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CTC Tourism Intelligence Bulletin – Issue 8: July 2002

The Tourism Intelligence Bulletin continues to monitor the tourism industry around the world. This issue reveals tourism intelligence gathered in May and June 2002.

Business travellers hold the key to a stronger recovery

Executive Summary

- Most travel suppliers in Canada agree that a complete rebound in Canada's tourism industry will happen only once business travel gets back on track. However, that is not likely to happen until key obstacles are overcome. Among other things, these obstacles include weak economic and financial conditions, constrained corporate-travel budgets and a persistent reluctance by business travellers to take to the air because of security issues and stress.
- With respect to the economy, the good news for Canada is that we are in a better position than the United States for a quick recovery. However, even once the economy fully recovers and business conditions improve, emerging research indicates that suppliers may find themselves operating in a new business-travel environment, one in which many of the changes they see now become permanent.
- While wooing business travellers back will still take some work, we feel confident that business travel will eventually rebound. However, we also expect that business travel will be seen increasingly as a corporate investment. In this regard, it is a job function that will need to provide a tangible return on investment. As well, business travellers are searching for-and using-alternatives to travel. Rising airfares are not helping the recovery.

Emerging Trends and Issues -Business travel faces a bumpy road to recovery

- Because of the uncertain economy, managers are now scrutinizing travel expenditures much more closely. In fact, many managers are taking a more strategic approach toward travel-in some cases calculating a return on investment (ROI) to determine whether or not a trip should be taken at all. A survey by the Association of Corporate Travel Executives (ACTE), BusinessWeek Research and GetThere (a Sabre company), reported that 18 per cent of financial executives surveyed now use some measure of ROI for business travel.
- Alternatives to travel are now starting to emerge as a complement to business travel, especially for internal or regularly scheduled meetings where the participants are familiar with each other. Surveys done since September 11th are reporting that conference calls, video conferencing and Web conferencing-and, in fact, any technology that brings people together without leaving an office-are on the rise. In fact, we expect the progress made in this area will lead to some permanent changes in the way companies conduct long-distance business.

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Consumer (traveller) overview

- The business traveller still holds the key to a full economic recovery in both Canada and the United States. Until they are wooed back-and they will have to be wooed-the industry will continue to stumble. According to the 2002 U.S. Business Travel Survey by the Business Travel Coalition, 90 per cent of respondents reported it would take a 25 per cent cut in fares and the elimination of airport-security delays for them to increase their flying. In fact, four out of five business travellers reported they expect to fly less this year.
- Leisure travellers are getting back to basics this summer with family travel and the great outdoors expected to be particularly popular. Even though the usual impediments to travel still exist, modest growth in leisure travel is expected this summer in both Canada and the United States. In Canada particularly, we expect travellers to rely on automobile travel since airfares have increased dramatically in the past few months. With leisure travel being especially price sensitive, the rebound in air travel has been slower than expected.

Travel supplier overview

- In Canada, both business and leisure air travellers are looking to no-frills airlines in their search for low-cost alternatives. The Bank Settlement Plan (BSP), the agency that tracks airline tickets sold through travel agencies, reported that domestic airfares increased 25 per cent in April compared with last year. Approximately 7 per cent of that increase can be attributed to the new air-security tax. Despite discounting and marketing by the airlines in the United States, pleasure- and business-travel traffic and capacity are expected to continue to be down this summer.
- Hotels in Canada are fairing better than their counterparts in the United States. However, how much an individual hotel property has recovered depends upon its regional location, the economic sector it serves and the price point it delivers. Overall, luxury hotels continue to bear the brunt of the economic downswing and the corresponding slowdown in business travellers. Meanwhile, according to Pannell Kerr Forster Consulting Inc., budget hotels in April saw occupancy rates increase by 3.8 per cent while their average daily rates grew by 2.3 per cent compared with last year.
- Travel agents continue to redefine their roles and functions within the tourism industry as revenues from traditional sources continue to shrink. According to IATA's Bank Settlement Plan (BSP), even though the number of outbound international tickets sold for leisure travel increased in May, compared with last year, all other sectors (domestic leisure and business travel, leisure and business travel to the U.S., and international business travel) registered declines. In a rather desperate move, the Canadian Standard Travel Agent Registry (CSTAR) filed a class-action lawsuit on behalf of Canada's 3,700 accredited travel agents against airlines in Canada and the U.S. that have eliminated commissions paid to travel agents. The lawsuit alleges that since 1995, the airlines have engaged in a conspiracy to reduce and eventually eliminate commissions.

Economic Overview

- The strong trade linkages between Canada, Mexico and the United States resulted in much weaker growth for all three trading partners because of last year's U.S. economic downturn. Mexico recorded economic growth of -0.3 per cent while Canada posted growth of only 1.5 per cent. Fortunately, economic activity is expected to rebound this year, particularly in the latter half of the year, in line with an economic recovery in the U.S. By 2003, real GDP in North America is expected to increase by 3.6 per cent.
- The recovery in Euroland to date has turned out to be much weaker than anticipated. Economic recovery has been extremely uneven with Spain, France and Italy showing the most promise. The northern part of the region, including Germany and the Netherlands, is experiencing significant weakness mainly because their manufacturing sectors are in trouble. This year, the euro area is expected to expand by 1.4 per cent before rebounding by 2.7 per cent in 2003.
- The recovery in most Asia-Pacific economies is now clearly underway as exports strengthen and domestic demand is solid for many countries. Gross domestic product (GDP) growth forecasts for this year have risen for eight of the 12 major countries, with the one major exception being China. Stronger exports have resulted in improvements in the outlook for both the trade sector and the current account balances.

Opportunities

- As the hotel industry starts on the road to recovery, creating packages to encourage business travellers to become leisure travellers is a strategy recommended by Richard Helfer, Chief Executive Officer of Raffles International Hotels and Resorts. Since Americans are getting back to basics, holidays take on new significance and offer an opportunity to create some extended-stay packages for business travellers and those who bring their families.
- According to a survey by Avis Rent A Car, many American leisure travellers are expected to take multiple short trips this summer rather than one long trip. To capitalize, Canadian suppliers close to the U.S. border should consider developing and marketing unique and exciting get-away packages for American families.
- A new study by TripAdvisor indicates that on-line travel marketers need to track consumer Web-site visits over time to better measure marketing-campaign performance. The study found that consumers often take as long as a month after their initial Web-site visit to purchase "complex" on-line travel products such as hotel and vacation packages. Updating Web sites with new product offerings or packages will keep potential consumers interested during their browsing phase.
- Helping to eliminate stress for travellers has proven to increase customer satisfaction. Recognizing that travellers will likely be stressed upon arrival at their destination presents unique opportunities for suppliers. According to the Imodium National Stress Index, Americans cited finding a bathroom, poor directions and getting lost as stress inducers during road trips. Enhancing customer satisfaction for these guests could be as simple as providing pre-trip maps or guides or even indicating bathrooms along major auto routes.

In Brief

Most travel suppliers in Canada agree that a complete rebound in Canada's tourism industry will happen only once business travel gets back on track. However, that isn't likely to happen until key obstacles are overcome. Among other things, these obstacles include weak economic and financial conditions, constrained corporate-travel budgets and a persistent reluctance by business air travellers to take to the air because of security issues and stress.

With respect to the economy, the good news for Canada is that we are better positioned than the United States for a quick recovery. Indeed, many regions of Canada registered only temporary slowdowns after September 11 as many sectors felt relatively little impact from the events of that day and the general economic slowdown. However, even once the economy fully recovers and business conditions improve, emerging research indicates that suppliers may find themselves operating in a new business-travel environment, one in which many of the changes they see now become permanent.

In the United States, the current outlook is even gloomier. For instance, much of the tourism industry continues to report that volumes, revenues and bookings are down. In fact, PriceWaterhouseCoopers recently downgraded its forecast for the U.S. hotel industry because demand for hotel rooms, particularly by business travellers, continues to fall short of expectations.

Even with the usual impediments such as heavy workloads and tight budgets, leisure travel is still expected to lead the recovery in the tourism industry on both sides of the border. Surveys reveal that the majority of Canadians and Americans still plan to take vacations, albeit shorter trips that are closer to home and, for the most part, do not include air travel.

However, the tourism industry generally agrees that a full recovery is not possible until the business traveller is wooed back. All around the world, business travellers are searching for-and using-alternatives to travel. Rising airfares will only stall the recovery in business travel and contribute toward creating permanent change within the business-travel market.

Emerging Trends and Issues

Business travel faces a bumpy road to recovery

Traditionally, business travel leads the pack following an economic slowdown. This time, however, business travel seems to have staggered out of the gate, stumbling along behind leisure travel in its efforts to get up to speed.

While the business-travel segment as a whole has been slow to recover, not every sector is dragging its heels. Even as business travel in the telecommunications, high-technology and business-consulting sectors remains weak, business travel in the automobile-manufacturing, oil and gas, and biopharmaceutical sectors is rebounding sharply.

Economy stalls business travel recovery

Both business travellers and suppliers agree that the primary impediments to a full recovery include an uncertain economy, the cost and inconvenience of business travel, and the preference to travel only when essential. The Yesawich, Pepperdine & Brown/Yankelovich Partners 2002 National Travel Monitor released in April stated that out of all the impediments, the economy is, by far, the biggest concern.

The majority of recent surveys indicate that economic concerns by businesses will have to relax before a full recovery can take place. Indeed, corporate-travel managers surveyed by the National Business Travel Association in the United States reported that 72 per cent agree that a stable economy must prevail before travel expenditures return to their customary levels.

Because of the uncertain economy, managers are still scrutinizing travel expenditures much more closely. In fact, many managers are taking a more strategic approach toward travel-in some cases calculating a return on investment (ROI) to determine whether or not a trip should be taken at all. A survey by the Association of Corporate Travel Executives (ACTE), BusinessWeek Research and GetThere (a Sabre company), reported that 18 per cent of financial executives surveyed now use some measure of ROI for company business travel.

Travel price increases aren't helping

Strategic thinking means analyzing all aspects of business travel. With the overall cost of air travel increasing-not helped by extraneous charges that fund everything from security and airport improvement to aircraft fuel-it's no wonder that some corporations are continuing the policy of funding essential travel only. Even chief executive officers are found on economy seats these days.

However, it is not just the economy and the high cost of travel that is stalling the full recovery of the business-travel industry. Security measures translate into travel inconvenience, something that is not very attractive to business travellers. The Yesawich, Pepperdine & Brown/Yankelovich Partners' 2002 National Travel Monitor reported that 32 per cent of business travellers feel that new security measures make business travel "a big hassle" and 18 per cent actually report flying less because of the associated inconveniences. In fact, only 1 per cent of business travellers indicated that they felt that flying was unsafe. Given increased inconvenience, inconsistency among security procedures at airports and the hurry-up-and-wait syndrome, the incentive to jump on a plane to visit a client is-not surprisingly-low.

Business travel alternatives on the rise

Video conferencing has been around for many years but is an alternative technology that has not lived up to its initial billing as a replacement for business travel. However, alternatives to travel are now starting to emerge as a complement to business travel, especially for internal or regularly scheduled meetings where the participants are familiar with each other.

Surveys done since September 11 are reporting that conference calls, video conferencing and Web conferencing-and, in fact, any technology that brings people together without leaving an office-are on the rise. In fact, we expect the progress made in this area will lead to some permanent changes in the way companies conduct long-distance business.

The new reality

Robert Milton himself, president and CEO of Air Canada, isn't that bullish on the short-term outlook for business travel. He told analysts during a recent conference call that it's going to be some time before business travel recovers completely.

Business travellers hold the key to a stronger recovery

As a result, Air Canada, like many other airlines worldwide, is taking measures to compensate for the lost business-travel revenue. The company has removed the business-class cabin from a number of domestic aircraft and reduced the number of business-class seats offered on others.

But will business class on domestic flights make a significant comeback? If it does, it will be on the business traveller's own terms. Traditional restrictions on business-class fares are slowly disappearing as business travellers revolt. The bane of business travellers looking for a reasonable fare—the required Saturday-night stay over—is disappearing from some carriers' requirements. America West Airlines, British Airways (on domestic flights from Heathrow and Gatwick) and the no-frills airlines have all removed the requirement.

A look ahead

Business travel will rebound. However, we now expect that business travel will be seen increasingly as a corporate investment. In this regard, it is a job function that will need to provide a tangible return on investment.

In light of the impediments still in place, significant growth in overall business travel will not be seen until next year. Part of the recovery process for tourism suppliers will be to determine which of the current changes to their businesses are permanent and which ones are temporary.

Consumer overview - Canada and the United States

Business Travellers

The business traveller still holds the key to a full economic recovery in both Canada and the United States. Until they are wooed back—and they will have to be wooed—the industry will continue to stumble, albeit more so in some segments than others. Business travellers, operating in an environment of reduced corporate-travel budgets, weak economic perceptions and the inconvenience of travel have discovered options and alternatives, many of which are likely to become permanent.

According to the 2002 U.S. Business Travel Survey by the Business Travel Coalition, 90 per cent of respondents reported it would take a 25 per cent cut in fares and the elimination of airport-security delays for them to increase their flying. In fact, four out of five business travellers reported they expect to fly less frequently this year. For those who have already cut back their travel, 73 per cent cited expensive airfares as an "important" or "very important" reason while a little more than half cited airport time and security inconveniences as the factors keeping them on the ground.

The 2002 U.S. Business Travel Survey also reported that 71 per cent believe low-fare airlines had improved their products over the past five years while only 56 per cent of those surveyed believed the major airlines had improved. Nearly 80 per cent also felt they received at least good value, if not more, from low-fare carriers. Less than one-half said the same about major carriers. Business travellers cited price and scheduling convenience as being more important than frequent flights. Respondents also indicated they were willing to book further ahead to take advantage of cheaper fares.

A recent survey by American Express reported that two-thirds of companies surveyed reported they are encouraging employees to book an inexpensive non-refundable ticket rather than paying for a full-fare flight. Corporate-travel managers in the United States will be encouraged by a recent projection from a report by Runzheimer International that, unlike Canadian airfares, US airfares will fall by 5 per cent this year. Overall travel costs, including airfares, lodging, meals and car rentals, are expected to fall by 3 per cent.

According to a survey by the Association of Corporate Travel Executives (ACTE), BusinessWeek Research and GetThere, when reducing overall corporate spending, 64 per cent of financial executives responded that travel was one of the first line items to be cut, second only to advertising and marketing. Furthermore, 64 per cent of most financial executives, report that they limit their employees' travel to reduce costs.

Leisure Travellers

Leisure travellers are getting back to basics this summer with family travel and the great outdoors expected to be particularly popular. Even though the usual impediments to travel still exist, modest growth in leisure travel is expected this summer in both Canada and the United States. When travelling to their destinations, most leisure travellers in both countries will rely on their cars. In Canada particularly, we expect travellers to rely on automobile travel since airfares have increased dramatically in the past few months. With leisure travel being especially price-sensitive, the rebound in air travel has been slower than expected. However, the introduction of two new regional airlines in Canada should help spur domestic air travel.

According to the 2002 National Travel Monitor produced by Yesawich, Pepperdine & Brown/Yankelovich, over one-third of American leisure travellers say they are planning to take more trips in the next year. If that happens, leisure travel in the U.S. will increase 6 per cent compared with last year. A survey by Travelocity indicated 9 per cent more respondents intend to take vacations this summer compared with last summer.

Meanwhile, the Travel Industry Association of America's (TIA) Summer 2002 Travelometer indicated that 87 per cent of Americans, up 8 per cent from last year, plan to take at least one trip this summer. TIA's Travelometer indicates that most summer travel will be by car (76 per cent), while 19 per cent intend to travel by air (down from 22 per cent last summer). When travelling by car, TIA indicates that travellers will take shorter trips and nearly one-half indicated that they plan to stay closer to home.

Spending time with family, especially at reunions or in the outdoors, will be popular family vacation activities this summer. The Travelometer reported that 37 per cent of summer travellers intend to go to a family reunion-up from 25 per cent last summer. A survey by Travelocity indicated that visiting loved ones at a family reunion was the most popular of all activities surveyed. Participating in outdoor activities as a way to strengthen family relationships was cited by 88 per cent of parents with children between the ages of 4 and 14 in a survey by Recreational Equipment Inc. (REI). Camping ranked as the number one outdoor family experience over hiking, biking and fishing. According to the 2002 National Travel Monitor, national parks were second in top individual destinations for leisure travellers this summer—only the Hawaiian Islands placed higher.

During the summer, Americans will be seeing television and hearing radio ads from the National Tour Association reminding them that travel is one of their most fundamental freedoms. The ads for "Travel...the perfect freedom" will run throughout the summer across the United States.

The 2002 American Express Leisure Travel Index, meanwhile, reported that the ideal vacation for Americans involves spending quality time with family (58 per cent of respondents) and relaxing (57 per cent of respondents).

When booking their holidays, the 2002 National Travel Monitor reported that leisure travellers are more likely than ever to purchase their travel on the Internet. The Monitor revealed that nearly one-third of leisure travellers purchased travel on-line over the past 12 months, up from 25 per cent the year before. The most common on-line purchase was airline reservations.

In the United States, D.K. Shifflet & Associates reported 35 per cent of respondents would "very much" consider travelling to Canada in the next six months. For April, however, Statistics Canada reported that international travel to Canada was down approximately 10 per cent compared with the same month one year earlier. Part of the decline can be attributed to the timing of Easter.

Fortunately, overnight travel from the U.S. during the first four months of the year is up slightly, particularly because of the strength of automobile travel.

Finally, it's also worth noting that Canada continues to outrank other countries in terms of safety.

Travel-supplier overview - Canada and the United States

Airlines - Canada

In Canada, both business and leisure air travellers are searching for low-cost alternatives, such as no-frills airlines. The Bank Settlement Plan (BSP), the agency that tracks airline tickets sold through travel agencies, reported that domestic airfares increased 25 per cent in April compared with last year. Approximately 7 per cent of that increase can be attributed to the new air-security tax. The airfare increases may be moderated somewhat by the introduction of two new regional carriers.

Two carriers—one new, one revived—started flying in June. CanJet, which was launched in 2000 and folded last year, has started offering its service again through points in central and eastern Canada. Its four planes service Toronto, Ottawa, Halifax, Moncton and St. John's. JetsGo, a new airline, provides service across Canada, servicing Toronto, Montreal, Halifax, Sydney, Stephenville, Winnipeg and Vancouver. WestJet, an established low-fare carrier, commenced service to Toronto in May.

Competition could soon stiffen on dozens of international routes because the Transport Minister has announced changes to federal rules that presently designate just one Canadian carrier—usually Air Canada—to fly scheduled service between Canada and most other countries. While the new rules won't immediately mean competition—there simply aren't enough passengers on most routes—it is hoped that it will eventually encourage competition, innovation and growth in the Canadian airline industry.

Air Canada reported its revenue passenger miles (RPMs) increased by 4.1 per cent in May, compared with last year, while capacity declined by 0.3 per cent. Transatlantic traffic grew by 5.6 per cent while transpacific traffic posted a 21.8 per cent gain. This is good news as Air Canada reported an operating loss of \$160 million for the first quarter of this year—this despite business-class airfares that increased 12.9 per cent in the quarter compared with one year earlier and leisure fares, excluding those booked over the Internet, that were up 20 per cent. WestJet increased its general fares by 3 per cent in May.

Transat AT Inc., the parent company of Air Transat, announced a CDN\$ 3.3 million loss for the six-month period that ended April 30 compared with a net income of CDN\$ 15.9 million for the same period one year earlier. However, second quarter results, which exclude the winter season, reported a net income of CDN\$ 14.2 million compared to a decrease of CDN\$ 2.3 million for the same first quarter one year earlier.

Airlines - U.S.

Despite discounting and marketing by the airlines in the United States, pleasure- and business-travel traffic and capacity are both expected to continue to be down this summer. Fares are also expected to decrease this summer despite repeated attempts to increase airfares by Continental, American, Delta and Frontier—attempts that have been blocked by other airlines including Northwest.

Despite their financial problems, the six largest U.S. carriers have nevertheless maintained their air fare structures, something analysts and consumers have been recommending as a way to get consumers flying again and move toward profitability. According to American Express, a five-to-one ratio still exists between business and leisure fares, consequently frustrating corporate-travel managers. The majors argue that increasing taxes, security-related costs, insurance rates and revenue losses from government policy decisions (reduction of mail and freight, for example) and even the Railway Labour Act of 1926 all prevent them from returning to profitability. A key strategy by airlines that are profitable in the U.S. is the decision to fly only one type of aircraft, allowing them to cut training costs considerably.

In June, the U.S. Air Transport Association reported that airline traffic continued to decrease in May (-8.7 per cent) compared with one year earlier. Capacity continued to decline as well, down 10.7 per cent in May. Meanwhile, the average domestic and international airfare paid also continued to slide downward (-9.5 per cent and -3.8 per cent respectively) in May compared with one year ago.

Business travellers hold the key to a stronger recovery

While US Airways reported the largest decline among the nine major carriers for revenue-passenger miles (RPM) in May, all major United States airlines are suffering.

Airline	Revenue-passenger miles May 2002 vs. May 2001	Capacity and available seat miles May 2002 vs. May 2001
US Airways	-17.1%	-20.6%
United Airlines	-13.9%	-17.2%
American Airlines	-11.1%	-12.3%
Northwest Airlines	-8.8%	-11.2%
Continental Airlines	-8.3%	-9.9%
America West Airlines	-3.9%	-3.8%
Southwest Airlines	+4.4%	+4.3%

AirTran Airways launched its first business-class seat sale with discounts on five-day advance-purchase tickets. Unlike traditional business-class fares, AirTran does not require a roundtrip purchase or a Saturday-night stay in order to take advantage of the sale. Other airlines are attempting to woo business travellers back, as well. United Airlines offered two free economy tickets with the purchase of a full-fare business-class ticket on a trip made before the end of June. Delta Airlines, on the other hand, announced special business-class fares to international destinations.

As in Canada, almost all the U.S. airlines are opposing the doubling of the passenger-security tax on airline travellers. The carriers feel that airline security is part of national security and law enforcement and therefore citizens should not be charged directly for police services. They also believe that the tax will hinder the airlines' return to financial health as it will discourage people from flying. In June, US Airways, United Airlines and America West Airlines all asked the federal government to guarantee loans as part of the \$10 billion (CDN\$ 15.2 billion) bailout package approved by Congress last fall.

Efforts to reduce costs are evident at both Delta Airlines and American Airlines. Both plan to stop issuing paper tickets for all travel itineraries where e-tickets are available in an effort to push e-ticket adoption closer to 100 per cent. To convert an e-ticket to a paper ticket will cost a traveller extra money. According to Delta, 75 per cent of its customers currently use e-tickets.

Southwest initiated its first nonstop transcontinental flight with two daily flights from both the Baltimore Washington International Airport and the Los Angeles International Airport. It is hoped the long-haul flight will stimulate new business travel. Meanwhile, Virgin Atlantic Airways chairman, Richard Branson, announced plans to launch a low-cost airline in the United States within two years.

Jupiter Media Metrix launched a new composite rating index to allow airlines to assess their Web-site competitive strengths by determining scores relating to the number unique to visitors, usage frequency, customer loyalty, on-line sales and on-line growth. In the first report released in June, Southwest Airlines, American Airlines and JetBlue Airways were the top three carriers on the index.

The airlines may have less competition on one front as Amtrak announced in June it may have to stop accepting passenger reservations to prepare for a system-wide shutdown in the summer or fall unless a \$200 million (CDN\$ 304 million) loan can be secured.

Hotels - Canada

Hotels in Canada are fairing better than their counterparts in the United States. However, how much an individual hotel property has recovered depends upon its regional location, the economic sector it serves and the price point it delivers. Overall, luxury hotels continue to bear the brunt of the economic downswing and the corresponding slowdown in business travel.

According to Pannell Kerr Forster Consulting Inc., average daily rates in April decreased 0.8 per cent for Canadian luxury hotels while occupancy rates remained stable. On the other hand, budget hotels saw occupancy rates increase by 3.8 per cent while their average daily rates grew by 2.3 per cent. From a regional perspective, luxury hotels in Atlantic Canada fared much better than their western counterparts. Part of the reason is that Atlantic Canada is currently experiencing a strong economic upswing in the oil and gas sector.

Royal Host Real Estate Investment Trust reported a loss of \$2.36 million for the first quarter of this year, compared with a loss of \$2 million last year. Royal Host attributed the loss to the slowdown in business travel.

Four Seasons Hotels reported a profit of \$7.7 million in the first quarter compared with \$17 million one year ago. Four Seasons also cited a weak business-travel market but despite the slowdown, Four Seasons does not expect its room rates to fall this year from 2001 levels.

CHIP REIT (Canadian Hotel Income Properties-Real Estate Investment Trust) announced a decline of 5.3 per cent in revenue per available room while income for the first quarter declined to \$3 million from \$4.4 million last year. Regionally, Alberta posted the strongest growth while Ontario, Atlantic Canada, Saskatchewan and Manitoba all reported a decline in revenues.

Hotels - U.S.

The early optimism for a quick recovery in the accommodation sector has all but fizzled recently as witnessed by the share prices of major hotel chains. Analysts hammered stock prices on concerns about the slower-than-anticipated recovery in business travel. City-centre luxury hotels are struggling more than most. Similar to the airlines, hotels will have to woo back the business traveller in order to enjoy a full recovery. In response, hotels are starting to offer additional room nights at no extra cost or complementary breakfast as incentives.

As previously stated, PricewaterhouseCoopers (PWC) even lowered its 2002 outlook for U.S. hotels. PWC now expects that overall room revenues will contract further this year, rather than grow as it originally thought. Overall, occupancy levels this year are also expected to drop by 0.3 per cent.

Cost-cutting measures implemented last year such as job elimination, the reduction of employee hours and a reduction in restaurant operations, prevented results that could have been much worse.

On a slightly more positive note, Ernst & Young released its 2002 National Lodging Forecast that anticipates that the hotel industry will begin to return to normal over the next 12 months. This year, supply growth is anticipated to moderate as projects under development decline in response to a tighter lending environment.

Presently, there are fewer hotel rooms under construction than at any time during the last three years. For the luxury-hotel sector, Ernst & Young forecasts further occupancy and rate declines this year compared with last year. The pressure on the bottom line has forced some owners and operators to offer room blocks through on-line clearinghouse services, a trend that is expected to continue.

According to PKF Consulting and Hospitality Research Group, the typical U.S. hotel will suffer an 11 per cent decline in operating profits this year compared with last year. This is based on an estimate of flat occupancy and a 4.6 per cent drop in average daily room rates. This is on top of last year's results that saw the typical U.S. hotel suffer a 19.4 per cent drop in profit.

Business travellers hold the key to a stronger recovery

For the majority of hotels in the U.S., first-quarter results were remarkably similar. According to Smith Travel Research, overall hotel occupancy declined 5.6 per cent and average daily rates fell 5.1 per cent in the first quarter of this year compared with last year.

Company	Revenue per available room, Q1 2002 vs. Q1 2001
FelCor Lodging Trust	-18.1%
Meristar Hospitality Corporation	-18.0%
Wyndham International	-16.9%
RFS Hotel Investors	-16.6%
La Quinta	-12.6%
Marriott International Inc.	-12.3%
Jameson Inns	-11.0%
Candlewood Hotel Co., Inc.	-7.4%
Arlington Hospitality Inc.	+4.1%

In an effort to attract travellers, hotels are offering new and interesting incentives. Six Continents, Starwood Hotels, Marriott International and Cendant Corporation have all announced that they will guarantee that every hotel reservation booked directly through a hotel property's Web site is the lowest rate publicly available on the Internet for that hotel. Wyndham announced free long-distance telephone calls and high-speed Internet access for members of its guest loyalty program.

Travel Agents

Travel agents continue to redefine their roles and functions within the tourism industry as revenues from traditional sources continue to shrink. In Canada, IATA's Bank Settlement Plan (BSP) reported that outbound international leisure travel still continues to lead the air-travel recovery as it increased by 19 per cent in May compared with one year earlier. All other sectors (domestic leisure and business travel, leisure and business travel to the U.S., and international business travel) registered declines in the number of tickets sold by travel agents compared with the previous year.

The BSP also reported that the cost of air travel, especially domestic air travel, is increasing. April is the first month that the air-security tax has been implemented and the BSP reported that average domestic fares paid by leisure travellers increased 25 per cent compared with last year while business-class fares increased 18 per cent. In March, average domestic fares paid by leisure travellers increased 18 per cent compared with last year while business class fares increased 10 per cent. The difference between the two months can be primarily attributed to the introduction of the air-security tax.

In the U.S., the Airlines Reporting Corporation reported that average weekly sales per travel agency for the month of May posted a record 1 per cent improvement to US\$ 44,288 (CDN\$ 67,309) compared with the same month last year. This is the first time average weekly sales have increased in a year.

In Canada, the Canadian Standard Travel Agent Registry (CSTAR) has filed a class-action lawsuit on behalf of Canada's 3,700 accredited travel agents against airlines in Canada and the U.S. that have eliminated commissions paid to travel agents. The lawsuit alleges that since 1995, the airlines have engaged in a conspiracy to reduce and eventually eliminate commissions.

Meanwhile, for many travel suppliers, travel agents-especially the solid performers-still play a vital role. According to Giants, a travel consortium, travel suppliers are moving toward a payment schedule that would measure the return on investment from each travel agency and reward higher commissions to those that perform well.

Public and Private Call Centres

Hackett Best Practices evaluated the performance of nearly 2,000 call centres and identified key differences between world-class companies and average performers from a diverse set of industries and geographic locations. Significant best-practice findings and trends that can be applied to tourism-supplier call centres include:

- having an infrastructure in place that allows a company to prioritize traditional calls, Internet contacts, e-mail inquiries and training via a universal queue;
- having a complete history of customer contacts available to representatives on-line;
- offering multi-site load-balancing capabilities to handle unexpected spikes in demand which can result in customer defections and negative publicity;
- devoting 20 per cent of staff time to staffing and decision-support processes such as hiring, training, forecasting, quality control, performance management and strategic planning; and
- developing advanced contact-routing capabilities based on specific criteria such as representative skills.

International overview - Overseas

Europe

The Association of European Airlines reported that passenger traffic was 11.5 per cent lower in April compared with one year earlier. This was reported to be the steepest monthly decrease so far this year. The most severe passenger traffic declines continue to be on the North Atlantic routes where volumes were down 21.3 per cent compared with last year.

United Kingdom and Ireland

Low-cost carriers continue to succeed in the U.K. In addition to recording profits, they are also in the process of consolidation. EasyJet announced it is buying its rival Go for £374 million (CDN\$ 847 million) and has taken an option to acquire British Airways' loss-making German subsidiary Deutsche BA. In May, EasyJet carried 43 per cent more passengers than it did last year while Go announced its traffic increased by 89 per cent compared with last year.

In Ireland, Ryanair recorded record profits of EUR 150.4 million (CDN\$ 218,193,278) for the 12 months that ended March 31, 2002. This represents an increase of 44 per cent compared with the previous year. Ryanair credited its results to using only secondary low-cost airports and sticking to a single aircraft family that the company originally bought at a good price. SkyNet, a Shannon-based airline, offering service to Amsterdam and Moscow, made its inaugural flight in June.

Meanwhile, British Airways suffered a decline of 10.2 per cent in passenger traffic in May compared with one year earlier. This, after announcing a pre-tax loss for the fiscal year ending March 31, 2002, its single biggest loss since it was privatized 15 years ago. As a result, British Airways announced in June that it was shaking up its European fare structure as the airline continues to try countering the threat from the no-frills carriers. Starting immediately, fares were to be cut by up to 80 per cent on 42 routes from the U.K. to France, Italy, Portugal, the Netherlands, Sweden, Norway and Denmark. Saturday-night stays and advance-purchase restrictions were removed.

British airport operator BAA reported a sharp decrease in profits for its fiscal year ending March 31, 2002, compared with the previous year. Overall profits were down 42 per cent due to the global economic slowdown, the foot-and-mouth disease outbreak and the impact of the terrorist attacks. BAA also announced a £60 million (CDN\$ 135,823,023) five-year spending plan to attract more direct flights to Scotland.

Business travellers hold the key to a stronger recovery

Leisure travellers in the U.K. who responded to a poll in the Guardian newspaper picked New Zealand as the best long-haul destination for the third year running. Australia and Canada tied for fourth place after Nepal and Costa Rica. When British citizens do go abroad, they are spending more money than they have previously. According to Visa, British travellers spend over £2.3 billion (CDN\$ 5.2 billion) in the first three months of this year, up 8.7 per cent compared with last year.

All Canada Travel & Holidays, a British tour operator specializing in trips to Canada, announced in June that it will not be operating next year due to the fall off in business after September 11. Tour operator First Choice announced plans to turn around its Canadian operations that have been losing money. First Choice will move three planes to Canada from the U.K. for the winter season.

The Canadian Tourism Commission in the U.K. reported that major tour operators are planning substantial changes to both tour packages and to their prices for the 2003 season. Elements of the traditional packages such as accommodations, flights and transfers will be broken up and available for purchase separately.

France

Air France reported an increase of 3.7 per cent in passenger traffic in April compared with one year earlier. It also announced a profit of EUR153 million (CDN\$ 224 million) for the year ending March 31, 2002. Air France credits its success to limited exposure to North Atlantic routes and the collapse of other airlines-notably Air Afrique, Swissair and Sabena-on some of its profitable African routes.

It has also been reported that France recently launched a major EUR12.6 million (CDN\$ 18.6 million) advertising campaign in Europe, the U.S., Canada and Japan entitled "J'aime la France (I love France)."

Accor reported that its revenue per available room (RevPAR) for the first quarter of this year declined 3.6 per cent compared with last year. This is somehow good news considering that it had been expecting a decline of 4.7 per cent. While economy hotels in Europe saw their RevPAR rise 3.8 per cent for the same period, U.S. economy hotels were, and remain, the hardest hit, seeing their RevPAR decline by 4.5 per cent.

Germany

Lufthansa reported a 5.7 per cent decline in passenger traffic this past May compared with one year ago. This is the smallest monthly decline since September 11. While the total number of passengers, both to and from the U.S. declined 9.5 per cent, Asia-Pacific and Middle-East/Africa routes increased 8.9 per cent and 4.2 per cent, respectively, compared with last year. Lufthansa announced it expects to earn an operating profit of approximately EUR400 million (CDN\$ 592 million) this year, up EUR372 million (CDN\$ 551 million) from last year.

Lufthansa also announced it was going to follow the move by many North American carriers and eliminate base commissions for air tickets in the U.S. and Canada. Contrary to many airlines that are cutting back on business-class seats, however, Lufthansa recently launched an all-business-class flight from Newark to Düsseldorf. The non-stop flight represents the first time the carrier has offered an exclusively business-class product. In June, Lufthansa also announced the reduction of domestic fares by up to 63 per cent in an effort to maintain its competitiveness against low-cost carriers.

Deutsche BA (DBA), founded in 1992 and flying domestic routes in Germany, has re-launched itself as a low-cost airline. During its previous life, it had never succeeded in making a profit. In May, EasyJet acquired options to buy DBA.

Preussag, a major German tour operator, is also considering launching a low-cost airline. However, in May, Preussag reported its tourism division lost EUR168 million (CDN\$ 246 million) during the first three months of this year. The loss was attributed to fewer bookings during the winter season in a post-September 11 environment. For the current summer season, the CTC foreign office reported that Preussag sold 16 per cent fewer travel packages compared with last year.

P&O Princess' German brand, A'ROSA, cancelled its Canada-New England itineraries planned for later this year as the German outbound market has been slow to recover. The reluctance of German travellers to fly to the East Coast was cited as a reason for the cancellation.

According to the German trade publication, FVW, modular holidays-where travellers put together their own packages from a range of options-are hot sellers in Germany this year. It is also been reported that the west coast of North America is generally selling better than the east coast with rental cars and camper vans showing to be popular items. Canada, backed by its "dollar light" marketing slogan, is reported to be selling better than the U.S. for most operators.

*Business travellers hold the key to a stronger recovery***Italy**

Recently, Alitalia reported a 16.9 per cent decline in passenger traffic in April compared with one year earlier. Alitalia had earlier reported a first quarter loss for 2002 at EUR103.4 million (CDN\$ 151.3 million), compared with a loss of EUR199.8 million (CDN\$ 292.3 million) last year. Surprisingly, this year's loss represents the airline's best quarterly result in four years. By the end of the year, Alitalia expects to almost break even.

The CTC foreign office in Italy reported that of the 13 million Italians who took a holiday during the spring short breaks (Liberation Day on April 25 and Labour Day on May 1), 86 per cent spent their holidays in Italy. The most popular destinations for the 14 per cent who went abroad were France and Spain.

According to the CTC, tour operators report that Mexico and South Africa are the most popular long-haul destinations this summer. In addition, tour operators reported that summer sales to Canada are down 10 to 20 per cent compared with last year. The most popular provinces to visit are Ontario and Quebec followed by British Columbia and Alberta. While the number of Italian tourists to Canada decreased 19 per cent in the first quarter of this year compared with last year, 16,000 Italians are registered to attend the World Youth Day event in Toronto.

The CTC further reported that the Australian Tourism Commission announced an increase in its advertising budget for Italy from EUR100,000 (CDN\$ 147,460) to EUR500,000 (CDN\$ 737,343) for 2002.

The Netherlands

For May, KLM Royal Dutch Airlines reported a 7 per cent decrease in passengers compared with last year. In its announcement, KLM stated that European, African and Indian routes performed favourably while North American routes remained down by 26 per cent compared with one year ago.

KLM also reported a net loss in May of EUR108 million (CDN\$ 158 million) for the quarter ending March 31, 2002, compared with a loss of EUR88 million (CDN\$ 129 million) last year. The airline stated it will operate its two budget brands, Basiq Air and buzz, under one name in the near future.

According to the CTC foreign office, tour operators reported that the U.S. is not a popular summer destination and operators are offering South Africa, Australia and Canada as alternatives.

Japan

For the fiscal year ending March 31, 2002, the All Nippon Airlines (ANA) Group of carriers delivered 0.6 per cent more passengers than the previous year, although passengers on international routes declined 19.8 per cent. Japan's biggest carrier, Japan Airlines (JAL) announced a net loss of JPY 36.73 billion (CDN\$ 456 million) for the year ending March 31, 2002. The previous year, JAL posted a profit of JPY 41 billion (CDN\$ 509 million).

Skymark Airlines announced it will enter the international air travel market by launching charter flights between Tokyo and Seoul. This marks the first attempt by a newcomer in the Japanese marketplace to expand into international services. In June, Japan Airlines and Japan Air Systems received Fair Trade Commission approval for their merger after agreeing to a number of concessions. All Nippon Airlines also announced plans to offer on-line summer discounts of up to 29 per cent on domestic airfares ahead of the merger of Japan Airlines and Japan Air System.

According to the Transport Ministry, the number of Japanese travelling abroad fell 9 per cent to 16.22 million people in the twelve months ending March 31, 2002. This represents the steepest decline since restrictions on overseas trips were removed in 1964. A total of 18.5 per cent fewer Japanese ventured to the United States last year. The Transport Ministry further reported that the effects of the terrorist attacks lingered into April as the number of overseas tours from Japan decreased 9.9 per cent in April compared with one year earlier, the eighth consecutive monthly decline.

A survey by the Japanese Association of Travel Agents (JATA) found that 52.6 per cent of respondents have made a decision to undertake travel based upon the information found on a Web site. When collecting information about overseas travel, the most commonly used methods were travel agents' pamphlets (33.9 per cent) followed by the Internet (23.8 per cent) and guide books (14.1 per cent). When asked about the benefits of using travel agents' pamphlets and the Internet to collect information, the most commonly perceived merit was that it was "easy to compare several different products" while the Internet is "available at any time."

Business travellers hold the key to a stronger recovery

According to the Canadian Tourism Commission foreign offices, JATA also released results of a survey indicating middle-aged and older Japanese people are now willing to travel overseas. Travel to China and other points in Asia shows the fastest recovery followed by travel to Oceania and Europe. However, the Health, Labour and Welfare Ministry recently announced that workers at major Japanese corporations would likely take an average 7.9 days off for summer vacation this year, down 1.1 days from one year earlier.

The U.S. Department of Commerce and the Japan Ministry of Land, Infrastructure and Transport asked John Marriott, Executive Vice-President, Sales and Marketing of Marriott International, to co-chair a special task force to help stimulate travel between the U.S. and Japan.

In terms of inbound travel, Japan has set a lofty goal of eight million foreign visitors per year by 2007, up from 4.8 million in 2001. The tourism sector is hoping to cash in on the exposure from the 2002 FIFA World Cup. The Ministry of Land, Infrastructure and Transport also announced a plan aimed at attracting more foreign tourists to Gunma, Niigata and Nagano by offering special measures such as tax breaks for purchasing equipment.

Korea

Korean Air (KAL) announced a net profit of KRW 29.1 billion (CDN\$ 36.7 million) for the first quarter of this year compared with a loss of KRW 230.8 billion (CDN\$ 291.3 million) for the same period one year ago. The airline said the improvement was the result of an upturn in air travel as well as its efforts to focus on profitable routes. KAL was recently accepted back into the Skyteam Alliance after taking measures to overcome its poor safety record.

According to South Korean travel-industry executives, China reduced the number of Chinese tourists allowed to travel to Korea for the World Cup soccer tournament. Instead of providing at least 100,000 spectators, at best 35,000 Chinese were expected to travel to the games. China is said to be worried of any World Cup mishap that could tarnish expectations about Beijing's ability to host the Olympics in 2008.

South Korea has set a goal of 10 million visitors a year by 2011, almost double the 5.1 million people that visited last year. Like Japan, the lofty goal is expected to be attainable partly as a result of the exposure during the month-long 2002 FIFA World Cup soccer tournament. Even before the games, the National Tourism Organization went on a promotional road show through 15 countries and spent US\$ 1.6 million (CDN\$ 2.5 million) on advertising on the Cable News Network (CNN).

Hong Kong

Cathay Pacific reported a 3.8 per cent decline in passenger traffic for the month of April compared with one year ago. It also announced it will restore services to pre-September 11 levels in August and bring all parked passenger aircraft back into operation. As well, it announced plans to buy six new aircraft. The additional capacity will help the airline meet increasing demand.

In what is believed to be an airline industry first, U.S. residents aged 55 and over can now travel with Cathay Pacific through Hong Kong to one of nine South East Asian destinations without many of the ticket restrictions normally required. The "Worry-Free Fare" initiative offers both flexibility and low fares on economy-class transpacific flights.

In May, the Hong Kong Tourism Board (HKTB) announced the results of the new Hong Kong "Must Know" program which selected six product categories as essential souvenirs from Hong Kong. It is believed the program will strengthen Hong Kong's image and open up new business opportunities. The HKTB stated that it will market Hong Kong "Must Know" globally through consumer shows, posters, leaflets, promotional vignettes and tourist publications.

According to the HKTB, a record 1.4 million people visited Hong Kong in April, up 19 per cent from one year ago and the highest number of arrivals ever recorded in a single month. Canada contributed 11.8 per cent more travellers to Hong Kong than the previous year.

It is reported the Australian Tourism Commission has allocated US\$ 500,000 (CDN\$ 766,531) to promote business travel from Hong Kong to Australia.

Taiwan

EVA Air announced a pre-tax loss of TWDS\$ 287 million (CDN\$ 13 million) for the second quarter of this year. For the year, EVA Airways expects to break even due to improving business operations in an economy that is slowly recovering. It is expected that EVA Air will obtain the majority, if not all, of the flights to be added on the lucrative Taipei-Hong Kong route.

Business travellers hold the key to a stronger recovery

According to the CTC foreign offices, air capacity to Canada will become more of an issue due to the crash of a China Airline's flight in May. Many passengers have tried to change airlines or cancelled their travel plans in the wake of the accident. In response, China Airline lowered its fares by 15 per cent while Air Canada increased its summer fare prices.

In May, Taiwan further opened its doors to tourists from China, agreeing to amend a law to allow Chinese passport holders who live in Hong Kong and Macau to visit the island. The government also dropped two unpopular requirements that have limited the number of Chinese tourists. Taiwanese officials will no longer impose a virtual curfew that kept tourists indoors at night and personal interviews with each tourist will not be required.

Australia

In May, Qantas announced capacity increases on its Singapore and Europe routes. According to the CTC foreign offices, in the next six months, Qantas will boost its Los Angeles service to pre-September 11 levels. Qantas announced that it expects to increase last year's pre-tax profit of AUD\$ 550 million (CDN\$ 476 million) by over 10 per cent for the fiscal year ending June 30, 2002.

In May, Qantas ran into trouble with the country's competition watchdog. The carrier was accused of improperly using its position to fight off low-cost operator Virgin Blue. The Australian Competition and Consumer Commission said it will take legal action against Qantas alleging that its decision to increase capacity on the Adelaide-to-Brisbane route and undercut Virgin Blue fares was an attempt to block the market.

Qantas and Virgin Blue changed their advertising to show how much passengers must pay in extra charges and taxes on top of the basic ticket price. Both carriers came to the decision after talks with Australia's Competition authorities.

According to the CTC foreign offices, consumers have started inquiring about Canadian winter products and 2003 summer products but late-booking patterns remain. Canadian ski products continue to fare well in part due to favourable exchange rates. Canada remains the number one destination featured in wholesaler brochures. This summer, fly-drive programs continue to sell well and increasingly, seniors' groups are choosing soft-adventure products.

More Australians than ever want to see an increase in the number of international tourists and the overwhelming majority view tourism very favourably, according to a survey by the Australian Tourist Commission (ATC). The Community Attitudes to International Tourism 2002 report, now in its fifth year, shows an increase in the number of Australians who want more international tourists (96 per cent this year, 92 per cent in 2001 and 89 per cent in 2000). Australians also continue to identify tourism as a key growth industry with 82 per cent of respondents identifying the economic benefits as the main advantages of international tourism.

The ATC recently unveiled an updated travel Web site <www.australia.com> which is expected to attract 6 million visitors next year. The Web-site renovation came in at a cost of AUD\$ 3 million (CDN\$ 2.6 million). Last year, the site provided information to more than 5 million visitors. In co-operation with state, federal and Australian Airlines (owned by Qantas), Australia will launch a AUD\$ 16 million (CDN\$ 14 million) tourism marketing campaign across Asia to coincide with October's Australian Airline's launch.

New Zealand

Air New Zealand is making changes that will see the business-class section on domestic routes vanish. As well, it will launch a new, low-cost service called Air New Zealand Express in October. In the midst of a financial turnaround, Air New Zealand has also announced that it now hopes to break even this year. It had predicted a NZD\$ 63.4 million (CDN 47.6 million) loss.

Tourism New Zealand's 10-metre mobile home has completed its tour of the U.S. east coast. The mobile home, covered in New Zealand imagery, enabled seminars to be held in 60 cities over eight weeks. For the first time, the bus ventured north into Canada (specifically, Montreal and the western townships of Quebec). About 2,000 travel agents were expected to attend the seminars.

Tourism New Zealand announced its new official mark of quality: the New Zealand fern. The fern will be used with the Qualmark Grading System and is the industry's way of directing visitors to products and services that meet or exceed their expectations. (Qualmark is a joint venture between Tourism New Zealand and the New Zealand Automobile Association.) The mark will be available for all types of products and services from luxury hotels and backpacker accommodations to scenic flights and horse treks.

Business travellers hold the key to a stronger recovery

Accor announced its debut in the backpacker market with the opening of three backpacker hostels, one each in Auckland, Rotorua and Wellington. Other sites are under consideration in Australia and New Zealand. Accor is the first major hotel group to enter the backpacker market and aims to provide backpacker style accommodation but with operations that are more consistent and reliable.

Economic overview

North America

The strong trade linkages between Canada, Mexico and the United States resulted in much weaker growth for all three trading partners because of last year's U.S. economic downturn. Mexico recorded economic growth of -0.3 per cent while Canada posted growth of only 1.5 per cent. Fortunately, economic activity is expected to rebound this year, particularly in the latter half of the year, in line with an economic recovery in U.S. By 2003, real GDP in North America is expected to increase by 3.6 per cent.

Europe

The recovery in Euroland to date has turned out to be much weaker than anticipated. Economic recovery has been extremely uneven with Spain, France and Italy showing the most promise. The northern part of the region, including Germany and the Netherlands, is experiencing significant weakness mainly because their manufacturing sectors are in trouble. This year, the euro area is expected to expand by 1.4 per cent before rebounding by 2.7 per cent in 2003.

Against this backdrop of relatively weak growth, the European Central Bank (ECB) is faced with a key policy dilemma. The pressure is on to raise interest rates but unemployment is still rising and capacity utilization remains low. The current thinking is that it will hold off raising rates for now. Fortunately, the recent strength of the euro will help keep inflation under control and leave the ECB with another reason to forego interest rate increases.

Asia-Pacific

The recovery in most Asia-Pacific economies is now clearly underway as exports strengthen and domestic demand is solid for many countries. Gross domestic product (GDP) growth forecasts for this year have risen for eight of the 12 major countries, with the one major exception being China. Stronger exports have resulted in improvements in the outlook for both the trade sector and the current account balances. Many regional banks have moved into a phase of monetary tightening, after following the U.S. Federal Reserve's decision to slash interest rates during last year's global economic downturn.

Opportunities

According to NFO Plog Research American Traveller Survey, 5 per cent more travellers plan to visit destinations within 200 miles from home this summer. A survey by Avis Rent A Car also reported that 48 per cent of parents indicated that they will take multiple short trips this summer rather than one long trip. To capitalize, Canadian suppliers close to the U.S. border should consider developing and marketing unique and exciting get-away packages for American families.

As the hotel industry starts on the road to recovery, creating packages to encourage business travellers to become leisure travellers is a strategy recommended by Richard Helfer, Chief Executive Officer of Raffles International Hotels and Resorts. Since Americans are getting back to basics, holidays take on new significance and offer an opportunity to create some extended-stay packages for business travellers and those who bring their families.

Harris Interactive/AIG Sun America released a major study showing the traditional perception of retirement is obsolete. Instead, it suggests there are four faces of retirement. In particular, the tourism industry should increase its targeting on what it calls "ageless explorers" since these people see retirement as an exciting new phase in their lives. They would rather be too busy than risk being bored. Fortunately, they generally possess a high net worth along with high education levels. "Comfortably contents" are ready to relax and enjoy their golden years.

Business travellers hold the key to a stronger recovery

While they are less willing to risk feeling stressed in retirement, they do like to spend their time on travel and other recreational activities. Strategically targeting the seniors' market will ensure that marketing and product offerings are consistent with the senior segment targeted.

A new study by TripAdvisor indicates that on-line travel marketers need to track consumer Web-site visits over time to better measure marketing-campaign performance. The study found that consumers often take as long as a month after their initial Web-site visit to purchase "complex" on-line travel products such as hotel and vacation packages. Updating Web sites with new product offerings or packages will keep potential consumers interested during their browsing phase.

Helping to eliminate stress for travellers has proven to increase customer satisfaction. Recognizing that travellers will likely be stressed upon arrival at their destination presents unique opportunities for suppliers to increase customer satisfaction.

Summary

While wooing business travellers back will still take some work, leisure travellers have laid the foundation for a rebound. In the short term, more travellers will rely on automobile travel as increasing airfares lead both leisure and business air travellers to seek out alternatives. Fortunately for budget and mid-priced hotels, these trends should already be generating some modest increases in both occupancy rates and average daily rates. Unfortunately for others, some of these alternatives to business travel are expected to become permanent, especially for routine business travel.

In the U.S., the major airlines have not succeeded in attempting to woo back the business traveller despite lower airfares. It is now expected that it will take major changes to the current fare structures in order to bring them back. Increasingly, businesses will want to see value for their money by starting to view business travel as an investment with a calculated return on investment.

For leisure travel, we expect that it will be a summer characterized by a back-to-basics mentality that incorporates quality family bonding. Surveys continue to suggest that more summer vacations this year will involve some outdoor experience through family travel or even family reunions. Not surprisingly, most leisure travellers this summer will want to have control over their transportation-namely by using the family car.

For additional research information, please see
www.canadatourism.com