall, the Australian outbound market is forecast to improve substantially this year, boosted in part by a strengthening Australian dollar. According to the CTC's foreign office in Australia, by the fourth quarter of 2003, tour operators were already reporting an increase of international bookings for 2004, mainly because of improving exchange rates.

---

## New Zealand

According to *BO Monitor* participants, leisure travel from New Zealand is predicted to increase 6.5% during the second quarter of 2004, ramping up its pace of steady growth. The FIT segment (up 7.5%) is expected to do slightly better than group travel (up 6%). Recent reports by travel agents in New Zealand already point to an earlier-than-usual travel demand for Canadian destinations for the summer 2004 season. The continuing appreciation of the New Zealand dollar should help sustain the momentum gaining strength in this market.

## International Travel Statistics – Statistics Canada

### Overnight Travel to Canada, January-November 2003

COUNTRY	PERSON-TRIPS	CHANGE OVER 2002(%)
United States	13,290,872	-12.8
Mexico	131,289	-12.0
Europe	1,696,982	-10.4
United Kingdom	657,150	-5.6
France	258,865	-12.4
Germany	248,916	-11.9
Netherlands	99,281	-2.6
Italy	53,249	-41.9
Asia	823,359	-27.6
Japan	243,544	-41.2
South Korea	128,731	-9.0
Taiwan	64,319	-35.9
Hong Kong	82,829	-25.4
China (Mainland)	69,894	-22.0
Oceania	166,486	-3.2
Australia	137,501	-2.5

*Source: International Travel, Statistics Canada.*

---

## Introduction

The purpose of this report is to provide a short-term outlook for domestic & international travel to Canada for the second quarter of 2004 (April 2004 to June 2004) 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 presented within this report 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 the *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 (CTC) foreign posts. In order to provide more assistance to the *BO*, many of the quarterly reports have been enhanced with results from a trade questionnaire. The trade questionnaire is administered by the CTC foreign posts and obtains advance bookings and market intelligence from key foreign tour operators in each country.

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 CTRI.



---

## Economic Overview

### World Outlook

The global economy is expected to grow by 3.6% in 2004, according to Consensus Economics. This is considerably better than the 2.5% increase in growth expected for 2003. North America, principally through the United States, is expected to lead global economic growth in 2004, increasing by 4.5%. Strong growth in the U.S. economy is expected to help spur the Latin American economies 4.9% higher in 2004—the strongest they have been in years. Meanwhile, China continues to be the engine of growth in the Asia Pacific. With the Japanese economy seemingly no longer a drag on growth, it is expected that the Asia Pacific economy will increase by 3.7% in 2004. Unfortunately, Europe remains the global growth laggard. The economies of Western Europe are expected to grow by an average of 2.1% in 2004, better than 2003, but still relatively weak.

The global upswing in 2004 is being driven by a cyclical upturn in high technology investment. It has been over five years since the global investment in machinery and equipment has been this strong. The lead-up to the year 2000 drove an investment boom in 1999 that has since cooled-off. Low interest rates around the world as well as some of the best stock market capitalization are leading to a new robot revolution where firms are investing in capital equipment and computers. Unfortunately, the boom in investment spending is taking some of the wind out of an employment boom in the industrialized and industrializing world. Combined with record high consumer debt levels, the substitution of capital for labour is expected to restrain global consumption growth in 2004.

### North America

The U.S. is expected to be the engine of economic growth in North America in 2004 and 2005. American economic growth is being driven, in large part, by low interest rates, tax cuts, military spending and a surge in investment spending. Unfortunately the “jobless” recovery is expected to continue as firms continue to substitute capital for labour. This may undermine consumer spending, which is already under pressure from record high debt levels.

Meanwhile, the appreciation of the Canadian dollar is forcing Canadian exporting firms to become more productive. The pressure for productivity gains is also leading to capital equipment investments in Canada which may displace labour and keep consumption growth contained. Mexico is already benefiting from the growth in the U.S. economy and the appreciation of the Canadian dollar as U.S. companies, like GM, step up production efforts there which at one time would have been destined for Canada. The good news is that Mexican consumption should continue to build steam this year and into 2005.

### South America

The outlook for the South American economy has improved considerably in 2004 with commodity prices increases. Countries like Chile, Peru, and Columbia are already reaping the benefits. In Brazil, greater political stability is translating into more stable economic growth. Argentina is also benefiting from a rise in commodity prices but its growth is expected to be capped, a consequence of being frozen out of international capital markets.

---

## Euroland

The economies of the Euroland should all improve in 2004, but the real consumer led recovery may only begin to tack hold in 2005. The relatively high value of the euro is and will continue to force firms to increase capital spending and reduce labour costs. In the short-term this will be painful for the Euroland consumer but down the road should benefit them as productivity increases to a level that more closely resembles American productivity. This year is getting off to a weak start as the European Commission survey showed consumer confidence in the Eurozone stagnated in January and French figures showed a further jump in unemployment.

At the moment exports are sustaining businesses, with increasing volumes compensating for declining price competitiveness. A risk remains that if the euro continues to appreciation Eurozone manufacturers will have to rely on anemic domestic growth.

## Asia-Pacific

The Asia-Pacific will continue to benefit from stellar 8% (or more) economic growth in China this year. Beyond the macro economy, Chinese purchasing power is erupting. A recent article in the Wall Street Journal estimates that urban incomes (alone) have risen an average of 9% a year during the past four years, boosting the spending power of some 400 million urban residents. Although the benefits of this surge in Chinese demand will benefit the entire region, South Korea, Hong Kong and Taiwan will enjoy more of a boost than the others. Overall, economic growth in the Asia-Pacific region is expected to expand by 3.7% in 2004.

Outside of China, the Japanese economy is coming off some of its strongest growth in a decade. Unfortunately, the recovery going on in Japan is being led by the business sector, through greater investment spending. Consumer debt levels are a concern in Japan and will weigh on consumption growth for some time. Further south, the economies of Australia and New Zealand are in excellent economic shape and are poised to accelerate by 3.2 and 3.3% respectively in 2004. The one key constraint on these two economies is the steep appreciation of their currencies which is weighing on the performance of their export sectors.

## Exchange Rates

**Exchange Rate Comparison – January 2003 to January 2004**  
per cent change in exchange rates between select countries:

	CANADIAN DOLLAR	U.S. DOLLAR	BRITISH POUND	EURO	JAPANESE YEN	TAIWANESE DOLLAR	AUSTRALIAN DOLLAR
Canadian dollar	--	19.1%	5.6%	0.1%	6.6%	16.1%	-10.0%
U.S. dollar	-16.0%	--	-11.3%	-15.9%	-10.5%	-2.5%	-24.4%
British pound	-5.3%	12.8%	--	-5.2%	1.0%	9.9%	-14.7%
Euro	-0.1%	18.9%	5.4%	--	6.5%	15.9%	-10.1%
Japanese yen	-6.2%	11.7%	-1.0%	-6.1%	--	8.9%	-15.5%
Taiwanese dollar	-13.8%	2.6%	-9.0%	-13.7%	-8.2%	--	-22.4%
Australian dollar	11.1%	32.2%	17.3%	11.2%	18.4%	28.9%	--

Source: *The Pacific Exchange Rate Service*

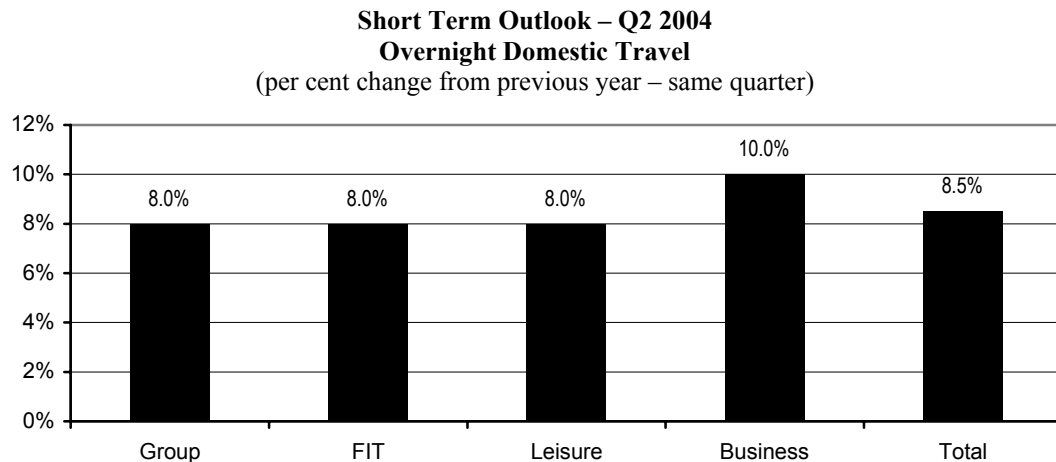
---

## Domestic (Canada) Travel Outlook, Q2 2004

### Economic Overview

The Canadian economy will be limited to a growth of three% in 2004, as the elevated dollar prevents Canada from fully capitalizing on the robust U.S. recovery. Fortunately, from an economic growth perspective, The Conference Board of Canada expects that the Canadian dollar will slowly depreciate from its current level over the next two years. In the meantime, consumption is still expected to provide the strongest motivation to the economy in the near term. Tax cuts, strong employment growth and low interest rates are all expected to support consumer spending.

### Destination Supplier–Receptive Agent Monitor, Business Outlook



Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute.

The Business Outlook—as indicated by Canadian travel suppliers and receptive agent bookings—suggests an 8.5% growth in overall advance bookings for domestic travel for the second quarter of 2004, compared to the previous year.

According to *BO Monitor* participants, business travel is leading growth expectations, up 10%, followed by an 8% rise in leisure travel. Group and independent (FIT) segments are expected to perform equally well, up 8% in each segment, as well.

Survey participants noted that growth in the second quarter will likely be substantial, particularly in the corporate travel segment, compared with the dismal performance of the second quarter of 2003, when the impact of the war in Iraq and SARS outbreak sent bookings into a nose dive. However, short booking patterns are still a dominant trend, making it difficult to predict the extent of the bookings rebound, even in the group segment.

When looking at growth expectations for domestic travel by provincial region, *BO Monitor* participants anticipate that Ontario/Quebec region will experience the strongest growth at 10%, followed by Alberta/B.C. at 7.5%. Domestic travel to Atlantic Canada is expected to increase 7%, while Manitoba/Saskatchewan rises 5%.



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

Declining for the first time since September, the consumer confidence index fell by 2.9 index points in December, to 120.4, with levels dropping in all categories. However, consumer sentiment about making big-ticket purchases remained at much the same level in December as in the previous month. When asked whether the present was a good time to make a major outlay for a car or a home, 58.1% of respondents felt that it was a good time, virtually the same as the 58.3% that indicated likewise in November. The relatively high-level of willingness to spend is likely to continue to fuel Canadian economic growth. In addition, after hitting a low of 115.3 in March 2003, the index has been trending higher.

**Consumer Confidence (1991=100 Index)**

	2003:09	2003:10	2003:11	2003:12
Consumer Confidence Index	121.8	122.8	123.3	120.4

Source: The Conference Board of Canada.

The results from the Conference Board's latest *Travel Intentions Survey* bode well for a solid summer. The survey found that 72.8% of Canadians—the highest number in three years—plan on taking a summer vacation this year. These summer intentions are clearly a sign of pent-up travel demand. In addition, the likelihood of these intentions to hold (i.e. turn into actual trips) are high, due to the momentum of solid economic growth, and a recent interest rate cut. The Bank of Canada's interest rate cut will support spending and ease any pressure due to the record-high Canadian consumer debt.

**Table 1 - Summer (May-September) Vacation Intentions  
(per cent of Canadians surveyed)**

	DECEMBER 2003	DECEMBER 2002	DECEMBER 2001
Summer Vacation Intentions (All Destinations)	72.8	62.4	63.2
Canada	48.0	45.7	48.1
US	10.1	6.7	7.0
Other International	12.5	8.6	6.9
Do Not Know/Refused	2.2	1.4	1.2

Source: The Conference Board of Canada.

The good news is that even more Canadians are planning domestic trips compared to last year. However, compared to the last two years there are also more Canadians expecting to travel outside of the country this summer. The dramatic increase in Canadians intentions to travel abroad may have less to do with the appreciating Canadian dollar than it does with a release of pent-up demand following extraordinary global events (terrorism, war, disease) that hampered travel out of the country. Still, when asked to rank the extent to which the US/Canada exchange rate influenced their decision to travel, for those planning to vacation in Canada or the U.S., 15% said that it was a major influence on their decision. These 15% indicated that on a scale of 1-10, the exchange rate ranked eight or above in terms of significantly influencing their travel decision.

---

## Summary Outlook for Q2 2004

According to *BO Monitor* participants, domestic travel is expected to post 8.5% growth in the second quarter of 2004. Domestic business travel is leading growth expectations for this quarter (up 10%) followed by an 8% rise in leisure travel. Group and independent (FIT) travel segments are expected to perform equally well (both up 8%). Survey participants noted that growth in the second quarter will likely be substantial, particularly in the corporate travel segment, compared with the dismal performance of the second quarter of 2003, when the impact of the war in Iraq and SARS outbreak sent bookings into a nose dive. However, short booking patterns are still a dominant trend, making it difficult to predict the extent of the bookings rebound, even within the group segment.

Results of the latest Summer 2004 *Travel Intentions Survey* by the Canadian Tourism Research Institute (CTRI) support the domestic travel growth forecasted by *BO Monitor* participants. The survey found that 72.8% of Canadians—the highest number in three years—plan on taking a summer vacation this year. These travel intentions are a clear sign of pent-up travel demand, and the current momentum of economic growth increase the likelihood that these travel intentions will materialize into actual trips.



---

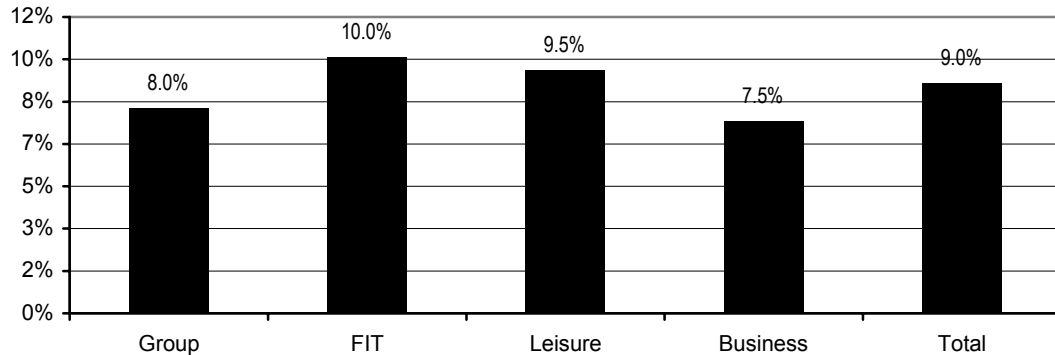
## U.S. Travel Outlook, Q2 2004

### Economic Overview

After three relatively lean years of economic growth, the U.S. economy is expected to post strong real GDP growth of 4.2% in 2004. The resilient U.S. consumer will remain the key factor in determining the success of the current expansion. Households have an abundant supply of cash to spend as a result of generous tax cuts and a willingness to borrow against their homes. A rebound in job growth combined with ongoing tax cuts will result in real disposable income growth of close to 3% in 2004. This growth will leave households with extra discretionary income to spend on goods and services.

### Destination Supplier–Receptive Agent Monitor, Business Outlook

**Short Term Outlook – Q2 2004**  
**Overnight Person-Trips from the U.S. to Canada**  
(per cent change from previous year – same quarter)



Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute.

Fortunately, U.S. travel to Canada in the second quarter of 2004—as indicated by *BO Monitor* participants—is finally showing signs of a turnaround. Overall travel from the U.S. is expected to grow 9%, compared with the same quarter of 2003, led by a 9.5% increase in leisure travel. Independent (FIT) travel is expected to post the highest growth, up 10%, and group travel should follow closely behind, at 8%. Business travel is projected to rise 7.5%, lagging slightly behind the leisure segment.

*BO Monitor* participants anticipate that, of all the provincial regions, Ontario/Quebec will see the largest increase in U.S. travel bookings in the second quarter of 2004, climbing 11.5% over the previous year. Travel to Alberta/British Columbia and Atlantic Canada is expected to grow 7% in each of those two regions, while Manitoba/Saskatchewan sees a rise of 5%.

*BO Monitor* participants indicated that the lingering effects of the SARS outbreak are continuing to influence travel from the U.S., even into the second quarter of 2004. Toronto, in particular, is still suffering from the lack of forward bookings which would have been made in 2003 for 2004, had SARS not been a factor. Generally speaking, the SARS outbreak appears to have left a negative impression of Canada with some American travellers, and for these reasons, the outlook for the U.S. market has been mixed—some survey participants are reporting signs of a rebound, and others are feeling more reserved about how quickly this market will recover.

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

The Conference Board's Consumer Confidence Index, which had dipped last month, rose briskly in January. The index has been trending higher since September. "Consumer confidence is now at its highest level since July 2002, when the Index registered 97.4," says Lynn Franco, Director of The Conference Board's Consumer Research Center. "Growing optimism about the overall health of the economy continues to bolster consumers' short-term outlook. But consumers' assessment of current conditions, which strongly hinges on improvements in the labor market, remains both weak and volatile." Consumers continue to grow more optimistic—those expecting business conditions to improve over the next six months rose to 27.8 percent from 26.7 percent.

### Consumer Confidence (1985=100 Index)

	OCTOBER 2003	NOVEMBER 2003	DECEMBER (R) 2003	JANUARY (P) 2003
Consumer Confidence Index	81.7	92.5	91.7	96.8
Present Situation	67.0	81.0	74.3	80.0
Expectations	91.5	100.1	103.3	108.1

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

An increase in Canadians travelling to the U.S. may be partially offset by more Americans coming to Canada this summer. The latest travel intentions survey by The Conference Board Inc. found that 2.1% of vacationing Americans plan to travel to Canada in the next six months. This is up from the October 2003 survey, when 1.4% intended to travel to Canada. The majority of these trips is expected to come from U.S. residents in near-border states who view Canada as "an inexpensive 'domestic' type destination that is accessible by automobile."

Supporting these findings, the Conference Board Inc.'s December 2003 Consumer Confidence survey found that overall U.S. vacations intentions are the highest they have been in over twelve months. The survey also reports that trips to foreign countries are the highest they have been in a year.

### Vacation Intentions (Seasonally adjusted) (%)

	JUN 2003	AUG 2003	OCT 2003	DEC 2003 (R)
Vacation Intended	41.8	43.4	46.3	48.2
U.S.	36.2	36.3	38.3	40.0
Foreign	7.2	8.6	8.9	9.3

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 made with respect to air access.

---

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

	2003 (DIRECT)	2004 EST. (DIRECT)
Non-stop seats available	3,748,570	3,751,718
Per cent change	N/A	0.1%

Source: OAG Worldwide

The number of seats available (as of January 2004) for direct U.S. to Canada air travel during the second quarter of 2004 is virtually on par with the same period in 2003 (up 0.1%). Considering the growth in travel expected during this period compared with the previous year, air capacity may act as a constraint to U.S. travel to Canada in the second quarter of 2004. According to OAG, Air Canada's share of direct air capacity during the second quarter of 2004 is expected to be 41%, down marginally from the 41.6% share reported during the second quarter of 2003.

### Summary Outlook for Q2 2004

Fortunately, *BO Monitor* participants anticipate that overall U.S. travel to Canada in the second quarter of 2004 will expand 9% compared to last year. This is positive news, considering that this market has been lagging behind others in showing signs of a recovery. Independent (FIT) travel is expected to post the strongest growth, up 10%, while group travel follows closely behind at 8%, resulting in overall leisure travel gains of 9.5%. Business travel is projected to grow 7.5%, lagging slightly behind the leisure segment.

*BO Monitor* participants indicated that the lingering effects of the SARS outbreak are continuing to influence travel from the U.S., even into the second quarter of 2004. Toronto, in particular, is still suffering from the lack of forward bookings which would have been made in 2003 for 2004, had SARS not been a factor. Generally speaking, the SARS outbreak appears to have left a negative impression of Canada with some American travellers, and for these reasons, the outlook for the U.S. market has been mixed. Some survey participants are reporting signs of a rebound, while others are feeling more reserved about how quickly this market will recover.

On a positive note, The Conference Board Inc.'s latest travel intentions survey indicates that more Americans are planning to travel to Canada between now and June. Of the Americans polled, 2.1% who plan to take a vacation in the next six months intend to choose a Canadian destination, up from 1.4% in October 2003.



---

# Mexico Travel Outlook, Q2 2004

## Economic Overview

According to JP Morgan, the combination of a weak peso, excess capacity and a booming U.S. economy should keep the Mexican economy expanding at a 4% annual rate of growth through the first half of 2004. Overall, Consensus Forecasts expects the Mexican economy will expand by 3.5% in 2004. In addition, optimism for the new year is high, with the Mexican stock market already hitting a record high in early 2004.

## Tourism Trends

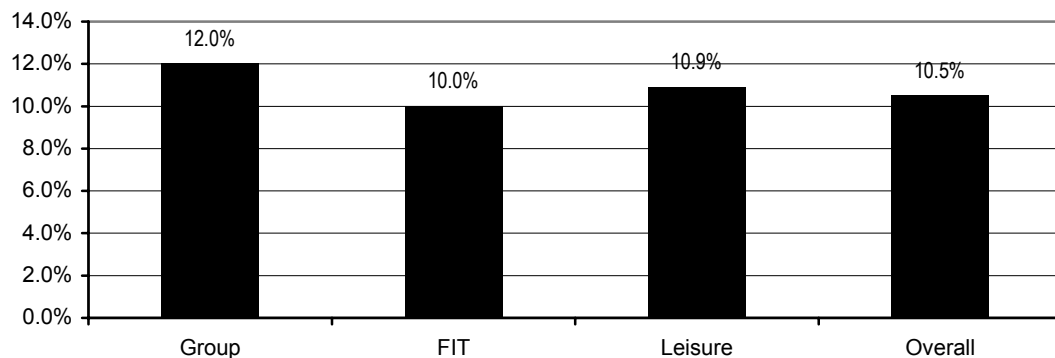
The Canadian Tourism Commission (CTC) foreign office in Mexico reported that any lingering effects of the SARS outbreak on Mexican travel to Canada had disappeared by the fourth quarter of 2003. Travel demand to Canada picked up considerably during this period, and Air Canada increased its flight frequency to Toronto to accommodate the growing demand. Advertisements promoting winter vacation activities in Canada have also received more exposure.

The CTC also reported that visa regulations are continuing to deter Mexicans from travelling to the U.S. It is expected that Mexican visits to the U.S. will decline significantly in 2004 due to the higher costs involved in obtaining an American visa.

A recent Reuters news article reported that many Mexican politicians, church officials, and consumer groups are speaking out against the high presence of U.S. Transportation Security Administration agents at Mexican airports. These agents are supervising extensive airline security checks on Mexican passengers and their hand luggage. Many Mexicans are concerned that the U.S. is infringing on Mexico's sovereignty by imposing American anti-terrorism measures in Mexican national territory. The U.S. also cancelled two Aeromexico flights from Mexico City to Los Angeles at the end of December due to security concerns, although the reasons behind the security concerns were never revealed.

## Destination Supplier–Receptive Agent Monitor, Business Outlook

**Short Term Outlook – Q2 2004**  
**Overnight Person-Trips from Mexico to Canada**  
(per cent change from previous year – same quarter)



*Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute*



---

According to *BO Monitor* participants, travel from Mexico in the second quarter of 2004 is expected to rise 10.5%, compared with the previous year. Group travel is expected to record the strongest growth, up 12%, while Independent (FIT) leisure travel increases 10%. Overall, leisure travel is expected to increase 10.9%.

## Mexico-to-Canada Air Capacity, OAG Worldwide

Direct air capacity from Mexico is expected to climb 10.3% during the second quarter of 2004, compared with the same period in 2003, mainly due to an increase in Air Canada's capacity on these routes. Considering this, it does not appear that air capacity will represent an impediment for Mexican travel to Canada during the second quarter of 2004. According to OAG, Air Canada's share of direct air capacity during this period is expected to be 46.3%—up from 38.4% the previous year.

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

	2003 (DIRECT)	2004 EST. (DIRECT)
Non-stop seats available	64,976	71,668
Per cent change	N/A	10.3

Source: OAG Worldwide.

## Summary Outlook for Q2 2004

Overall, *BO Monitor* participants expect leisure travel from Mexico to increase 10.9% during the second quarter of 2004, compared with the same quarter of 2003. In a change from recent trends, group travel is expected to outpace FIT travel, increasing by 12% and 10%, respectively. A similar increase in direct air capacity from Mexico (10.3%) expected for the second quarter should ensure that air capacity does not impede this expected surge in demand.

Reports from Mexico indicate that Mexican travel to Canada has picked up considerably in recent months. Strong growth expectations for the Mexican economy should help support the increasingly positive outlook for this travel market.

---

## Brazil Travel Outlook, Q2 2004

### Economic Overview

Fortunately, the economic recession in Brazil has officially ended. In fact, looking ahead for 2004, the forecast for Brazil's economy continues to be revised higher. Consensus Forecasts now expects the economy to expand by 3.3% in 2004—the strongest it has been in two years. The Bovespa index also hit a record high early in 2004 as confidence in the global economic recovery lifted the market higher. Real growth is tenuous, though, as the government continues to fight inflation. In 2004, real consumption spending is expected to grow for the first time in two years, but should improve further in 2005.

### Tourism Trends

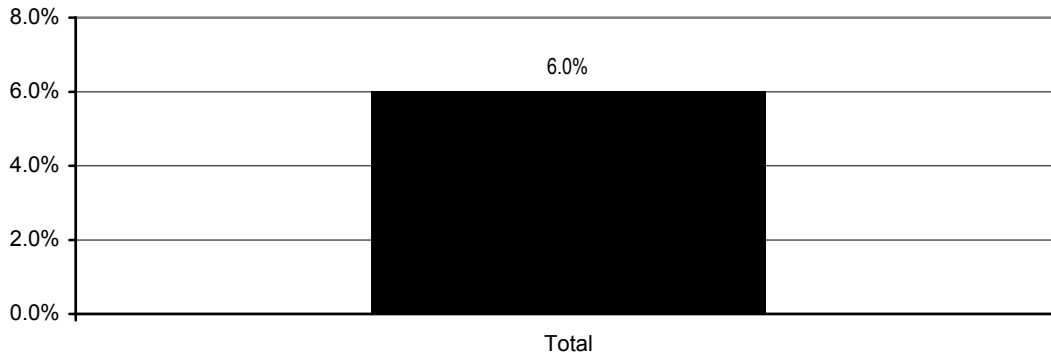
Brazilian airline Varig reported its first quarterly operating profit since 1995 in November 2003, for the period ending September 30, 2003. The carrier attributed its positive financial results to restructuring efforts, a more stable currency, and an increase in passenger traffic. The airline also reported that price increases on its international routes helped boost revenues by 7% for the first nine months of 2003, compared with the previous year.

Varig's financial results may bring the airline a step closer to finalizing its merger with Tam, Brazil's other leading airline. According to Reuters news service, the two airlines have been negotiating a merger since February 2003, but have delayed going ahead until both airlines could improve their respective finances. Both airlines suffered huge losses in 2002 when Brazil's weak economy caused a huge decline in travel demand, and a severe depreciation of the Brazilian currency multiplied airline costs. However, both airlines have improved their financial situations since then. Brazil's anti-trust agency has set a February 10, 2004 deadline for the merger decision.

In early January, the U.S. began fingerprinting and photographing any visitors from countries that require a visa for entry, including Brazil. In retaliation, a Brazilian judge ruled that U.S. visitors to Brazil would be subject to the same security process, causing massive delays for U.S. tourists entering Brazil. A federal judge overturned this decision two weeks later, concerned that this practice would hurt the economy by impacting tourism. However, according to Reuters news service, the Brazilian government remains critical of the U.S. anti-terrorism measures, describing Brazilian citizens as "tired of heavy-handed U.S. policies."

## Destination Supplier–Receptive Agent Monitor, Business Outlook

### Short Term Outlook – Q2 2004 Overnight Person-Trips from Brazil to Canada (per cent change from previous year – same quarter)



Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall travel from Brazil in the second quarter of 2004—as indicated by *BO Monitor* participants—suggests a 6% rebound in growth 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

According to OAG data, direct air capacity between Brazil and Canada is expected to expand by 26.2% in the second quarter of 2004, compared to the same period in 2003. This substantial increase in air capacity should help facilitate travel between the two countries. Air Canada accounts for 100% of the direct air capacity during this period.

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

	2003 (DIRECT)	2004 EST. (DIRECT)
Non-stop seats available	13,780	17,384
Per cent change	N/A	26.2

Source: OAG Worldwide.

## Summary Outlook for Q2 2004

*BO Monitor* participants anticipate a 6% surge in travel from Brazil to Canada during the second quarter of 2004, building on the slow-but-steady growth trend this market has experienced over the previous several quarters. A substantial expansion (26.2%) of direct air capacity from Brazil during this period should help accommodate the expected increase in travel demand. In line with this optimistic outlook are reports that Brazil's economic prospects are the strongest they have been in two years. Consumer spending is forecast to rise this year, as well, gaining momentum for further growth in 2005.

---

## **U.K. Travel Outlook, Q2 2004**

### **Economic Overview**

The U.K. economy is expected to expand by a solid 2.7% in 2004. Robust consumption and stronger trade with the U.S. underlie the strength of the U.K. economy compared to many others in the continent. A recent BDO Stoy Hayward survey found that business output and optimism in the UK are at the highest levels since May 2000. In addition, the headline index of consumer confidence in January of this year was the highest it has been since November 2002.

### **Tourism Trends**

According to market research firm AC Nielsen, travel agents in the U.K. have reported that overall winter bookings are ahead of last year's levels, although the current geo-political situation still has somewhat of an impact on travel demand. Winter bookings are up even compared to 2002, with the ski market and long-haul market performing particularly well.

Meanwhile, Summer 2004 bookings are down approximately 30% because of later booking patterns and the absence of discounted offers. AC Nielsen noted that prices for next summer's products could potentially increase if tour operators "hold their nerve" and refrain from attempting to stimulate demand by cutting prices too early.

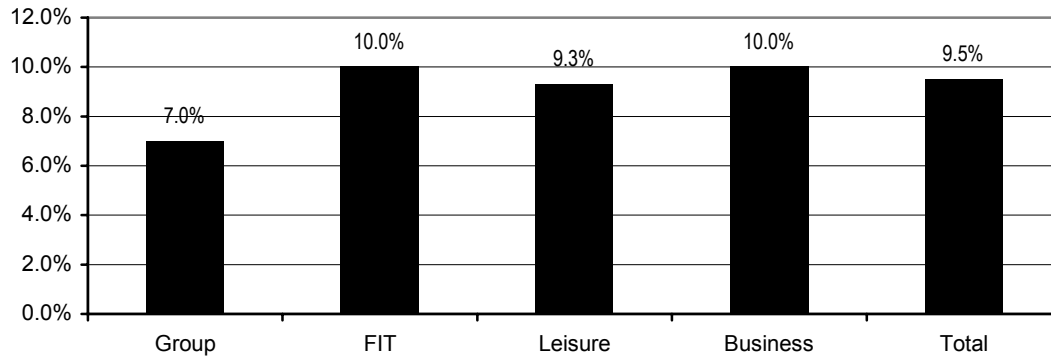
Leisure travel company First Choice reported that as of December 2003, summer 2004 bookings were 20% behind what they were at the same time last year. However, they were unconcerned about the lag considering the industry shift to later booking patterns.

The Canadian Tourism Commission's (CTC) foreign office in the U.K. reported that U.K. consumers are moving away from all-inclusive vacation packages. Instead, they are increasingly arranging travel themselves over the internet, favouring low-cost internet deals and airfares. Recent data showed that internet bookings in the U.K. were up by 80% in 2003, compared with the previous year.

According to the Australian Tourist Commission's (ATC) latest market report for the U.K., the Association of British Travel Agents (ABTA) reported that the number of cancellations for U.S. destinations resulting from the heightened terror alert in December 2003 were "negligible." The ABTA stated that "British people have been accustomed to high levels of security awareness for a long time and the evidence is that it does not stop them from travelling."

## Destination Supplier–Receptive Agent Monitor, Business Outlook

### Short Term Outlook – Q2 2004 Overnight Person-Trips from the U.K. to Canada (per cent change from previous year – same quarter)



Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute

Building on a trend of higher travel demand seen in the previous survey, the outlook for overall travel from the U.K.—as indicated by *BO Monitor* participants—is for a growth of 9.5% in the second quarter of 2004 compared with the previous year. Business travel is expected to do slightly better than the overall average, up 10% compared with the same quarter of 2003. Leisure travel is expected to increase 9.3%, driven by 10% growth in independent (FIT) bookings. Meanwhile, group travel is predicted to climb 7%.

U.K. travel to Ontario/Quebec is expected to surge by 15% in the second quarter of 2004, while travel to Alberta/B.C. grows 9% (note: these were the only regions of Canada where responses could ensure confidentiality).

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

The number of direct seats available (as of January 2004) for travel from the U.K. to Canada during the second quarter of 2004 is expected to climb 5.4% compared with the same period a year earlier. Fortunately, air capacity should not represent a constraint for travel from the U.K. to Canada in the second quarter of 2004. According to OAG, Air Canada’s share of direct air capacity during this period is expected to be 56.9%, up from 52.0% the previous year.

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

	2003 (DIRECT)	2004 EST. (DIRECT)
Non-stop seats available	465,543	490,459
Per cent change	N/A	5.4

Source: OAG Worldwide

---

## Summary Outlook for Q2 2004

According to *BO Monitor* participants, overall travel from the U.K. is expected to increase 9.5% in the second quarter of 2004, compared with the previous year. Business travel is projected to jump 10%, while leisure travel rises 9.3%, driven by a 10% increase in independent (FIT) travel. Group travel is expected to lag slightly behind, up 7% compared with the same quarter of 2003.

Travel suppliers in the U.K. reported that current winter bookings are ahead of last year's levels, with the ski market and long-haul markets performing particularly well. Meanwhile, U.K. consumers appear to be increasingly resistant to booking their vacations too far in advance—forward bookings for the upcoming summer season are considerably behind last year's figures at this time, largely because of growing last-minute booking trends, and the absence of price discounts. Fuelling these trends is the rapid growth of on-line travel bookings, which is causing a shift in U.K. travel preferences. More consumers are moving away from all-inclusive vacation packages, which are typically booked further in advance, choosing instead to arrange travel themselves over the internet, where they can search for the lowest prices.



---

# France Travel Outlook, Q2 2004

## Economic Overview

Coming just one week after Insee data showed that business sentiment strengthened noticeably in December, recent jobless numbers suggest that the economic recovery in France is gathering pace. While the French government is still targeting real economic growth of 1.7% for 2004, some private economists are already predicting stronger growth. Supporting this economic growth is the November reading of the Conference Board Inc.'s leading index: seven of ten indicators are rising and the index has been on an upward trend. The Conference Board Inc. reports that this is similar to what occurred in late 2001, which was followed by stronger growth in real GDP in the first half of 2002.

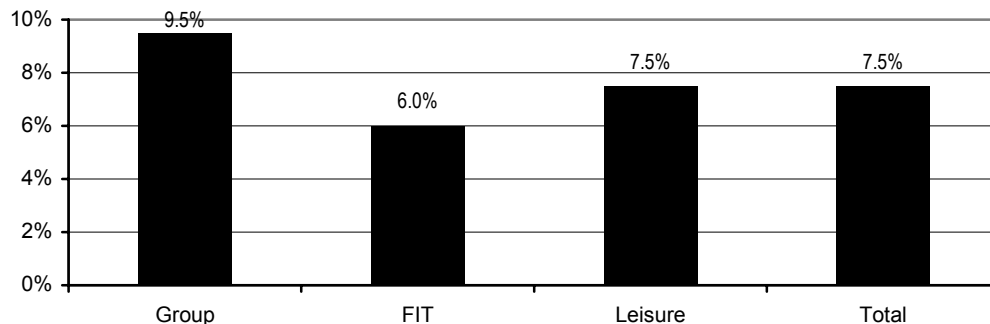
## Travel Trends

The Canadian Tourism Commission's (CTC) foreign office in France reported that travel agents were satisfied with the pace of bookings in the fourth quarter of 2003, and remained cautiously optimistic in their business outlook. The CTC noted that e-commerce in France was experiencing explosive growth, with 36% of internet users indicating they purchased products on-line.

According to the Australian Tourist Commission's (ATC) latest market report for France, a survey conducted by BVA in November revealed that 51% of those polled intended to take a trip for more than one night between December 2003 and April 2004. This represents a marked increase from the previous year, when only 47% of respondents planned to take a trip during this period.

## Destination Supplier–Receptive Agent Monitor, Business Outlook

**Short Term Outlook – Q2 2004**  
**Overnight Person-Trips from France to Canada**  
(per cent change from previous year – same quarter)



*Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute*

The outlook for overall travel from France in the second quarter of 2004—as indicated by *BO Monitor* participants—is for an increase of 7.5%, compared with the same period last year. Group bookings are expected to continue leading the growth in leisure travel, up 9.5%, while independent (FIT) travel is expected to rise 6%.



---

## France-to-Canada Air Capacity, OAG Worldwide

Direct air capacity from France to Canada is expected to jump 8.5% during the second quarter of 2004, which should ensure that air capacity does not represent a constraint for travel between the two countries. According to OAG, Air Canada's share of direct air capacity during the second quarter of 2004 is expected to be 27.4%, down from 29.6% the previous year.

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

	2003 (DIRECT)	2004 EST. (DIRECT)
Non-stop seats available	172,621	187,265
Per cent change	N/A	8.5

Source: OAG Worldwide

## Summary Outlook for Q2 2004

*BO Monitor* participants anticipate that travel from France will grow 7.5% during the second quarter of 2004. Overall leisure travel is expected to increase 7.5% compared with a year earlier, led by a 9.5% rise in group travel. The pace of growth in the independent (FIT) segment is expected to be somewhat slower, increasing 6% in the second quarter. The 8.5% increase in direct air capacity from France expected for this period should help facilitate the anticipated growth in travel.

Meanwhile, French travel agents have reported that they are cautiously optimistic in their business outlook, after experiencing a steady growth in travel demand through the fall and winter season. Strengthening this sentiment is the increasingly optimistic economic outlook for 2004, which gained momentum late in 2003. This should help encourage consumer confidence in France and support the growth in travel demand predicted for the second quarter of 2004.

---

# Germany Travel Outlook, Q2 2004

## Economic Overview

In 2003, the German economy contracted for the first time in a decade. However, an expected 8.9 billion euro income tax cut will help boost an economic recovery in Germany in 2004. Overall, real GDP is expected to expand 1.7%—the strongest it has been in over two years. Supporting this growth, the Reuters/NTC purchasing managers' index rose from 53.0 in December 2003—its highest level since January 2001. However there are increasing warnings over the appreciation of the euro. A recent Wall Street Journal article reported that Ditmar Staffelt, an official in the German Economy Ministry, told reporters in Berlin this week that "an exchange rate over \$1.30 could be very difficult for the German economy as a whole." Officials in Italy and France have also warned about that level.

## Tourism Trends

The Canadian Tourism Commission's (CTC) foreign office in Germany reported that the country's travel industry was optimistic about a recovery in travel demand in 2004. The German Association of Travel Agencies predicted that overall sales in 2004 would increase 5%, despite the fact that package prices dropped an average of 8.5% in order to entice more travellers to book earlier. The CTC also reported that the wildfires in British Columbia had caused a noticeable decline in travel enquiries to Canada, but that bookings and enquiries for Canadian destinations rose through the fourth quarter of 2003.

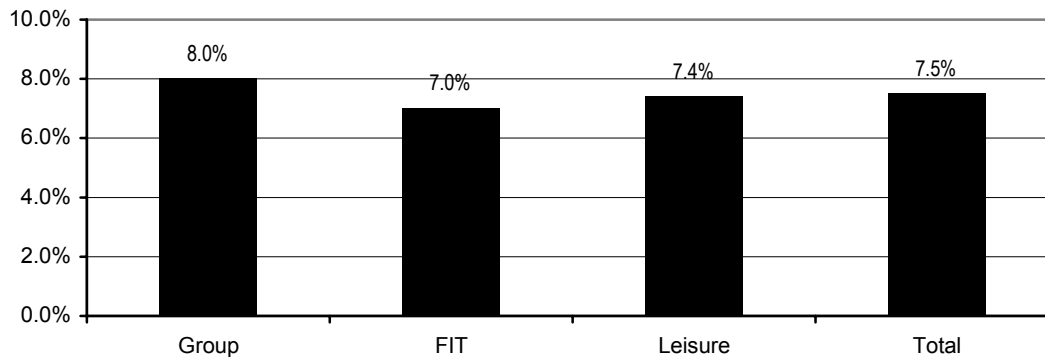
In December 2003, German-based TUI Group (Europe's largest travel firm) reported its winter season bookings were picking up across Europe, and were 6.7% ahead of the previous year. Sales in Germany were up 4.2%, boosted by a surge of late bookings. TUI noted Germany has been one of the slower markets to recover from the drop in travel that was precipitated by the war in Iraq, SARS and the weakened economy.

In January 2004, Thomas Cook, Europe's second largest travel firm reported that advance bookings for the summer 2004 season were up significantly over last year's figures at this time. Bookings with the company's mass market unit, Neckermann, were up 10%. Thomas Cook Reisen, which offers higher-end trips, reported that demand strengthened considerably in January and they anticipated their summer 2004 sales to be 8 to 9% above the previous year. However, the company noted that the recovery has been driven by heavy discounts and intense price pressure in the industry.

According to a recent Germany Market Report by the Australian Tourist Commission (ATC), key German tour operators have reduced prices for summer 2004 travel products by an average of 10% in order to counteract the growing trend of last-minute bookings. Prices for U.S. and Caribbean destinations are expected to drop by up to 40% due to the weaker U.S. dollar.

## Destination Supplier–Receptive Agent Monitor, Business Outlook

### Short Term Outlook – Q2 2004 Overnight Person-Trips from Germany to Canada (per cent change from previous year – same quarter)



Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute

According to *BO Monitor* participants, the outlook for overall travel from Germany in the second quarter of 2004 is expected to increase 7.5%, compared with the same quarter of 2003. German group travel is expected to lead this increase, up 8%, followed by FIT (7.0%).

## Germany-to-Canada Air Capacity, OAG Worldwide

According to the latest data from OAG, direct air capacity from Germany is expected to rise by 9.6% during the second quarter of 2004, compared to the previous year. This will help facilitate a growth in the demand for travel to Canada. According to OAG, Air Canada's share of direct air capacity during this period is expected to be 56.9%, up from 53.9% the previous year.

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

	2003 (DIRECT)	2004 EST. (DIRECT)
Non-stop seats available	201,457	220,749
Per cent change	N/A	9.6

Source: OAG Worldwide

## Summary Outlook for Q2 2004

In the second quarter of 2004, *BO Monitor* participants anticipate that overall travel from Germany will increase 7.5 cent compared with the previous year. Group bookings are expected to continue leading the growth in leisure travel (up 8.0%) followed closely behind by FIT bookings (up 7.0%).

Fortunately, the German Association of Travel Agents has reported that Germany's travel industry is optimistic about a recovery in 2004, despite the fact that package prices for advance bookings continue to drop in order to counteract the growing trend of last-minute bookings. Germany's two largest travel agencies have reported that bookings for the upcoming summer season are well ahead of last year's figures at this time. Fortunately, direct air capacity from Germany is expected to increase 9.6% during the second quarter of 2004, and should help facilitate the expected growth in travel.

---

## Italy Travel Outlook, Q2 2004

### Economic Overview

The Italian economy fell into its first recession in more than a decade during the first half of 2003. For 2004, Consensus Economics expects real economic growth of 1.5%—still a half percentage point weaker than the European average. In spite of expected tax cuts, consumption growth is only expected to be modest (+1%) in 2004, before strengthening in 2005.

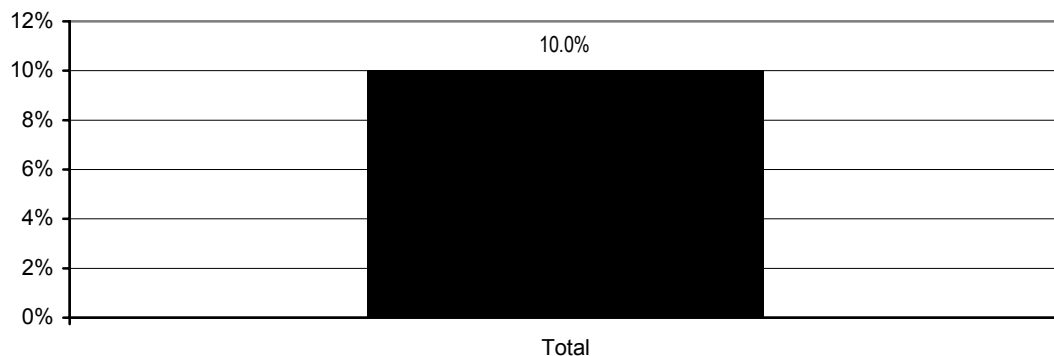
### Tourism Trends

The Canadian Tourism Commission's foreign office in Italy reported that 8 million Italians were expected to travel over the Christmas holidays. According to FIAVET (the Federation of Italian Travel Agents) 20% of these trips (1.6 million) were to be taken outside of Italy, although for long-haul travel, Italians were favouring sun vacations, such as Mexico and the Caribbean. The number of ski holidays taken by Italians were expected to double over the 2003-04 ski season, but most of these (95%) were expected to be taken within Italy.

According to the latest Italian Market Report by the Australian Tourist Commission (ATC), Italy's tourism sector continues to improve, particularly for on-line travel bookings. TTG Italia reported that 20,000 to 30,000 of Alitalia's monthly ticket sales are now made through the internet. The CTC's foreign office in Italy noted that 27% of the Italian population currently uses the internet, and almost half of these web surfers (47%) use the internet to research or book travel.

### Destination Supplier–Receptive Agent Monitor, Business Outlook

**Short Term Outlook – Q2 2004**  
**Overnight Person-Trips from Italy to Canada**  
(per cent change from previous year – same quarter)



*Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute*

The outlook for overall travel from Italy in the second quarter of 2004—as indicated by *BO Monitor* participants—is for an increase of 10% compared with the same quarter 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 plummet 45.5% in the second quarter of 2004, compared with the same quarter a year ago, mainly because Air Canada no longer offers direct service to Italy. This could represent a significant constraint for travel to Canada during this period. According to OAG, Alitalia's share of direct air capacity during this period will be 100%.

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

	2003 (DIRECT)	2004 EST. (DIRECT)
Non-stop seats available	37,978	20,712
Per cent change	N/A	-45.5

Source: OAG Worldwide.

## Summary Outlook for Q2 2004

Fortunately, the pace of growth of travel from Italy is expected to continue building through the second quarter of 2004. *BO Monitor* participants anticipate that travel to Canada from Italy will grow by 10% in the second quarter of 2004, compared with 2003. However, after plummeting over 40% in the same quarter of 2003, the expected gains represent only a partial recovery of the Italian travel market. Massive cuts (-45.5%) in direct air capacity from Italy may present an added constraint to travel growth.

---

## Netherlands Outlook, Q2 2004

### Economic Overview

The Netherlands economy is expected to emerge from recession in 2004. Nevertheless, it is expected to post the weakest growth (at 1.1%) in Europe in 2004, according to Consensus Forecasts. Business and consumer confidence are both lackluster, as Dutch firms continued to lay-off workers through 2003, sending the unemployment rate even higher.

### Tourism Trends

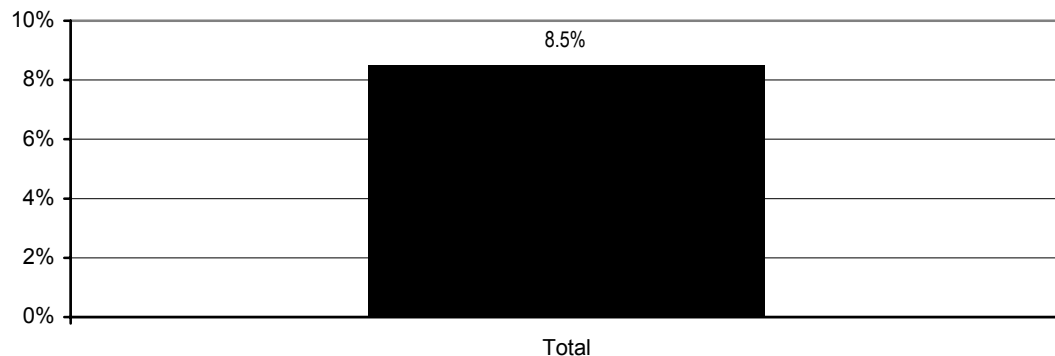
The Canadian Tourism Commission's (CTC) foreign office in the Netherlands reported that the negative impact of the stronger Euro on the Dutch economy and high unemployment rates are affecting consumer confidence. This is fuelling the trend of last-minute bookings, which is expected to continue. However, the silver lining to the stronger Euro, is the increased affordability of travel to Canada. After the bomb attack in Turkey last fall, a safe and politically stable destination like Canada is even more appealing to Dutch travellers.

The CTC also reported that internet travel bookings are becoming increasingly popular, particularly through web sites that offer dynamic packaging (i.e. vacation packages with flexible components). Not surprisingly, travel trends are shifting more towards independent, rather than group travel as a result. Vacations to sun destinations have been very popular this winter season because of the extremely low prices being offered for these trips. Unfortunately, this has impacted bookings to Canada, which were down by about 8% in the fourth quarter of 2003.

After substantial capacity cuts in 2003, KLM Royal Dutch Airlines announced in December 2003 that it planned to significantly increase its capacity for the 2004 summer season and bring it back to 2001 levels. Some of this increase will involve routes to the U.S. and Toronto. However, the airline warned that its profitability remained under pressure due to increasing competition from Europe's low-cost carrier segment, which was keeping prices low.

### Destination Supplier–Receptive Agent Monitor, Business Outlook

**Short Term Outlook – Q2 2004**  
**Overnight Person-Trips from the Netherlands to Canada**  
(per cent change from previous year – same quarter)



*Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute*

---

The outlook for overall travel from the Netherlands in the second quarter of 2004—as indicated by *BO Monitor* participants—is for an increase of 8.5%, 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**

Fortunately, after substantial capacity cuts seen in previous quarters, direct air capacity from the Netherlands is expected to increase by 6.7% in the second quarter of 2004, compared with 2003. This means that air capacity should not hinder travel between Netherlands and Canada in that quarter. According to OAG, Air Canada's share of air capacity during this period is expected to climb to 10.6%—up from 8.4% in the same quarter of 2003.

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

	<b>2003 (DIRECT)</b>	<b>2004 EST. (DIRECT)</b>
Non-stop seats available	112,900	120,482
Per cent change	N/A	6.7

*Source: OAG Worldwide*

### **Summary Outlook for Q2 2004**

*BO Monitor* participants anticipate that overall travel from the Netherlands will climb 8.5% during the second quarter of 2004. Fortunately, after a period of capacity cuts, direct air capacity from the Netherlands is expected to increase 6.7% during this period.

Reports from the Netherlands indicate that lower consumer confidence levels are perpetuating a wait-and-see attitude among Dutch travellers. Another contributing factor is the increasing popularity of discounted on-line travel bookings—this, in turn, is shifting consumer preferences towards independent, rather than group travel.

---

# Japan Travel Outlook, Q2 2004

## Economic Overview

Japan's economy is currently expanding at a pace that is exceeding government expectations. On the heels of the strongest economic growth witnessed in years during 2003, the expectation is that the economy will post further growth of 1.4% in 2004. The optimism in 2004 is based on accelerating growth in exports and production as well as a better environment for personal consumption—a vital but long-dormant sector of the economy. Flourishing exports and strong business spending is expected to remain the economy's main drivers in 2004 but private consumption is showing signs of picking up.

## Tourism Trends

Japan's largest travel agency, JTB Corp. forecast that Japanese trips abroad, which plummeted in 2003 due to the SARS outbreak, should recover this year back to 2002 levels. JTB estimated that 16.5 million Japanese will travel overseas in 2004—a 23.6% increase over 2003. The travel agency noted that popular events such as the Summer Olympics in Athens will help encourage more international travel.

Figures from 15 Japanese airlines, including Japan Air Systems (JAS) and All Nippon Airways, revealed that air bookings for flights leaving Japan for the new year holiday season (December 26, 2003 – January 7, 2004) jumped 8.8% compared with the previous year. Meanwhile, domestic flights for the same period were down 4.3%. This growth in international passenger traffic was good news for the Japanese airline industry—earlier reports from JAS had indicated that the rebound in air travel in the wake of the SARS outbreak had been slower than expected, particularly in its leisure market.

The Canadian Tourism Commission's (CTC) foreign office in Japan reported that demand for Japanese travel to Canada throughout the fourth quarter of 2003 was at the same level as 2002. Demand for trips to the U.S. slowly increased during this period as a result of the aggressive fares offered by U.S. carriers after the summer season concluded, although overall visits to the U.S. were still expected to decline 4.2% in the fourth quarter compared with the previous year.

## Market Overview

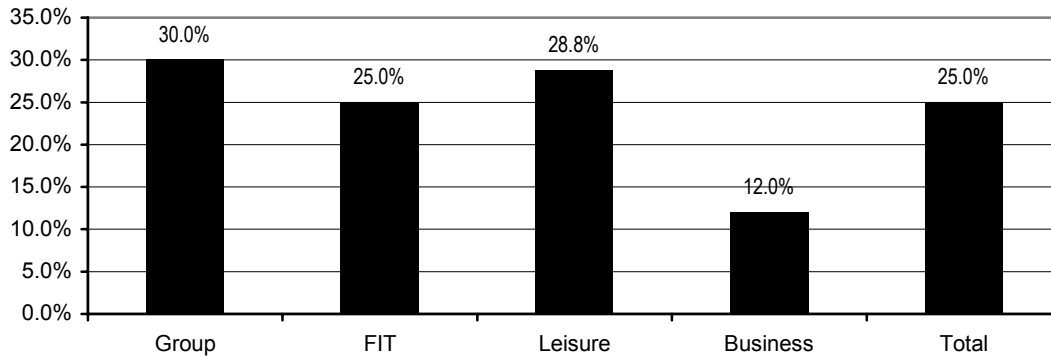
According to Japanese tour operators surveyed by the CTC, sales of Canadian products for the second quarter of 2004 are expected to rise 15% compared with the previous year, barring any international incidents or further SARS outbreaks. Respondents indicated that air capacity for this period has become a larger issue with respect to selling travel products to Canada than it has been previously. The increasing value of the Canadian dollar has also become a greater factor, making travellers slightly more hesitant to book “ground elements” too far in advance.

Tour operators noted that travel bookings for couples, both with and without a package were selling particularly well for the second quarter of 2004. B.C. and Ontario are expected to receive the most Japanese visitors during this period (40% and 30% of all bookings, respectively), followed by Alberta (20%). Victoria and Ottawa were identified as Canadian destinations “under development,” for the flower-viewing opportunities they offered. Finally, Japanese tour operators reported that nature was the number one selling product cluster, followed by outdoors, cities and resorts, and touring.



## Destination Supplier–Receptive Agent Monitor, Business Outlook

### Short Term Outlook – Q2 2004 Overnight Person-Trips from Japan to Canada (per cent change from previous year – same quarter)



Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall travel from Japan in the second quarter of 2004—as indicated by *BO Monitor* participants—is for a 25% surge in growth, compared with the same quarter of 2003. Group leisure travel is expected to continue as the main driver of the recovery, up 30% over the previous year, while independent (FIT) leisure travel increases 25%. This is expected to result in leisure travel gains 28.8%. As in previous quarters, the outlook for business travel is still not quite as optimistic; it is expected to rise 12%.

Of the two Canadian regions reported on by *BO Monitor* participants, Ontario/Quebec is expected to experience a higher rate of growth, up 31% during the second quarter of 2004, while visits to Alberta/British Columbia increase 26%.

## Japan-to-Canada Air Capacity, OAG Worldwide

Direct air capacity from Japan for the second quarter of 2004 is expected to fall 21.4% compared with the previous year. Unfortunately, this could represent a constraint for travel from Japan to Canada during this period. According to OAG, Air Canada's share of direct air capacity during this period is expected to be 70.6%, down from the 76.9% share reported the previous year.

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

	2003 (DIRECT)	2004 EST. (DIRECT)
Non-stop seats available	157,603	123,844
Per cent change	N/A	-21.4

Source: OAG Worldwide.

---

## Summary Outlook for Q4

According to *BO Monitor* participants, overall travel from Japan in the second quarter of 2004 is expected to grow 25% compared with a year earlier. Group leisure travel is expected to continue driving the surge in growth, rising 30% during this period, independent (FIT) travel lags slightly behind at 25%. As in previous quarters, the outlook for business travel is still not quite as optimistic; it is expected to rise 12%.

Japanese tour operators surveyed by the CTC remain somewhat more cautious about travel from Japan to Canada during this period—they anticipated bookings would increase 15% over last year's figures. Unfortunately, they have found that the less favourable exchange rate, as well as a substantial reduction in direct air capacity (down 21% in the second quarter, according to OAG) are continuing to hamper growth potential. Fortunately, a solid recovery in Japan's outbound market is expected this year, which should help provide additional momentum for an increase in travel to Canada.



---

# Taiwan Outlook, Q2 2004

## Economic Overview

Economic conditions in Taiwan were lackluster in 2003. In fact, consumption spending was the weakest it had been in over twenty years. Looking ahead, the economic outlook is more promising. An increase in bank loans and falling unemployment suggests that consumption should expand by an impressive 5% in 2004. Overall, real economic growth of 4.5% is expected in 2004, according to Consensus Forecasts.

## Tourism Trends

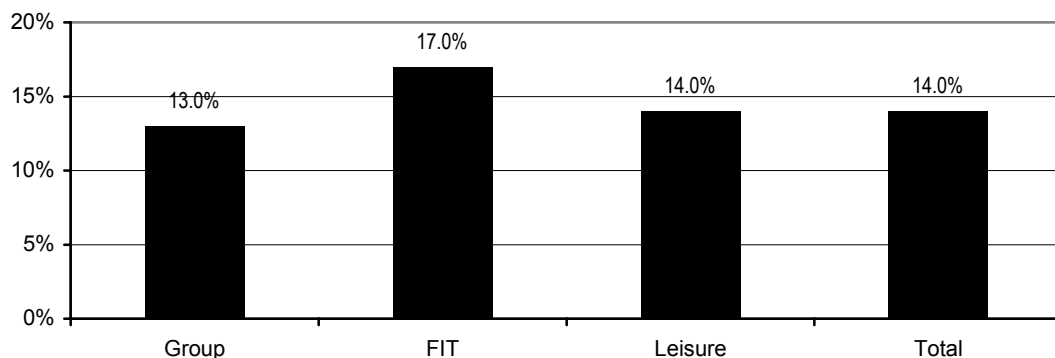
The Canadian Tourism Commission's (CTC) foreign office in Taiwan reported that the positive performance of the stock market in the fourth quarter of 2003 was a positive indication that economic prospects in that country are improving. This, in turn, is boosting consumer confidence with respect to planning travel for 2004. However, Taiwanese travellers remain very sensitive to international events, and potentially negative incidents can quickly have a damaging effect on traffic to that destination.

The CTC also noted that approximately 38% of Taiwan citizens use the internet. On-line travel bookings continue to climb for both domestic and outbound travel—tourism is Taiwan's top e-commerce market, accounting for 46% of on-line purchases.

The Australian Tourist Commission's December 2003 Market Report for Taiwan indicated that travel demand for the 2004 Chinese New Year period in January was expected to be softer than the previous year. This softness is mostly due to the still-lingering effects of the SARS outbreak and political uncertainty surrounding the presidential election in March 2004. Short and mid-haul destinations were expected to do better than long-haul destinations.

## Destination Supplier–Receptive Agent Monitor, Business Outlook

**Short Term Outlook – Q2 2004**  
**Overnight Person-Trips from Taiwan to Canada**  
(per cent change from previous year – same quarter)



*Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute*

---

The outlook for overall leisure travel from Taiwan in the second quarter of 2004—as indicated by *BO Monitor* participants—is for an increase of 14%, compared with last year. In a reversal of previous trends, *BO Monitor* respondents anticipate that growth in FIT travel (17.0%) will outpace growth in group travel (up 13.0%).

### Taiwan-to-Canada Air Capacity, OAG Worldwide

According to OAG, direct air capacity from Taiwan to Canada is expected to decrease marginally in the second quarter of 2004, down 2.1% compared with a year earlier. Therefore, it is possible that air capacity may present a constraint for travel from Taiwan during this period. According to OAG, Air Canada does not presently account for any share of the direct air capacity during this period.

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

	<b>2003 (DIRECT)</b>	<b>2004 EST. (DIRECT)</b>
Non-stop seats available	58,127	56,927
Per cent change	N/A	-2.1

*Source: OAG Worldwide.*

### Summary Outlook for Q2 2004

*BO Monitor* participants expect overall travel from Taiwan to Canada will increase 14% in the second quarter of 2004, maintaining that market's slow but steady pace of recovery since visits from Taiwan all but disappeared during the SARS outbreak. The CTC's foreign office in Taiwan reported that prospects for the country's economy continue to improve, which is boosting consumer confidence with respect to planning travel for 2004. However, Taiwanese travellers are still quite sensitive to international events, and the burgeoning recovery in outbound travel remains fragile—two of the main reasons for its fragility are the persistent consequences of the Taiwanese SARS outbreak, and the political uncertainty surrounding the presidential election in March 2004.

---

## South Korea Travel Outlook, Q2 2004

### Economic Overview

On the heels of its slowest economic growth in five years, South Korea is poised for a recovery in 2004. South Korea, which in the first half of 2003 slipped into its first recession since the 1997-98 Asian financial crisis, has returned to growth, powered by strong exports. "An economic recovery is in the offing, as exports are expected to be stronger than last year and consumption is likely to pick up gradually," said Kim Jin-pyo, the Finance Minister in a recent Wall Street Journal article. Consensus Forecasts expects that the South Korean economy will expand by 5.2% in 2004.

### Travel Trends

The Canadian Tourism Commission's (CTC) foreign office in Korea reported that Air Canada and Korean Air Lines increased their flight frequency between Korea and Canada over the December holiday season to meet growing demand. The overall number of Koreans travelling abroad increased 10.3% in December compared with the previous year, continuing a monthly trend of substantial growth of overseas visits posted through the fall. The Korean National Tourism Organization (KNTO) reported that overseas travel spending is on the rise as well. KNTO reports Korean travellers spend an average of \$1,726 per trip abroad—up 6% from 2001.

Korean Air Lines (KAL) announced plans to increase international passenger capacity by 13% in 2004 based on a "very positive" business outlook for 2004. The airline predicted that its international passenger traffic will grow 16% this year and boost its full-year revenues by 8%.

According to the Australian Tourist Commission's (ATC) latest Market Report for Korea, overseas travel expenditures reached US\$3.04 billion in the third quarter of 2003, marking the first time that Korean overseas spending exceeded US\$3 billion. Expenditures in the same quarter of 2002 were US\$2.47 billion. This year, Korea's economy is projected to grow 5.2% and its per capita income by 9%. Combined with steadily increasing consumer confidence levels, these factors should help support continued growth in overseas travel expenditures.

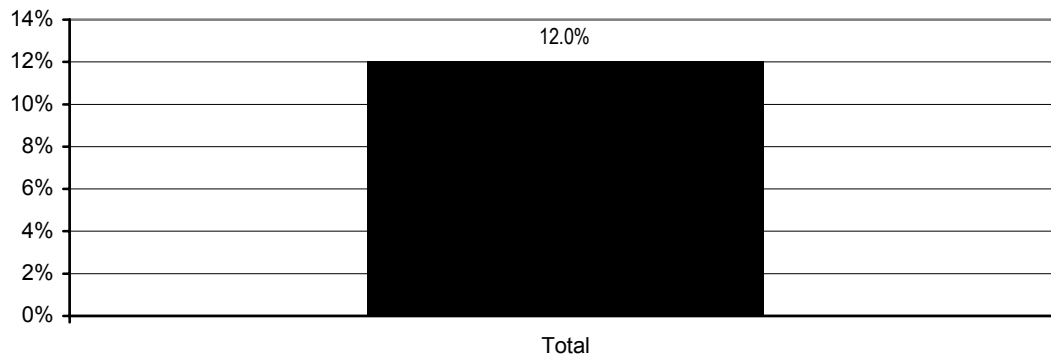
### Market Overview

Korean tour operators surveyed by the CTC reported that sales of Canadian products for the second quarter of 2004 are expected to grow 10% compared with the previous year. Respondents indicated that air capacity has, unfortunately, represented a problem in selling Canadian travel products for this period, although the exchange rate did not appear to have an adverse affect on sales.

Tour operators noted that travel bookings for individuals, both with and without a package were selling particularly well for the second quarter of 2004, as were group packages. In terms of regional travel demand, B.C. and Ontario are expected to receive the most Korean visitors during this period (34% and 28% of all bookings, respectively), followed by Alberta (23%) and Quebec (15%). Respondents also identified a number of Canadian destinations with potential for the Korean market: The Northwest Territories and Yukon (for viewing the northern lights), Prince Edward Island (for Anne of Green Gables tourist attractions) and Halifax, Nova Scotia. Finally, respondents indicated that nature was the number one selling product cluster, followed by touring, cities and resorts, outdoor/sports, and culture/history.

## Destination Supplier–Receptive Agent Monitor, Business Outlook

### Short Term Outlook – Q2 2004 Overnight Person-Trips from South Korea to Canada (per cent change from previous year – same quarter)



Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall travel from South Korea in the second quarter of 2004—as indicated by *BO Monitor* participants—is for 12% growth, compared with the same quarter last year. This will help reverse some of the 24.3% decline in visits recorded in the second quarter of 2003.

*BO Monitor* participants also expected Korean travel to Ontario/Quebec to climb 15%, while travel to Alberta/British Columbia rises 11% during the second quarter of 2004.

## South Korea-to-Canada Air Capacity, OAG Worldwide

According to OAG, direct air capacity from South Korea to Canada during the second quarter of 2004 is expected to decline 16.2% compared with the previous year. This is mainly due to a significant decrease in direct air capacity on Korean Air Lines. As a result, this may hinder travel from Korea during this period. According to OAG, Air Canada’s share of direct air capacity during this period is 37.5%, up from 34.8% in the same quarter of 2003.

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

	2003 (DIRECT)	2004 EST. (DIRECT)
Non-stop seats available	61,368	51,454
Per cent change	N/A	-16.2

Source: OAG Worldwide.

## Summary Outlook for Q2 2004

*BO Monitor* participants anticipate that overall leisure travel from South Korea will grow 12% during the second quarter of 2004, with independent (FIT) travel (13.0%) continuing to outperform group travel (11.0%) during this period. CTC’s foreign office in Korea reported a steady increase in overseas travel demand through the winter holiday season, including Canadian destinations. Overseas travel expenditures are on the rise as well; Korean travellers have increased their travel spending on international trips by an average of 6% since 2001. Brisk expansion in Korea’s economy and per capita income forecast for this year should help support continued growth in overseas travel expenditures.

---

# Hong Kong Outlook, Q2 2004

## Economic Overview

Compared to 2003, the economic outlook for Hong Kong in 2004 improves dramatically. Unemployment is expected to continue falling and retail sales have been picking up since the latter part of 2003. For the first time in years, the property market is also improving. In 2004, Consensus Forecasts expects the Hong Kong economy to expand 5.2%—the strongest it has been in four years.

## Tourism Trends

The Canadian Tourism Commission's (CTC) foreign office in Hong Kong stated in its Fourth Quarter Report that the outlook for Hong Kong travel "continues to be cautiously confident." The region's travel agents reported that Christmas holiday bookings were steady throughout the final months of 2003. Overall bookings figures, however, were still slightly below 2002 levels.

Fortunately, the CTC also reported that business and consumer confidence appeared to be rebounding faster than anticipated. A survey by AC Neilson revealed that 67% of Hong Kong residents polled felt confident about a sustained economic rebound, and 86% of respondents said they planned to spend more on non-essential items and overseas holidays.

Cathay Pacific Airways reported that its passenger traffic received a boost in December 2003 due to pent-up demand for leisure travel over the Christmas and New Year holiday. The airline noted that its cumulative figures for 2003 show that its passenger business is recovering quickly and gaining a lot of ground lost to the SARS outbreak. The airline also described demand in both business and leisure segments as healthy, with encouraging yield trends.

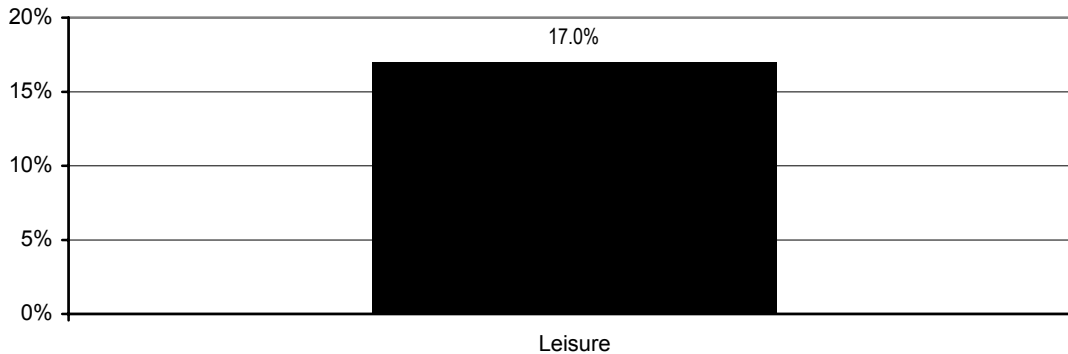
Hong Kong's local tourism industry has rebounded strongly since the devastating blow it sustained during the SARS outbreak. Tourism visits to Hong Kong in December 2003 reached a monthly record high of 1.79 million visitors—a 7.4% increase over the previous year. The Hong Kong Tourism Board stated that, since launching its Global Tourism Revival Campaign in June 2003, its tourism industry has experienced a steady recovery. In fact, it achieved year-on-year growth by August and set visitor records in October and December of last year.

The Hong Kong government reported that the unemployment rate continued to fall through the final months of 2003 and actually returned to pre-SARS levels in November 2003. Consumer spending also improved, growing in the third quarter of 2003 for the first time in two years.



## Destination Supplier–Receptive Agent Monitor, Business Outlook

### Short Term Outlook – Q2 2004 Overnight Person-Trips from Hong Kong to Canada (per cent change from previous year – same quarter)



Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall travel from Hong Kong in the second quarter of 2004—as indicated by BO Monitor participants—is for growth of 17%, compared with last year. Fortunately, it appears that this market is steadily gaining ground after plummeting dramatically in 2003—travel from Hong Kong dropped 47% in the second quarter of 2003.

## Hong Kong-to-Canada Air Capacity, OAG Worldwide

Direct air capacity from Hong Kong to Canada is expected jump by 20.1% during the second quarter of 2004, compared with the previous year. Fortunately this should help facilitate a growth in travel from Hong Kong during this period. According to OAG, Air Canada’s share of direct air capacity during the second quarter of 2004 is expected to drop to 39.6%, from the 46.8% share reported in the previous year.

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

	2003 (DIRECT)	2004 EST. (DIRECT)
Non-stop seats available	108,712	130,585
Per cent change	N/A	20.1

Source: OAG Worldwide.

## Summary Outlook for Q2 2004

According to *BO Monitor* participants, leisure travel from Hong Kong to Canada is expected to grow by 17% during the second quarter of 2004, compared with 2003. Fortunately, it appears that this market is steadily gaining ground after plummeting dramatically in 2003. However, growth expectations for FIT travel (up 24%) are significantly more optimistic than for group travel (up 8%). The CTC’s foreign office in Hong Kong reported that outbound travel volume climbed steadily upwards through the final quarter of 2003, reaching levels only slightly below those seen 2002. Business and consumer confidence appeared to be rebounding faster than anticipated, driven by the successful post-SARS recovery of Hong Kong’s local tourism industry.

---

# China Travel Outlook, Q2 2004

## Economic Overview

Abundant consumer loans and a strong export sector is expected to more than offset the economic effects of SARS in China during 2003. In fact, at 9.1%, China exceeded consensus expectations for economic growth in 2003. In addition, according to the Head of the National Bureau of Statistics, "the economy is in good shape, enjoying low inflation last year, rising incomes, higher-than-targeted employment rates. There's no need to put on the brakes." For 2004, Consensus Forecasts expects real economic growth of 8.1%.

## Tourism Trends

China's airline industry continues to grow by leaps and bounds. According to the latest OAG Quarterly Report, the number of domestic scheduled flights in China grew 18% in 2003, the highest growth rate recorded worldwide. International flights to and from China increased 4% during the same period. Aircraft makers Boeing and Airbus S.A.S. have recently received orders for a total of 60 new airplanes for China's main airlines. In fact, Boeing forecasts that China will require 2,400 new aircraft over the next 20 years to support the 7.1% annual increase in air travel demand projected for the Chinese market.

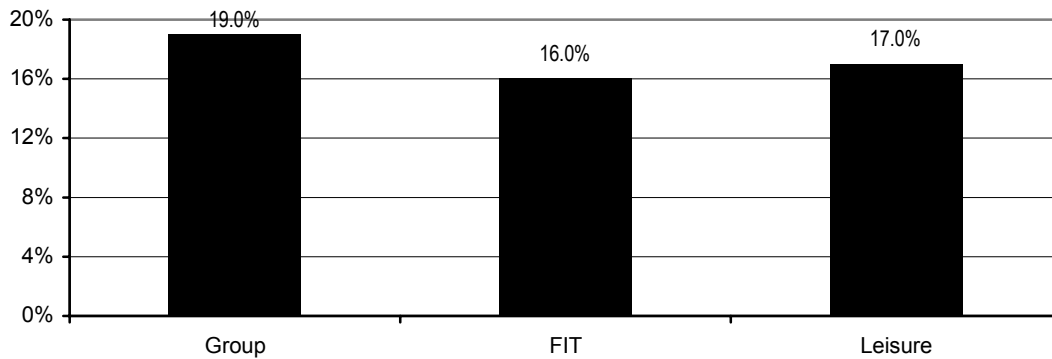
Although Chinese air passenger traffic plummeted during the SARS outbreak, impacting full year figures, it appears that domestic travel demand returned to its pre-SARS rate of growth by the end of 2003 while international travel was slower to recover. China Eastern Airlines reported that its domestic passenger numbers increased 17.5% in 2003, while international passengers declined 19%, compared with 2002. However, monthly figures for December 2003 show that domestic passenger numbers were 50% higher than in December 2002, while international passenger numbers were almost on par (-0.7%) with the previous year.

Beijing Airport reported that its overall passenger traffic declined 10.3% in 2003, although its international traffic was hit the worst by the SARS outbreak, down 32% from the previous year. However, in December, overall passenger traffic surged 21.5% ahead of the previous year's figures for that month. China Southern Airlines, China's largest carrier, reported that its overall passenger traffic for 2003 fell 4.8%, but climbed 17.3% in December, compared with the same month in 2002.

According to the Australian Tourist Commission, Chinese use of the internet for researching travel continues to rise, although relatively few bookings are made on-line, particularly for long-haul trips. China's three largest airlines recently introduced e-ticketing, which may encourage the number of on-line bookings to grow. The China Internet Network Information Centre recently reported that, as of the end of 2003, 79.5 million Chinese used the internet, a 34.5% increase over the previous year.

## Destination Supplier–Receptive Agent Monitor, Business Outlook

**Short Term Outlook – Q2 2004**  
**Overnight Person-Trips from China to Canada**  
 (per cent change from previous year – same quarter)



Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall leisure travel from China—as indicated by BO Monitor participants—is for a surge in growth of 17% in the second quarter of 2004, compared with the previous year. BO Monitor participants anticipate that group travel (19.0%) will continue to outperform independent (FIT) travel (16.0%), although both segments continue to post a healthy growth.

BO Monitor participants expect that travel to Ontario/Quebec will climb 22% in the second quarter of 2004, while bookings for Alberta/British Columbia rise 16%.

## China to Canada Air Capacity, OAG Worldwide

Direct air capacity from China is expected to increase 4.3% during the second quarter of 2004, compared with the same quarter of 2003. According to OAG, Air Canada’s share of direct air capacity during this period is expected to be 72.6%, down from the 75.8% share reported in the previous year.

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

	2003 (DIRECT)	2004 EST. (DIRECT)
Non-stop seats available	50,925	53,127
Per cent change	N/A	4.3

Source: OAG Worldwide.

## Summary Outlook for Q2 2004

BO Monitor participants anticipate overall travel from China to grow by 17% during the second quarter of 2004. group travel (19.0%) will continue to outperform independent (FIT) travel (16.0%), although both segments are expected to post healthy growth. Supporting these growth expectations are recent reports by Chinese airlines suggesting that the demand for air travel, both domestic and international, continues to expand by leaps and bounds. In addition the Chinese economy continues to exceed all expectations, with economists predicting that 2004 will see the largest growth in consumer consumption witnessed in 8 years.

---

# Australia Travel Outlook, Q2 2004

## Economic Overview

In 2003, drought and weaker regional trade, as a result of SARS, slowed the Australian economy to its weakest performance in over ten years. Despite this, low interest rates continued to fuel consumption growth. Australian business conditions strengthened to near-record levels in the fourth quarter of 2003, with export-based sectors of the economy such as farming leading the charge, according to a quarterly survey by the National Australia Bank released in late January (from the Wall Street Journal). Domestic demand remains strong, with capacity utilization rates climbing to levels not seen since 1989. Consensus Forecasts expects real economic growth of 3.8% in 2004.

## Tourism Trends

The Canadian Tourism Commission's (CTC) foreign office in Australia reported that Canadian travel products were selling well in the fourth quarter of 2004. Canada held the lead as the top long-haul ski destination among Australians, although price competition from U.S. ski destinations was strong. The Tourism Forecasting Council predicted that, after a weak performance in 2003, the Australian outbound market will grow by 6.3% in 2004, boosted in part by a strengthening Australian dollar. The CTC noted that tour operators were already reporting increased bookings for this year due to more favourable exchange rates. As of December 2003, the Australian dollar had improved in value by 26% compared with December 2002.

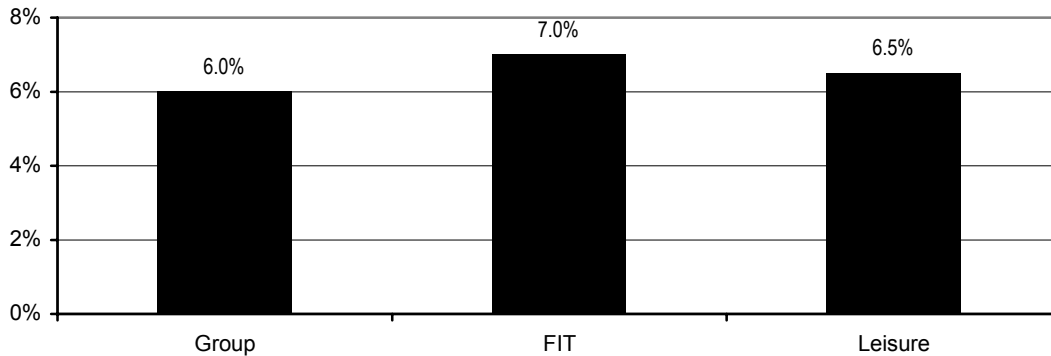
The CTC also reported that travel bookings are the fastest growing e-commerce market in Australia, according to a survey by Roy Morgan Research. The findings showed that 2.7 million consumers had made on-line purchases in 2003 (up from 1.2 million in 2000), and of these on-line consumers, one-third purchased air travel or accommodation through the internet.

Qantas Airways announced in November 2003 that it was on track with its financial performance this fiscal year (which began in July 2003) and it expected to exceed its cost-cutting targets set for the year, mainly through lowering its labour costs. The carrier noted that its international markets continued to recover, while domestic demand remained solid. Qantas will also launch its new low-cost carrier Jetstar in May 2004, which will challenge discount airline Virgin Blue for a greater share of the domestic leisure market.

The latest travel statistics show that overall outbound travel from Australia increased 14% in November 2003, compared to the previous year. Holiday departures were up 25% over 2002 figures while business travel increased 17%.

## Destination Supplier–Receptive Agent Monitor, Business Outlook

### Short Term Outlook – Q2 2004 Overnight Person-Trips from Australia to Canada (per cent change from previous year – same quarter)



Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute

The outlook for overall leisure travel from Australia in the second quarter of 2004—as indicated by BO Monitor participants—is for a growth of 6.5%, compared with last year. Independent leisure travel (FIT), up 7%, is expected to nudge ahead of group travel, up 6%. These gains would push the growth of the Australian market well above 2002 and 2003 levels for this quarter—travel from Australia in the second quarter of 2003 declined 0.9% compared with 2002.

## Australia to Canada Air Capacity, OAG Worldwide

Total air capacity from Australia (including both direct and non-direct flights) is expected to increase marginally during the second quarter of 2004, up 1.5% compared with the previous year. This means that air capacity should not present a significant hindrance to travel from Australia during this period.

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

	2003 (DIRECT)	2004 EST. (DIRECT)
Non-stop seats available	19,292	19,580
Per cent change	N/A	1.5

Source: OAG Worldwide.

## Summary Outlook for Q2 2004

According to *BO Monitor* participants, leisure travel from Australia to Canada is expected to maintain a steady pace of growth in the second quarter of 2004, rising 6.5% compared with the previous year. These gains would push the growth of Australian travel to Canada well above 2002 and 2003 levels for this period. Overall, the Australian outbound market is forecast to improve substantially this year, boosted in part by a strengthening Australian dollar. According to the CTC's foreign office in Australia, by the fourth quarter of 2003, tour operators were already reporting an increase of international bookings for 2004, mainly because of improving exchange rates.

---

# New Zealand Travel Outlook, Q2 2004

## Economic Overview

New Zealand's economy grew at a faster rate than the OECD average during the recent global slowdown, according to the Economist magazine in December 2003. This is, thanks in part, to a series of liberal economic reforms, such as improving labour-market flexibility and central-bank independence that the country began 20 years ago, according to the OECD. Similar to the rapid appreciation of the Canadian dollar, the Wall Street Journal reported that New Zealand Finance Minister Michael Cullen said in early January that there is little he can do to curb the rapid appreciation of the local currency. There are few signs of a near-term reversal in the fundamentals driving the currency higher. The local currency appreciated 25% against the U.S. dollar in 2003 and 26% the year before that. So far this year, the New Zealand dollar has already appreciated by 2.7% to over US\$0.67.

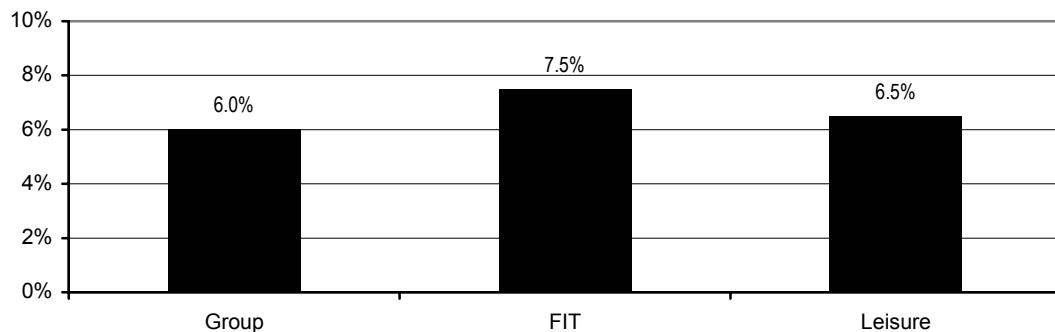
## Tourism Trends

The Australian Tourist Commission (ATC) reported that Auckland International Airport processed a record number of passengers in the final week of November 2003, even though January is traditionally the airport's busiest month. The ATC also reported an earlier-than-usual travel demand for Canadian destinations for the summer 2004 season.

Statistics New Zealand reported that overseas travel by New Zealanders increased 18% in November 2003 over the previous year, although Australia and China were the main beneficiaries of this increase (up 21% and 49%, respectively). Meanwhile, leisure travel to North America increased 3%.

## Destination Supplier–Receptive Agent Monitor, Business Outlook

**Short Term Outlook – Q2 2004**  
**Overnight Person-Trips from New Zealand to Canada**  
(per cent change from previous year – same quarter)



Source: Q2 2004 Business Outlook System, Canadian Tourism Research Institute

The outlook for New Zealand leisure travel to Canada—as indicated by *BO Monitor* respondents—is for growth of 6.5% during the second quarter of 2004, compared with 2003. *BO Monitor* respondents anticipated that independent (FIT) leisure travel (up 7.5%) would continue to outperform group travel (up 6%).

---

## Summary Outlook for Q2 2004

According to *BO Monitor* participants, leisure travel from New Zealand is predicted to increase 6.5% during the second quarter of 2004, ramping up its pace of steady growth. The FIT segment (up 7.5%) is expected to do slightly better than group travel (up 6%). Recent reports by travel agents in New Zealand already point to an earlier-than-usual travel demand for Canadian destinations for the summer 2004 season. The continuing appreciation of the New Zealand dollar should help sustain the momentum gaining strength in this market.

## 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 2003.

### Travel Forecasts (Medium-Term)

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

COUNTRY	2003F	2004F	2005F
United States	14,227 -12.0%	15,191 6.8%	15,903 4.7%
Mexico	141 -12.7%	153 8.8%	161 5.5%
United Kingdom	682 -5.4%	723 6.0%	758 4.8%
France	272 -12.9%	292 7.3%	309 5.8%
Germany	255 -12.7%	272 6.7%	287 5.5%
Italy	59 -39.4%	76 29.0%	84 10.2%
Switzerland	81 -7.8%	86 5.7%	90 5.2%
Netherlands	104 -3.0%	109 5.1%	115 5.0%
Japan	253 -40.1%	315 24.4%	354 12.3%
Taiwan	69 -33.8%	81 17.5%	93 15.0%
Hong Kong	89 -24.5%	103 15.4%	113 10.0%
South Korea	130 -9.3%	142 9.7%	155 8.8%
China	74 -22.4%	85 15.5%	95 11.0%
South East Asia	63 -29.6%	74 16.5%	81 10.0%
Australia	145 -2.8%	155 6.7%	164 6.0%

Source: Canadian Tourism Research Institute; Statistics Canada