CTC Tourism Intelligence Bulletin – Issue 1: October 2001

*The monthly **Tourism Intelligence Bulletin** represents one of many initiatives by the Canadian Tourism Commission (CTC) to update and inform the Canadian tourism industry on the current state of travel following the September 11th terrorist attacks. This inaugural issue focuses on the North America situation, while subsequent issues will expand to include a broader world perspective.*

Travellers fears still prevail

Executive Summary

Recent surveys commissioned by the CTC indicate that the fear of travel currently represents a bigger deterrent than the economic fallout brought on by the events of September 11th.

Consumer (traveller) response

- Recent actions taken by the government and airlines to increase safety have failed to convince many travellers. More disturbing is the fact that the majority of business travellers indicated that even with dramatically increased security measures, they still intend to travel less than before September 11th.(National Business Roundtable).
- Approximately, 35 per cent of U.S. companies have changed their company travel policies since September 11th. Of those businesses, 52 per cent have restricted air travel to essential travel only while another 42 per cent have increased the travel authorization level. A high percentage of companies are actively directing employees to use alternative communication to replace travel - chiefly video conferencing (American Express).
- Of the 16 per cent of American travellers who cancelled or postponed their trip due to September 11th, 88 per cent of those were to U.S destinations, 7 per cent were to Canada and 28 per cent were outside North America. For the 14 per cent of Canadian travellers who cancelled or postponed their trip due to the U.S. attacks, nearly 50 per cent were travelling to U.S. destinations, and 23 per cent were to other international destinations. (Ipsos-Reid)
- Another recent travel intentions survey indicated that 13.4 per cent of Canadians who were planning to travel this winter (November 2001 to April 2002) have now decided not to travel due to the terrorist attacks in the U.S. Fortunately, only 4.7 per cent of domestic winter trips are expected to be in jeopardy compared to 21.1 per cent of U.S. destined trips and 20.8 per cent of other international trips (Canadian Tourism Research Institute).

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- In Canada, air travel was particularly hard hit in the immediate aftermath of September 11th. According to Transport Canada, transborder traffic was affected the most-dropping 41 per cent in September from the previous year. During the first two weeks of October, it still remains 30 per cent below the same period last year. Domestic travel dropped by 17 per cent in September, and still remains 17 per cent below last year in October. International traffic worsened in October, falling 15 per cent below the same period last year. Recovery of the airlines is expected to be slow due to persistent travel fears and a slow recovery in business and consumer confidence.
- Canada's major urban markets reported over 500,00 hotel room cancellations in September and a further 266,000 in October. Of these cancellations, the majority (54 per cent) were attributed to U.S. visitors, 25 per cent were from overseas travellers and 21 per cent from the domestic market. Niagara Falls reported the largest number of cancellations, followed by Toronto, Montreal and Vancouver. (Pannell Kerr Forester)
- Recent forecasts suggest that Canada's restaurants and bars should prepare for the worst year in a decade. Revenues are expected to be almost flat next year (0.3 per cent growth), down from an earlier projection of 3.8 per cent growth. Establishments that rely on leisure or business travellers are feeling the slowdown right now. Fine dining establishments will feel the pinch first as people shift to more casual restaurants but even the fast-food sector will eventually feel the impact (Canadian Restaurant and Foodservices Association).
- It is estimated that as many as 6,000 of Canada's 30,000 travel agency workers could lose their jobs by the end of this year. Travel agents lost between 40-60 per cent of their business in September. Although the situation has improved in October, volume is still down between 20-40 per cent. It is expected that travel agents and tour operators will not be able to count on the domestic tourism industry to replace the commissions they will lose as a result of a decline in outbound winter travel (Association of Canadian Travel Agents).

Economic fallout (of the September 11, 2001 tragedy)

- Not surprisingly, national consumer surveys conducted in Canada and the U.S. after the attack indicate that consumer confidence tumbled. The responses after September 11th reflected not only the impact of the attack but also a deteriorating economy.
- According to the Conference Board of Canada's Kip Beckman, once Americans get over the initial shock of the terrorist attacks, there is a possibility that confidence could quickly rebound in the months ahead. It is also important to remember that the prime lending rate is at its lowest level since the early 1960s and that the U.S. federal government is poised to spend millions of dollars on re-building efforts. However, for this outcome to transpire, two things have to be avoided: other terrorist attacks and a long, indecisive ground war.
- Economic fallout following the events of September 11, 2001 was swift. While stock market reaction was expected, the extent of layoffs that followed in the industry, particularly within the airline sector was not. The sheer magnitude of the layoffs and accompanying air capacity reductions announced now represent a very tangible constraint to future growth of the industry in the medium term.
- In light of the terrorist attacks, both the U.S and Canadian economic outlook went from bad to worse. While the immediate economic slide following September 11th has now stabilized, massive layoffs, increased unemployment and a decline in consumer confidence have all contributed to the dampened economic outlook for 2002.
- Barring further terrorist attacks and a long-term ground war, it is expected that as economic momentum builds in late 2002, economic growth will exceed 4 per cent in both Canada and the U.S. in 2003. However, if the U.S. becomes involved in a long protracted ground war with an uncertain outcome, the world economy will likely to follow the U.S. into recession.

Government response

- In early October, the Canadian federal government announced an aid package of $160 million to the airline industry as compensation for the temporary closure of airspace following the attacks. The bulk of the aid - about $100 million - went to Air Canada, the country's largest airline.

- Ottawa has recently announced a loan guarantee of up to $75 million for Canada 3000. It has also said it may provide loan guarantees to Air Canada, Air Transat, Skyservice and Westjet. Recent legislation has also been introduced to lift the 15 per cent cap on individual share ownership in Air Canada in an effort to secure greater foreign investment.
- The Canadian Tourism Commission recently requested additional funding for short-term marketing campaigns focussed on the domestic and near-border "rubber tire" markets and has been granted the provision of $15 million to undertake these campaigns where $5 million of CTC redirected funds will be added. The U.S. has also introduced a new U.S. $10 million travel campaign, aimed to stimulate Americans to travel more within their own country and also includes a new bill in Congress that will provide financial incentives for travel within North America.

Opportunities

- One month after the terrorist attacks on September 11th, fewer leisure travellers remain nervous about travelling immediately following the attacks. While these results are somewhat expected, the poll also indicated that promotional offers can be quite successful to lure leery travellers. It was reported 52 per cent of leery leisure travellers could be influenced to travel by airline promotions, while 44 per cent indicated that promotions by hotels and resorts could restore their decision to travel. To a lesser extent, incentives were also found to have an impact on changing the likelihood of altering business travel plans (Yesawitch, Pepperdine & Brown).
- The latest travel intentions suggest that 7.5 per cent of Canadians who are still planning to travel this winter changed their destination from one they originally considered, because of the September 11th terrorist attacks. As a consequence, diverted outbound travel into domestic trips will help offset the impact of Canadians who will decide not to take a trip at all this winter because of travel fears (CTRI).

Overview

In the initial days following the terrorist attacks on September 11, 2001, we remained optimistic that Canada's tourism industry could recover quickly. Despite some parallels to the Gulf War situation in 1991, we believed there were some key differences. We were constantly reminded that this time around our economy was in much better shape and strong growth-now slightly delayed-would be around the corner. Recent surveys conducted by the CTC and CTRI indicate that the fear of travel currently represents a bigger deterrent to travel in the short-term than the economic fallout or reduced industry supply brought on by the events of September 11th. The bad news is that it now appears the chance of a quick rebound-in either the economy or Canada's tourism industry-is unlikely.

Economic fallout following the events of September 11, 2001 was swift. Stock markets immediately singled out tourism suppliers by imposing huge market devaluations. Considering the nervous state of the trading sectors, the exaggerated reaction of the market was expected. However, the extent of layoffs that followed in the industry, particularly within the airline sector as a result of the terrorist attacks, was surprising. The sheer magnitude of the layoffs and accompanying air capacity reductions announced now represent a very tangible constraint to future growth of the industry in the medium term.

While Canada's tourism industry might not have to wait four or five years to recover-like it did back in 1991, admittedly under different circumstances-the likelihood of a quick recovery now appears to be fading. The downside risks associated with the state of world military response loom large.

Consumer confidence

Not surprisingly, national consumer surveys conducted after the attack indicated that consumer confidence tumbled. The Conference Board's U.S. consumer sentiment index fell by close to 17 percentage points in September and by a similar margin for the Conference Board of Canada's consumer confidence survey of Canadians. The responses after September 11th reflected not only the impact of the attack but also a deteriorating economy. Confidence was already on shaky ground in August and the drop in September represents bad news for the entire national economy. As layoffs increase in those industries directly affected by the attack, spending will undoubtedly decrease on goods and services throughout the country. As a consequence, the impact will eventually extend into all pockets of North American society-even areas that had very little direct exposure to the terrorist attacks, such as the rural economy.

According to the Conference Board of Canada's Kip Beckman, the high fatality numbers from the attacks and the unprecedented level of destruction will lead to a longer adjustment period than initially perceived. Once Americans get over the initial shock of the terrorist attacks, there is a possibility that confidence could quickly rebound in the months ahead. It is also important to remember that the prime lending rate is at its lowest level since the early 1960s and that the U.S. federal government is poised to spend millions of dollars on re-building efforts. However, for this outcome to transpire, two things have to be avoided: other terrorist attacks and a long, indecisive ground war.

Consumer (traveller) response

An Ipsos-Reid October survey, commissioned by the CTC, found that of the 14 per cent of Canadian travellers who cancelled or postponed a trip due to the events of September 11, almost 50 per cent intended to travel to the U.S. while 23 per cent were to destinations within Canada. The remainder of cancelled trips were to other international destinations.

The latest travel intentions survey, conducted by the Canadian Tourism Research Institute (CTRI) one month after the attacks, supports the findings of the Ipsos-Reid survey that 13.4 per cent of Canadians who were planning to travel this winter (November 2001 to April 2002) have now decided not to travel due to the terrorist events in the U.S. Fortunately, the findings from this survey indicate that only 4.7 per cent of domestic winter trips are in jeopardy of being cancelled due to the events of September 11th. This contrasts with the survey's finding that 21.1 per cent of U.S. trips and 20.8 per cent of other international trips are at risk over the November 2001 to April 2002 period.

The CTRI travel intentions survey also suggests that 7.5 per cent of Canadians who were planning to travel this winter-and, in fact, are still planning to travel even considering the events of September 11th-have changed their destination from one they originally considered. If Canada is the destination for much of this diverted travel then the balance between fewer Canadians taking domestic trips because of fear may very well be offset by other Canadians now taking a domestic trips because of the perceived safety compared with other international destinations.

In the Ipsos-Reid survey of American travellers, of the 16 per cent of travellers who cancelled or postponed their trip due to September 11th , 88 per cent of those were to U.S. destinations, 7 per cent were to Canada and 28 per cent were outside of North America.

An early October survey conducted by the National Business Roundtable of 400 business travellers and 400 leisure travellers in the U.S. found that recent actions taken by the government and airlines to increase safety have failed to convince many travellers. 37 per cent indicate that air travel safety is the same or less safe compared to September 11th. More disturbing was the fact that 64 per cent of business travellers indicated that even with dramatically increased security measures, they still intend to travel less than before September 11th. One reason might be that despite the heightened attention to security, 79 per cent still think another terrorist attack is "likely".

An American Express poll conducted on more than 100 corporate clients in early October indicated that while the majority (65 per cent) of companies have not suspended or restricted business travel, 35 per cent have. Of those businesses that made changes to their company travel policies, 52 per cent have restricted air travel to essential travel only while another 42 per cent have increased the travel authorization level. Interestingly, 39 per cent of companies have directed employees to use alternative communication to replace travel - chiefly by increased use of video conferencing.

A special report conducted by DRI-WEFA in early October regarding Global Tourism, stated that travel spending in the U.S. is expected to be down 10.5 per cent this year compared with 2000. Domestic travel spending is expected to wind up 9.6 per cent down from last year while international travel spending is expected to be down 15 per cent. While travel spending was already soft heading into September-in fact inbound travel to the U.S. from Europe was down 9.2 per cent in the first half of the year-the analysis by DRI-WEFA heightens the impact the events of September 11th has on the global outlook for tourism, particularly in the U.S.

The outlook presented by DRI-WEFA goes on to suggest that total travel spending in the U.S. in 2002 will still be lower than the travel receipts collected in 2000. While a rebound is expected to take hold by late 2002 in the tourism industry and help make up some of the losses of 2001 and the early part of 2002, the report notes that real growth is only expected by 2003. The analysis states that business travel, excluding convention and conference travel, is expected to be the sector hit hardest over the next 12 months as corporate culture shifts towards a "travel only if you have to" mentality.

Travel supplier response

Airlines

The continent's civilian air system, which was shut down during the week of the attacks, is only now attempting to re-establish itself. Airlines are experiencing turbulent times as travellers cancel plans and insurers hike premiums. Job losses in the tens of thousands have been announced by major airlines as they significantly cut back flights. By mid-October, many airlines were operating most of their routes and capacity was improving. However, the situation is far from normal. The airlines are still losing a considerable amount of money and they continue to operate on a reduced schedule.

In Canada, passenger traffic has been hit particularly hard. According to Transport Canada, transborder traffic was affected the most, dropping 41 per cent in September from the previous year. During the first two weeks of October, it still remains 30 per cent below the same period last year. Domestic travel dropped by 17 per cent in September and still remained 17 per cent below last year in October. International traffic actually worsened in October, falling 15 per cent below the same period last year.

The Federal Aviation Administration (FAA) indicates that U.S. passenger traffic, which dropped by more than half the week of the attacks, still remains 30-40 per cent below previous year levels. Air carrier movement has also dropped between 10-20 per cent as airlines adjust their schedules and aircraft to reflect demand. Recovery of the airlines is expected to be slow due to persistent travel fears and a slow recovery in business and consumer confidence.

Canada 3000 has cut back 20-30 per cent of their flights and has approached other airlines as it withdraws from three markets: Los Angeles, New York and Edmonton. Air Canada has reduced U.S. flights by 20 per cent. Direct flights connecting the technology centres of Ottawa and Boston have been reduced from 49 weekly to twice daily.

Many cut-price airlines are doing better than the major carriers, which rely heavily on high-margin business travel. Companies trying to cut costs have switched to low-cost carriers for business travel. The terrorist attacks had little impact on the flight performance of WestJet Airlines, as the carrier posted increased revenues in September. Its load factor was only down slightly from last year (73 per cent vs. 76.2 per cent last year).

With dwindling passenger numbers, airlines are chopping fares drastically. Many of these bargains apply even during peak periods of Christmas and New Year. Air Canada seems to be in a fare war with itself when it launched Tango, a no-frills airline, and then announced a seat sale of its own in late October.

Other Transportation Suppliers

Immediately after September 11th there was a clear increase in the number of people travelling by train. VIA Rail announced 40 per cent more passengers in central Canada and 70 per cent more in Atlantic Canada. That surge has continued in October on VIA's Montreal-Toronto-Ottawa lines with a 10 per cent increase over last year due partly to the delays at the airports. But, in Eastern Canada the volume is now down by 25-30 per cent over last year. The low volumes on the Montreal-Quebec trains are due to the reduction in overseas traffic coming to see the autumn foliage. In Western Canada, the numbers are about the same as last year with the loss in economy class passengers offset by an increase in first class and sleeper section passengers. The Toronto-London-Windsor corridor is reporting a decrease of 10 per cent from last year due to the decline in cross-border traffic and the downturn in the auto sector.

In the U.S., a chauffeured vehicle service company launched a city-to-city transportation program for business travellers frustrated by crowded trains and delays at airports. Carey International has developed a cost competitive program with the air and rail service for clients who need to travel city to city.

Hotels

The terrorist attacks have created uncertainty in the hotel business as hotels struggle to fill their empty rooms. According to an October survey by Pannell Kerr Forster (PKF) commissioned by the CTC in partnership with the Ontario Tourism Marketing Partnership, hotels in Canada's major urban markets reported over 500,000 room cancellations in September and a further 266,000 in October. Of these cancellations, the majority (54 per cent) are attributed to U.S. visitors, 25 per cent from overseas travellers and 21 per cent from the domestic market. Niagara Falls reported the largest number of cancellations for the two-month period with nearly 145,000 cancelled room bookings, most (82 per cent) from the U.S. Downtown Toronto reported 60,500 cancellations in September and a further 44,000 in October. The downtown areas of Montreal and Vancouver each reported over 86,000 cancellations for the two months.

The PKF survey also reports that 29 per cent of the cancellations in the major Canadian markets were group travellers and 22 per cent were independent leisure travellers. Convention and meeting business reflected 22 per cent of the cancellations while cancelled corporate business amounted to nearly 24 per cent. Government and other sectors accounted for the remaining 3 per cent.

The outlook for convention business took a turn for the worse following September 11th. The Metro Toronto Convention Centre, Canada's biggest, expects revenue to fall 15 per cent behind previous forecasts for the balance of the year. Two major conventions and two smaller events were cancelled following the attacks. Tourism Montreal reported convention business down 20 per cent in September and expected the same results for October. September and October is considered the peak of convention season in many Canadian centres.

According to Smith Travel Research, the resurgence of hotel occupancy in the U.S. following the week immediately after September 11th, has come to a halt. By mid-October, occupancy at American hotels was 63 per cent, down 12.4 per cent a year ago. Although the previous week's occupancy was slightly less at 61.5 per cent, it was down only 10.7 per cent from the previous year. Upscale hotels, which cater to business travellers, suffered the biggest declines. Hotels in the largest markets reported worse results than those in smaller cities because their customers arrive primarily by air.

Fairmont Hotels & Resorts Inc. has reported that its third quarter earnings fell by almost 30 per cent and expects the fourth quarter could be down as much as 80 per cent from last year. Prior to September 11th, CEO William Fatt said hotels were operating at levels 2 per cent behind the performance in 2000. After September 11th, performance fell by approximately 45 per cent. Business has since rebounded, but is still 15-20 per cent below pre-attack levels.

Marriott International reported a 40 per cent drop in revenue in the last three weeks of September and a 25 per cent drop during the first week of October from last year. Marriott International cancelled new hotel construction projects and other major hotel chains quickly followed suit. Hilton reported that 90 per cent of its cancellations were for stays in September and October with approximately 40 per cent of these cancellations re-booked for other dates. Economy hotels such as Days Inn and Motel reported a 10 per cent decline in room revenue.

In the meantime, hotel executives are weighing the near-term effects of the crisis on the negotiations for 2002 rates. Either hotel companies will be under less pressure to offer conducive rates for 2002 (if travel demand doesn't rebound from the present levels and volume commitments for 2001 aren't met), or rates will be reduced in an effort to fill empty room nights.

Restaurants

According to the Canadian Restaurant and Foodservices Association (CRFA), Canada's restaurants and bars should prepare for the worst year in a decade as consumers rein in discretionary spending. The latest forecast by the CRFA, states the revenues in the $40-billion a year food sector are expected to be almost flat next year (0.3 per cent growth), down from an earlier prediction of 3.8 per cent. Sales this year are expected to slow to just 1.7 per cent in the third quarter and decline by 0.7 per cent in the fourth quarter compared to last year. The CRFA reports establishments that rely on leisure or business travellers are feeling the slowdown right now. Fine dining establishments will feel the pinch first as people shift to more casual restaurants. However, the fast-food sector will eventually feel the impact as well. According to Statistics Canada, tourism accounts for about 18 per cent of total restaurant and hospitality revenues.

In New York, the hospitality trade has been devastated and numerous restaurant wait staff are out of work. As a result, the city's convention and visitors bureau announced a promotional "I Love NY Restaurant Week" in mid-October. That campaign has since been extended until the end of the month. The promotion has so far resulted in a 46 per cent increase in patrons and a 39 per cent jump in total sales at the more than 150 participating restaurants.

Travel Agents

As many as 6,000 of Canada's 30,000 travel agency workers could lose their jobs by the end of this year according to the Association of Canadian Travel Agents (ACTA). Travel agents lost between 40-60 per cent of their business in September. Although the situation has improved in October, volume is still down between 20-40 per cent. It is believed travel agents and tour operators cannot count on the domestic tourism industry to replace the commissions they will lose as a result of a decline in outbound winter travel. They are also particularly vulnerable to heightened international conflict.

On-line agency, Travelocity, has reported ticket sales are currently at 80-90 per cent of pre-September 11th levels. These levels are still below what they would expect for October-normally their busiest travel purchasing month of the year.

Economic fallout

The travel and hospitality sector in both the U.S. and Canada suffered a serious hit after the attacks. The ripple effects from this will impact many other sectors of the North American economy before an economic recovery takes hold.

U.S economic outlooks have gone from bad to worse. While the immediate economic slide following September 11th has now stabilized, real economic growth forecasts for 2002 have slowed from 2.7 per cent to 1.4 per cent. Massive layoffs, increased unemployment and a decline in consumer confidence have all contributed to the dampened economic outlook for 2002.

Barring further terrorist attacks and a long-term ground war, it is hopeful that U.S. monetary and fiscal policy will prove sufficient in supporting economic recovery. In fact, as momentum builds in late 2002, economic growth is expected to reach 4.2 per cent in 2003-assuming consumer confidence can be fully restored. If the U.S. becomes involved in a long protracted ground war with an uncertain outcome, however, business and consumer confidence is expected to keep declining well into 2002 with the world economy likely to follow the U.S. into recession.

In Canada, the economic impact of the terrorist attacks has been similar to that of the U.S. Job losses, a decline in consumer confidence and further political and economic uncertainties will negatively impact consumer spending and ultimately the performance of the Canadian economy. Fortunately, the short-term fallout is expected to largely be contained and we do not expect the Canadian economy to slip into a full-blown recession in 2002. While our outlook for economic growth in Canada has slipped from 1.5 per cent to 1.2 per cent for next year, we anticipate the economy to build momentum by late 2002, leading to strong 4.3 per cent growth in 2003.

Government response

Tourism in some parts of Canada plunged 50 per cent in the aftermath of September 11th, forcing governments to scramble to find ways to help an industry that pumped more than $54-billion into the economy last year.

Canadian federal government

The importance of the airline industry to the economic vitality of a nation is obvious. Even before the attacks, the airline industry was expecting big losses. However, after the attacks, it was inevitable that governments would need to provide some assistance to the airlines. Insurance costs have escalated, forcing many governments to underwrite the risks born by carriers.

In early October, the Canadian federal government announced an aid package of $160 million for the entire airline industry as compensation for the temporary closure of airspace following the attacks. The bulk of the aid - about $100 million - went to Air Canada, the country's largest airline.

Ottawa has also announced, in late October, a loan guarantee of up to $75 million for Canada 3000, fearing it would go under if it did not get help. In announcing the deal, the Transport Minister said the airlines bookings for Christmas and beyond are strong enough that it could become profitable next year. Canada 3000 is the only alternative domestic jet service to many cities and regions in Canada and the only major carrier competing directly with Air Canada at Toronto's Pearson airport and Montreal's Dorval airport.

Ottawa has also said it may provide loan guarantees to Air Canada, Air Transat, Skyservice and Westjet. It has also introduced legislation to lift the 15 per cent cap on individual share ownership in Air Canada so that it can secure greater foreign investment.

U.S. government

After intense lobbying, the American government used emergency powers to provide airlines with $5 billion in cash to cover immediate losses sustained when all flights were grounded. There has also been the promise of $10 billion more in federal loan guarantees to airlines. Some car rental companies are now asking for loan guarantees as well.

A new $10 million campaign has recently been launched to stimulate more Americans to travel within their own country. The "Travel America Now" campaign was introduced as legislation by two Senators. A new bill in Congress is requesting increased small business loans, a $500 tax credit for travel in North America and the temporary restoration to fully deduct business entertainment expenses.

Canadian Tourism Commission

With the reluctance of consumers and businesses to travel abroad or to long haul destinations, governments remain determined there is a need to maintain or stimulate domestic travel with marketing resources. Domestic travellers in Canada represent about 70 per cent of the tourism revenue.

It is felt short-haul travel by automobile from the United States could be successfully persuaded to seek relief in a safe and secure environment not far from home. In light of this, the Canadian Tourism Commission has requested additional funds and granted the provision of $15 million as part of a $20 million for short-term marketing campaign focussed on the domestic and near-border "rubber tire" market. Of the total amount, $5 million are redirected funds from the CTC.

Canadian provincial governments

One of the hardest hit regions is Ontario, where areas bordering New York and Michigan are seeing significant short-term losses. The Ontario government has invested $3.6 million in an advertising campaign to promote Ontario to Canadians and convince Americans that it is safe to visit the province. David Christopherson, a New Democrat MPP, urged the Ontario Conservatives to combine the advertising campaign with a three-month reprieve on the province's 8 per cent retail sales tax on meals to encourage people to dine out.

Quebec has spent $320,000 on a radio and newspaper campaign aimed at enticing Quebec's residents to stay in Quebec. The English tag line will be "Quebec in autumn, it's just perfect".

While provincial campaigns increasingly turn to selling Canada to Canadians, this opportunity may not be as lucrative an alternative for tour operators, travel agents and airlines. ACTA president Randy Williams asked Ottawa on October 30 to create a $20 million compensation fund for travel agencies because of revenues lost following September 11th. Mr. Williams has asked that Ottawa create the fund so individual agencies could apply for compensation based on their volume of business during the same one-week period last year.

Canadian municipal governments/visitor and convention bureaux

Tourism Toronto is increasing spending to $2 million from last year's $1.6 million to promote its annual Mix 'N' Match Getaway program. Twenty-two participating hotels are offering special rates, all including breakfast, through March 2002.

Tourism Vancouver, which expects to lose revenues between $200-300 million in the last quarter of this year, has launched a pilot program for the fall to focus more on "rainy season diversions" such as shopping, dining, sports, etc. instead of the usual emphasis on the "Entertainment Season".

Opportunities

According to the Ipsos-Reid survey, there is a significant segment (71 per cent) of Canadians who are likely to travel within Canada in the next six months. This, the survey suggests, could represent over 50 million domestic travellers in Canada, although a large portion of those surveyed have still not made a firm decision to travel. The survey's results of American travellers found that 27 per cent are very likely or somewhat likely to consider visiting Canada in the next six months. Most of this potential to visit Canada comes from the Northeast region of the U.S with the purpose of their trip being primarily for pleasure. The survey suggests that based on 2000 levels of American outbound travellers, this could potentially represent 13.6 million Americans travelling to Canada.

According to the National Business Roundtable (NBR), an overwhelming 76 per cent of business and leisure travellers indicated that the travel industry responded with "better than expected" efforts to try and restore confidence in the travelling public. While the success of these efforts have been challenged by the magnitude of travellers fears, the situation could be potentially worse without the industry being proactive.

A poll conducted by Travelocity on 2,000 Travelocity.com members in early October indicated that U.S. Thanksgiving travel plans are still strong, with an even higher percentage of travellers intending to travel by air this year compared with last year. In fact, of those that intend to travel, almost 44 per cent have already finalized travel arrangements-a figure that is higher than last year. Web-savvy customers (like Travelocity.com members) might represent one travel segment that can rebound quicker in this time of uncertainty.

A national poll conducted one month after the terrorist attacks on September 11th by Yesawitch, Pepperdine & Brown on 800 adult travellers indicates that fewer leisure travellers remain nervous about travelling than an earlier poll conducted on September 13th. While these results are somewhat expected, the poll also indicated that promotional offers can be quite successful to lure leery travellers. It was revealed that 52 per cent of leery leisure travellers could be influenced to travel by airline promotions, while 44 per cent indicated that promotions by hotels and resorts could restore their decision to travel. To a lesser extent, incentives were also found to have an impact on changing the likelihood of altering business travel plans.

Obviously, a travel operator will need to weigh the benefits of price reductions against the costs. For many, the extent of price cuts necessary to attract international travellers in the short-term may not be prudent. However, for operators that rely on domestic travel or the "rubber tire" U.S. market reducing prices may prove to be successful, especially if market share can be gained.

Summary

While Canada's tourism industry might not have to wait four or five years to recover-like it did back in 1991-the possibility of a quick recovery now appears less likely. Domestic travel and travel from U.S. border states seem to hold the most faith for Canada's tourism industry in the short-term. While travel suppliers will undoubtedly feel the economic crunch of fewer international visitors, some relief can be obtained by directing more attention to domestic travellers and those from neighbouring U.S. states.

Unfortunately, our short-term outlook for business travel remains pessimistic due to air capacity constraints, possible airfare increases and a heightened emphasis towards essential business travel. The upside potential is that business and consumer confidence could rebound with a stronger economy and a quick resolve to the war on terrorism. However, until then the full impact that September 11th terrorist attacks and the war on terrorism will have on a travellers psyche remains to be seen.