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CTC Tourism Intelligence Bulletin – Issue 22: May 2004

The Tourism Intelligence Bulletin continues to monitor the tourism industry around the world. This issue reveals tourism intelligence gathered in March and April 2004.

Travellers Wait to "Check In" as Booking Window Narrows

Executive Summary

- The tourism industry remains hopeful of a travel recovery this summer, despite persisting uncertainties regarding the extent of the revival. However, the booking window has narrowed to the shortest period ever between planning and taking the trip. Undoubtedly, this is leaving many travel suppliers slightly uneasy as they head into their busiest season. Fortunately, the growing reliance on the internet provides travel suppliers with a powerful medium for convincing potential travellers that now is the time to check-in.
- Working in favour of a travel recovery are the diminishing effects of past geopolitical events combined with strengthening traveller safety confidence-which now appears to be at an all-time high. The demand for travel continues to gain momentum and is contributing to an improvement in the financial performance of many segments of the tourism industry. It is expected that the recently announced increased funding for national security will further ease lingering traveller concerns over safety and reinforce Canada's image as a safe vacation destination. On the other hand, the uncertain future of Air Canada and the recent terrorist activity in Europe have generated new concerns regarding the current travel environment. Other factors, such as the persistently high value of the Canadian dollar, escalating gasoline prices, and the re-emergence of SARS in China are expected to challenge the strength of the tourism recovery over the summer.

Emerging Trends and Issues - Honing Canadian Tourism's Competitive Edge

- While a rebound in domestic and international travel is expected this summer, the extent of the recovery may not be enough to propel every tourism sector into profitability. Moreover, other tourism destinations around the world are finding themselves in a similar situation, and intensifying their own efforts to attract more international visitors. The competition for international travellers has never been higher.
- This new reality offers an excellent opportunity to revisit the way Canada competes within the global tourism marketplace. In the past, Canadian travel suppliers have relied a great deal on their lower-cost advantage, particularly in articulating their competitive advantage over American vacation destinations. However, in the current context of a stronger Canadian dollar, it is clear that the industry needs to further develop differentiation strategies-by focusing more on the ways in which Canada provides superior, and not just less expensive, tourism experiences.

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The Conference Board of Canada
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Travellers Wait to "Check In" as Booking Window Narrows

- A comprehensive branding review, like the one currently underway at the CTC, is important in uncovering new and successful ways to promote Canadian tourism destinations both abroad and at home. Understanding and leveraging Canada's unique strengths in the new travel reality will enhance our competitive advantage within the global market.

Consumer (Traveller) Overview

- Results from The Conference Board of Canada's March Travel Intentions Survey indicate that the number of Canadians intending to travel this summer remain quite soft, especially compared with last year. This is somewhat troubling, considering that the economic picture in Canada remains quite positive and that many of the global challenges that plagued the tourism industry last year have since diminished. However, it is expected that actual travel volumes will still reach higher levels than last summer, when the effects of the SARS crisis significantly dampened Canadians' earlier enthusiasm for travel.
- Meanwhile, the Travel Industry Association of America released its (TIA) Spring 2004 travel forecast, which projected that Americans would take 3.1 per cent more leisure trips during the spring travel period (March - May), compared with the same period last year. They attributed the recovery to increased consumer confidence and a high interest in travel. The TIA also reported that U.S. business travel is beginning to show signs of a recovery. The Spring 2004 travel forecast predicted that business and convention travel would rise 5 per cent this spring (March - May) compared with the same period last year. This would be the highest volume of business travel since 2001.
- The latest Runzheimer survey suggests that most companies plan to maintain (54%) or increase (33%) their travel budgets in 2004, compared with last year. At the same time, controlling corporate travel costs remains a top priority. In fact, Kevin Mitchell, chairman of the Business Travel Coalition in the U.S. recently stated that he believes business travellers are now "permanently price sensitive," due to the intensifying pressure on corporations to remain profitable in an increasingly competitive global marketplace. Increasing the use of low-cost carriers has become a key method of cost savings for many corporate travellers, who feel more obligated than ever to save money for their companies.

Travel Supplier Overview

- Air Canada regained some momentum in its restructuring process under bankruptcy protection when Deutsche Bank agreed to conditionally extend its equity rights offering to \$850 million, up from the \$450 million originally offered in October 2003. This new development means that Air Canada now requires a much smaller portion of new investment. Record-high fuel prices and increased domestic competition from low-cost carriers have each been impeding the success of its financial restructuring, although air travel demand continues to grow.
- Escalating fuel costs and relentless competition from low-fare carriers are weighing on the financial performance of major U.S. carriers as well, despite rising passenger traffic and continuing improvements in the U.S. economy. The continuing expansion of discount airlines, especially on domestic long-haul routes, has prompted most major airlines to attempt to protect their own market shares by expanding their own services. This, in turn, is flooding the U.S. marketplace with seat capacity and perpetuating the trend of depressed domestic airfares.
- Meanwhile, the U.S. hotel industry is finally witnessing a significant recovery. The rebound appears to be driven by an increase in domestic and international business travel, which is boosting the performance of the luxury segment, in particular. According to Smith Travel Research, occupancy in the U.S. rose 4.4 per cent in the first quarter of this year, bolstered by a 6.5 per cent surge in March.

Economic Overview

- The strength of the U.S. economy should help support solid North American economic growth this year and into 2005. Canadian real GDP is expected to expand 2.8 per cent in 2004 and 3.1 per cent in 2005. The Conference Board of Canada expects that the Canadian dollar will average \$0.743 U.S. this year before slowly depreciating to an average of \$0.721 U.S. in 2005. Meanwhile, the U.S. economy is expected to expand by a robust 4.3 per cent this year-the highest growth since 2000. U.S. economic growth will be led by solid gains in consumer spending as well as double-digit growth in equipment spending. The main risk to the current outlook remains the job market.

Travellers Wait to "Check In" as Booking Window Narrows

- Economic growth is also expected to accelerate in Europe this year after posting an anaemic 0.8 per cent real GDP growth in 2003. Unfortunately, the anticipated 2 per cent growth in 2004 will still be well below growth in most other parts of the world. Economic growth will continue to be constrained by weak economic activity in two of the region's largest economies, France and Germany. The strong appreciation of the euro has hurt export growth and, to date, has not had a significant impact on reducing inflation. As a result, the European Central Bank (ECB) has left interest rates unchanged.
- In 2004, real GDP in the Asia-Pacific region is expected to increase 4.1 per cent and a further 3.2 per cent in 2005. China is once again expected to lead the region in economic growth while the ongoing recovery in Japan should help boost the region's economic prospects. Underlying economic fundamentals in Japan are generally quite strong, corporate profits are strengthening and the banking system is much healthier compared with a few years ago. As a result, Japan's real GDP is expected to grow 2.8 per cent in 2004 and a further 1.6 per cent in 2005.

Opportunities

- Recent survey findings suggest that perceptions of safety and security are a high priority among many travellers, and could be an important feature in marketing a destination. A recent survey by the Southern California Tourism Safety and Security Association of tourists to its region revealed that most domestic and international travellers ranked safety and security as a key factor in planning a vacation or convention. Of those polled, 63 per cent of international travellers ranked safety and security as "10 out of 10" on a scale of importance. The average ranking of safety and security among domestic visitors was 8.9 out of 10.
- A recently published survey by National Geographic Traveler magazine ranked five Canadian tourism destinations among the top-scoring ecotourism spots in the world. These included (in order of ranking): Cape Breton Island, Rocky Mountain parks, Quebec City, Quebec's Laurentian Highlands, and the B.C./Alaska Inside Passage. Aided by Leeds Metropolitan University in the U.K., researchers surveyed 200 specialists in sustainable tourism, who ranked dozens of global tourism destinations. Rankings were based on environmental and ecological quality, cultural integrity, conditions of built heritage and aesthetic appeal, among other criteria.

In Brief

The tourism industry remains hopeful of a travel recovery this summer, despite persisting uncertainties regarding the extent of the revival. However, the booking window between planning and taking a trip has narrowed to the shortest period ever. In fact, the latest Travel Intentions Survey by the Conference Board of Canada indicates that (by the middle of March) only 12 per cent of Canadians had already planned their summer vacation. Undoubtedly, this is leaving many travel suppliers slightly uneasy as they head into their busiest season. Fortunately, the growing reliance on the internet provides travel suppliers with a powerful medium for convincing potential travellers that now is the time to check-in.

Working in favour of a travel recovery are the diminishing effects of past geopolitical events combined with strengthening traveller safety confidence, which appears to remain at an all-time high. Travel demand continues to gain momentum and is aiding the financial performance of many segments of the tourism industry. It is expected that the recently announced increases in funding for national security will further ease lingering traveller concerns over safety and reinforce Canada's image as a safe vacation destination.

Unfortunately, Air Canada's ambiguous future and recent terrorist activity in Europe have generated new concerns regarding the current travel environment. Other factors, such as the persistently high value of the Canadian dollar, escalating gasoline prices, and the re-emergence of SARS in China continue to challenge the expected tourism recovery.

While the direct effects of past global events on the tourism industry are lessening, consumers' enthusiasm for travel remains subdued. In addition, the global events of the past few years have altered the relative appeal of various destinations among travellers. Proper understanding and communication of the unique strengths of Canada's tourism products will be needed to meet these changing perceptions and ensure that Canada's tourism industry fully exploits its competitive advantage within the global marketplace.

Emerging Trends and Issues

Honing Canadian Tourism's Competitive Edge

The Canadian tourism industry remains hopeful that this summer season will usher in the return of international travellers, as well as a rise in domestic travel. While growth is expected, the extent of the recovery may not be enough to propel every tourism sector into profitability. Moreover, other tourism destinations around the world are finding themselves in a similar situation, and are intensifying their own efforts to attract more international visitors. In fact, most would suggest that the competition for international travellers has never been higher.

This new reality offers an excellent opportunity to revisit the way Canada competes within the global tourism marketplace. Other than its historically favourable exchange rate, how else can Canada distinguish itself as a vacation destination that attracts millions of tourists from around the world? And what can the Canadian tourism industry do to improve its competitive edge within the global market and increase-or regain-its market share?

These questions become even more critical when we consider the rapid appreciation of the Canadian dollar over the past year, a fact that has made Canada's lower-cost advantage less significant than it used to be. The Conference Board of Canada's latest Travel Intentions Survey shows that the number of Canadians intending to travel outside the country is soaring, with the exchange rate playing a role in many of their travel decisions. While this is great news for some tourism suppliers, Canadian travellers represent the largest segment of the tourism industry in this country and finding ways to keep them in Canada should remain a top priority.

In the past, Canadian travel suppliers have relied a great deal on their lower-cost advantage, particularly in articulating their competitive advantage over American vacation destinations. When the Canadian dollar was less than two-thirds the value of the U.S. dollar, this was certainly a valid message. In the current context of a much stronger Canadian dollar, it is clear that the industry needs to further develop differentiation strategies-by focusing more on the ways in which Canada provides tourism experiences that are superior to those of other destinations, not just less expensive.

Pinpointing Canada's Competitive Strengths

The key question is: how do we develop these new marketing messages? One approach is to take a closer look at the activities that bring visitors here and use this information to focus on the factors that make Canada a quality destination. Aside from business travel, or visiting friends and relatives, one of the main reasons for travellers to visit Canada is to pursue a specific vacation experience, such as skiing, golfing, mountain hiking or enjoying the attractions of our cities. Continuing analysis of the activities that lure visitors to Canada, along with a comparison of how Canada competes with other destinations in marketing such activities, are recommended for insight into Canadian tourism's unique competitive advantage. Defining these strengths could lead to fresh ideas on how to promote Canada as a premier global tourist destination.

Another important step in redefining Canada's image is to take a closer look at the way travellers perceive Canada as a vacation destination. Global events of the past few years have prompted a shift in the way travellers view international destinations. Canada, once thought of as a safe and secure place to visit, suffered an extreme blow to its image in the wake of the SARS crisis. A recent survey of Americans by the Conference Board of Canada revealed that 15 per cent of potential travellers were still concerned about health issues like SARS. The survey also found that 29 per cent of potential travellers said that visiting Canada had not even occurred to them, while a further 22 per cent perceived Canada as being too similar to the U.S.

These are all perceptions that could be addressed in future marketing messages to American and international travellers. A comprehensive branding review, like that which is currently being led by the CTC, is important in uncovering new and successful ways to promote Canadian tourism destinations both abroad and at home. Understanding and leveraging Canada's unique strengths in the new travel reality will enhance our competitive advantage within the global market.

Consumer Overview - Canada and the United States

Business Travellers

Recent survey data suggests that most companies plan to increase or at least maintain their travel budgets in 2004, compared with last year. All the same, keeping a close eye on corporate travel costs remains a top priority. In fact, Kevin Mitchell, chairman of the Business Travel Coalition in the U.S. recently stated that he believes business travellers are now "permanently price sensitive," due to the intensifying pressure on corporations to remain profitable in an increasingly competitive global marketplace. Increasing the use of low-cost carriers has become a key method of cost savings for many corporate travellers, who feel more obliged than ever to save money for their companies.

The Travel Industry Association of America (TIA) recently reported that business travel is beginning to show signs of a recovery in the U.S. In its Spring 2004 travel forecast, the TIA predicted that business and convention travel would rise 5 per cent this spring (March - May) compared with the same period last year. The TIA noted that this would be the highest volume of business travel since 2001.

According to a recent survey by Runzheimer International, 87 per cent of companies polled indicated they would maintain (54%) or increase (33%) their travel budgets in 2004, compared with the previous year. Of those reporting an increase in travel expenditures, 68 per cent attributed the rise to more trips being taken, while 39 per cent expanded their budget in anticipation of higher travel prices this year.

Furthermore, the Runzheimer survey showed that in 2003, travel costs dropped to some of the lowest levels in years. The average cost of a domestic business trip in the U.S. dropped to U.S. \$915 last year, down from U.S. \$1,027 in 2002—the lowest level since 1996. American Express reported a similar statistic, stating that their clients paid the lowest prices in six years for airfares in 2003. Average business fares declined 5 per cent last year, compared with the year before, a decline that American Express attributed to the expansion of low-cost carriers.

The cost of business air travel appears to be falling in Canada, as well. BTI Canada recently released a study indicating that the increased use of low-cost carriers resulted in a 9 per cent decrease in average airfares on domestic and U.S. routes. According to BTI, the expanding presence of low-cost carriers has forced major airlines to "rethink their fare and distribution models and continue focusing on maximizing yields". BTI also noted that in 2003, low-cost carrier ticket purchases rose to more than one-quarter of total airline revenues, up from 7 per cent a year earlier.

A recent Orbitz Business Travel Survey by Harris Interactive confirmed that cost savings remains a high priority among business travellers. The survey showed that 83 per cent of U.S. business travellers polled feel as obligated (53%) or more obligated (30%) to save their company money when they travel for business. Of those polled, 35 per cent intend to use an online agency to book their travel this year, while 19 per cent plan to use their company's in-house travel agent.

According to the recently released annual National Travel Monitor by Yesawich, Pepperdine, Brown & Russell (YPBR), internet usage for planning and booking business travel continues to rise. The findings revealed that 69 per cent of U.S. business travellers use the internet to plan their business trips, and 51 per cent now make their corporate travel bookings on-line (up from 55 per cent and 33 per cent two years ago).

*Travellers Wait to "Check In" as Booking Window Narrows***Leisure Travellers**

The results from the March Travel Intentions Survey by The Conference Board of Canada suggest that the number of Canadians planning a summer vacation this year has declined compared with previous years. Specifically, the findings show that only 55.8 per cent of Canadians—the lowest number in seven years—plan on travelling this summer. This number is surprisingly low, considering that the economic picture in Canada remains quite positive and that many of the global challenges that plagued the tourism industry last year have since diminished. Despite this, the expectation is that travel demand this summer should still be higher than last year, when the reality of the SARS crisis significantly dampened Canadians' enthusiasm for travel.

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

	March 2004	March 2003	March 2002
Summer Vacation Intentions (All Destinations)	55.8	62.4	61.2
Canada	38.3	46.7	43.7
US	7.7	6.4	8.7
Other International	8.6	8.1	7.4
Do Not Know/Refused	4.7	1.1	1.4

Source: The Conference Board of Canada.

However, concerns over the future of Air Canada and the growing trend of booking travel on-line have contributed to an ever-shrinking booking window—many Canadians are likely delaying their summer travel decisions until the very last minute. According to the survey findings, only 12 per cent of Canadian travellers planning a domestic trip this summer had already booked their trip. More than half (55%) of the domestic travellers planned to make their travel arrangements one to six weeks prior to departure, while only 14 per cent of travellers indicated they would make their bookings seven weeks or more in advance.

Meanwhile, the Travel Industry Association of America released its (TIA) Spring 2004 travel forecast, which predicted that Americans would take 3.1 per cent more leisure trips during the spring travel period (March - May), compared with the same period last year. The TIA noted they were expecting the highest volume of spring leisure trips since 1999. They attributed the recovery to increased consumer confidence and a high interest in travel.

The TIA's latest Traveler Sentiment Index showed a sharp increase for the first quarter of 2004, jumping to 102.2 from 94.0 the previous quarter. The TIA attributed the improvement to positive perceptions of the affordability of travel and feelings of having enough time and money to travel, adding that these were all signs of a continued travel recovery. The TIA also noted that the Traveler Safety Index remained stable at an all-time high.

An on-line poll by Travelers Advantage, a membership-based online travel agency, showed that two-thirds of the respondents were planning more trips this year compared with 2003. Only 5 per cent intended to travel less, while 27 per cent planned to travel as much as last year.

According to the recently released annual National Leisure Travel Monitor by Yesawich, Pepperdine, Brown & Russell (YPBR), U.S. leisure travellers are less interested in visiting international destinations this year than in 2003. Interest in visiting Europe fell to 62 per cent from 68 per cent. Unfortunately, the study also found that interest in visiting Canada dropped 4 percentage points to 13 per cent.

Travel Supplier Overview - Canada and the United States

Airlines - Canada

Air Canada regained some momentum in its restructuring process under creditor protection when the Deutsche Bank agreed to conditionally extend its equity rights to \$850 million-up from \$450 million originally offered in October 2003. This new development means that Air Canada now requires a much smaller portion of new investment to successfully complete its restructuring efforts. The future of Air Canada was thrown into jeopardy in mid-April when Trinity Time Investments announced it would not extend its agreement to purchase a \$650 million stake in the airline past the April 30th deadline.

Trinity cited labour union issues and disappointment in Air Canada's recent financial performance as two key factors in its decision. Air Canada acknowledged that record-high fuel prices and increased domestic competition from low-cost carriers were both impeding the success of its financial restructuring, and responded that it would seek alternative sources of financing. The carrier was granted a five-week extension of its bankruptcy protection to May 21 in order to do so.

Just prior to the announcement that Trinity Time Investments would not proceed with its financing deal with Air Canada, the airline released its full year financial results for 2003. Air Canada posted a net loss of \$1.87 billion for the year ended December 31, 2003, compared with a net loss of \$828 million for the previous year. The losses for 2003 included \$1.05 billion in reorganization and restructuring expenses. Air Canada stated that its revenues for 2004 were tracking in-line with its October 2003 business plan, although fuel prices, increased domestic competition and current geopolitical issues represented substantial challenges.

For March 2004, Air Canada reported that its overall revenue passenger miles (RPMs) rose 6.6 per cent compared with the previous year, maintaining the steady pace of traffic growth the airline has sustained since December. Domestic passenger traffic increased 6.9 per cent, while international Pacific routes climbed 20.5 per cent. The airline noted that demand on transcontinental domestic routes was particularly strong, while demand on U.K. and German routes continued to grow. Unfortunately, traffic remained down on its U.S. routes (-6.8%) compared with the previous year. Air Canada subsequently announced plans to continue expanding its service to Latin American destinations and increase the frequency of summer-season flights to London, Paris and Frankfurt to take further advantage of growing demand on these routes.

According to a recent article by the Globe and Mail, Air Canada lost 10 percentage points of its Canadian market share to WestJet and Jetsgo in the first quarter of 2004, compared with the same period last year. Air Canada's share of the domestic market dropped to 59.2 per cent, compared with 69.6 per cent a year ago, not including the market share of its regional unit, Jazz. Meanwhile, WestJet's market share climbed to 29.4 per cent from 25.6 per cent, while Jetsgo's share rose sharply to 11.3 per cent from 4.7 per cent.

Table 2. Airline Revenue Passenger Miles (RPM) and Capacity - March 2004

Airline	RPM (in millions) January 2004	RPM change 2004 vs. 2003	Capacity 2004 vs. 2003
Air Canada (includes Tango, Zip and Jetz)	3,399	+6.6%	+3.8%
Air Canada Regional (Jazz)	144	+8.3%	+5.4%
Westjet	467	+31.5%	+29.8%
Jetsgo	224	+170%	+161%

Rising fuel costs prompted both Air Canada and Westjet to add modest fare increases to all airfare types in March. Air Canada's increases range from \$10 - \$20, and Westjet raised its fares between \$5 - \$15, based on distance flown. According to the Canadian Press, the cost of crude oil has increased by 21 per cent over the past year.

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Transport Canada announced a new air services agreement between Canada and Russia, which will allow airlines in each country to expand their air services between the two countries. Transport Minister Tony Valeri stated that the agreement would result in greater flexibility for both countries' airlines and could lead to more international air services in the future.

Meanwhile, Transat A.T. Inc. reported a net profit of \$2.8 million for its first quarter ended January 31, 2004. In comparison, the company reported a net loss of \$7.0 million for the same quarter of 2003. Transat stated that it was on track to deliver its best winter season ever, partly as a result of strong demand. It also noted that its preliminary trends for the summer season were looking positive, with advance bookings up over last year's figures.

Airlines - U.S.

While growing demand in passenger traffic and continuing improvements in the U.S. economy should be good news for the struggling U.S. airline industry, any benefits derived from these factors have been eclipsed by escalating fuel costs and relentless competition from low-fare carriers. The continuing expansion of discount airlines, especially on domestic long-haul routes, has prompted most major airlines to attempt to protect their own market shares by increasing their own services. This, in turn, is flooding the U.S. marketplace with seat capacity and perpetuating the trend of depressed domestic airfares.

In March 2004, passenger traffic in the U.S. posted substantial year-over-year growth, particularly on international routes, although the figures for the previous year reflected the onset of the Iraq War. According to the Air Transport Association (ATA), overall revenue passenger miles (RPMs) increased 10.6 per cent in March 2004, compared with a year earlier. Domestic traffic grew 8.6 per cent while international traffic rose 16.7 per cent, bolstered by significant gains on all international routes. Increased demand on overseas routes allowed airlines to raise international airfares an average of 9 per cent in March, compared with the previous year, whereas domestic airfares grew by only 1.7 per cent.

Financial reports for the first quarter of 2004 showed that all major airlines narrowed their losses for the period compared with the previous year, although all major carriers remained in the red. American Airlines achieved the most significant improvement, narrowing its losses by 84 per cent compared with a year earlier. Higher aircraft fuel prices offset many of the gains major carriers have achieved in cost cuts over the last year and low domestic airfares continued to erode industry profits. American Airlines noted its fuel costs were \$55 million higher for this period than the same quarter last year. Northwest and Delta each reported the least improvement in first quarter results, with both reporting continuing struggles with labour cost issues.

The ATA reported that the price of jet fuel has surged to double the prices charged in 1998 and 1999. Considering that fuel is an airline's second-largest operating expense (after labour costs), this price hike is having a crippling impact on the airline industry's precarious financial condition. According to the Oil Price Information Service, this has been the longest sustained run of high fuel prices in history.

Meanwhile, according to a Reuters news report, low-cost air competition is beginning to expand into international markets. For example, JetBlue Airways has filed with the U.S. Transportation Department for rights to begin services to Canada and the Caribbean, and Spirit Airways recently won approval to fly to Canada, the Caribbean, and Central America. Reuters noted that this trend could have an impact on international fares.

According to an annual study by the University of Nebraska at Omaha Aviation Institute and Wichita State University, low-cost carriers scored better than mainline carriers in terms of overall airline quality in 2003. JetBlue was rated first, followed by Alaska Airlines, Southwest, America West and U.S. Airways. In fact, three out of five top airlines were low-cost carriers. The results were based on customer-service related criteria, such as the number of complaints received and on-time performance. According to the study's authors, the findings suggested that the success of low-cost airlines could be at least partially attributed to their ability to perform well in ways that are important to passengers.

*Travellers Wait to "Check In" as Booking Window Narrows***Table 3. Net Income - Q1 2004**

Airline	Net Income (Loss) Q1 2004 (in U.S. \$)	Net Income (Loss) Q1 2003 (in U.S. \$)
AirTran Holdings	+\$4.1 million	\$2 million
Alaska Air Group	-\$42.7 million	-\$56.3 million
AMR Corporation (American)	-\$166 million	-\$1.04 billion
America West Airlines	+\$1.2 million	-\$62 million
Continental Airlines	-\$124 million	-\$221 million
Delta Air Lines	-\$383 million	-\$466 million
JetBlue Airways	+\$15.2 million	+\$17.4 million
Northwest Airlines	-\$230 million	-\$396 million
Southwest Airlines	+\$26 million	+\$24 million
UAL Corporation (United)	-\$459 million	-\$1.43 billion
US Airways Group	-\$177 million	-\$282 million

Table 4. Airline Revenue per Available Passenger Mile (RPM) and Capacity - March

Airline	RPM; Mar. 2004 vs. Mar. 2003	Capacity; Mar. 2004 vs. Mar. 2003
Alaska Airlines	+15.4%	+11.8%
American Airlines	+10.9%	+5.6%
America West Airlines	+6.4%	+6.3%
AirTran Airways	+23.7%	+19.7%
Continental Airlines	+10.7%	+4.5%
Delta Air Lines	+9.5%	+4.7%
JetBlue Airways	+38.6%	+36.6%
Northwest Airlines	+5.3%	-2.6%
Southwest Airlines	+15.2%	+5.4%
United Airlines	+9.9%	+1.1%
US Airways	+8.9%	+3.2%

The Federal Aviation Administration (FAA) recently released its annual forecast, projecting a 4 per cent rise in passenger traffic on U.S. airlines this year. According to the FAA, this would be the first rise in traffic since 2000. By 2005, passenger traffic is expected to meet or exceed levels seen before the September 11th terrorist attacks.

Hotels - Canada

The latest National Market Report by Pannel Kerr Forster Consulting Inc. (PKF) shows that during the first two months of 2004, Canada's hotel industry lost a bit of the momentum it had gained in the final months of 2003. National revenue per available room (RevPAR) and occupancy levels dipped 1.8 per cent and 2.1 per cent, respectively. However, these figures were weighed down by greater declines in Ontario and Quebec-occupancy and RevPar in the Central region fell 4.4 and 4.6 per cent in February. Meanwhile, national average daily rates held steady, with February finishing virtually on par with the previous year (-0.3%).

Fairmont and Legacy Hotels each posted losses for the first quarter of 2004, despite registered increases in revenue per available room (RevPAR). Each company said that travel demand continued to improve through the first quarter, supported by the improving economic environment. Legacy noted that its group business bookings for 2004 were ahead of last year's figures at this time, and they anticipate that room rates and occupancy levels in 2004 will return to figures reached in 2002.

*Travellers Wait to "Check In" as Booking Window Narrows***Table 5. Hotel RevPAR and Net Income Q1-2004**

Company	Revenue per available room (RevPAR), Q1 2004 vs. Q1 2003	Net Income (Loss) Q1 2004	Net Income (Loss) Q1 2003
Fairmont Hotels & Resorts	+12.9 and +12.9% (owned vs. managed hotels)	-US\$600,000 (-CDN\$825,000)	US\$12.5 million (CDN\$17.2 million)
Legacy Hotels REIT	+2.5%	-\$26.4 million	-\$21.4 million

A recent Global Hotel Distribution survey by KPMG International revealed that Canadian hotels are relatively successful in maintaining control over variances in room rates offered on-line. However, in many cases, the cheapest prices are still offered through indirect means rather than directly through the hotel. According to the survey, room rates offered by Canadian and U.S. hotels were the least likely to vary in price across all types of distribution channels, compared with other regions of the world. This was attributed to the relative maturity of their on-line markets. Canadian hotels scored the lowest in their ability to offer the best rates directly through the hotel. According to the study, Canadian hotels offered the best rates for directly booked rooms only 25 per cent of the time, compared with the global average of 40 per cent. In the U.S., the figure was 45 per cent.

Hotels - U.S.

After three lacklustre years, the U.S. hotel industry is finally witnessing a significant recovery. The rebound appears to be driven by an increase in domestic and international business travel, which is boosting the performance of the luxury segment, in particular. According to Smith Travel Research, occupancy in the U.S. rose 4.4 per cent in the first quarter of this year, bolstered by a 6.5 per cent surge in March 2004. Average room rates increased 3.1 per cent in the first quarter, resulting in a 7.7 per cent jump in RevPAR, compared with the first quarter of 2003. STR anticipates that limited supply growth and continuing demand improvements will sustain growth in both occupancy and room rates.

Preliminary financial reports for the first quarter provided clear evidence of the improving lodging environment in the U.S. Marriott, Starwood, Choice and Hilton each posted positive net earnings, reporting a steady acceleration in travel demand throughout the period. Hilton noted steady increases in transient business and group travel in particular. All companies achieved revenue increases for the period and were optimistic that travel trends would continue on the same track through the second quarter.

Table 6. Hotel RevPAR and Net Income

Hotel	Revenue per available room (RevPAR), Q1 2004 vs. Q1 2003	Net Income (Loss) Q1 2004 (in U.S. \$)	Net Income (Loss) Q1 2003 (in U.S. \$)
Choice Hotels	+5.0%	+\$10.6 million	+\$9.7 million
FelCor Lodging	+4.4%	-\$27 million	-\$28 million
Hilton Hotels Corp.	+2.9%	+\$37 million	+\$9 million
Host Marriott	+3.0%	-\$31 million	-\$34 million
Marriott International Inc.	+7.8%	+\$114 million	+\$116 million
Prime Hospitality	+1.4%	-\$2.9 million	-\$6.6 million
Starwood Hotels & Resorts	+11.6%	+\$34 million	-\$116 million

PricewaterhouseCoopers (PWC) forecasted that U.S. lodging occupancy would climb to 69.1 per cent this summer, the highest level since 2000, when occupancy reached 72.1 per cent. This rise in occupancy would represent an increase of 1.4 percentage points from last year. PWC predicted that occupancy over the Memorial Day weekend would be the highest since 2000, while occupancy over the July 4th weekend is expected to reach 2002 levels.

Travellers Wait to "Check In" as Booking Window Narrows

According to the latest P&L Forecast by the Hospitality Research Group of PKF Consulting, U.S. hotel profits will increase by an average of 5.6 per cent in 2004. This growth is expected to be driven by a 2.4 per cent increase in average daily room rates—the first rate increase in three years. The forecast also states that full-service hotels should see stronger improvement in 2004 than that of limited service hotels.

Travel Agents

IATA's Bank Settlement Plan (BSP), the system of tracking airline tickets sold through Canadian travel agencies, reported that in March 2004, average domestic airfares in Canada fell 13 per cent compared with a year earlier. Airfares from Canada to the U.S. declined 13 per cent as well, while airfares to other international (non-U.S.) destinations slipped 5 per cent, compared to March 2003.

In the U.S., the Air Transport Association (ATA) reported that the average domestic airfare in March increased 1.7 per cent, while average international airfares posted significant gains. Specifically, airfares on Atlantic routes increased 11.7 per cent, 11.1 per cent on Pacific routes, and 4.1 per cent on Latin American routes.

The Airline Reporting Corporation (ARC) witnessed a remarkable surge in U.S. travel agency sales during March 2004, totalling US\$1.7 billion—a 21 per cent increase over March 2003. ARC noted that sales volumes and transactions both reached the highest levels in March since June 2001.

Meanwhile, the U.S. Commerce Department reported that overall U.S. tourism sales in 2003 reached the highest level since 2000. Total sales grew 3.5 per cent to US\$722.1 billion, compared with US\$697.8 billion in 2002. In 2000, sales reached US\$737.2 billion.

The American Society of Travel Agents recently released the results of a members' survey that revealed very positive booking trends during the months of January and February. Of those polled, 81.4 per cent reported that their bookings in the first two months of this year were up significantly (47.5%) or up "a little" (33.9%) compared with the same period of 2003. A further 11.1 per cent reported their bookings were about the same.

Gasoline Prices

AAA reported that gasoline prices in the U.S. reached an all-time high in April, climbing to US\$1.78 per gallon, compared with US\$1.60 a year ago. According to the AAA, two main reasons for the price hike have been OPEC oil production cutbacks, as well as rising demand, as the U.S. economy improves and the summer travel season approaches.

International Overview - Overseas

United Kingdom and Ireland

In March 2004, British Airways (BA) reported a 12.7 per cent rise in revenue passenger kilometres (RPKs) compared with the previous year, when the war in Iraq and the SARS outbreak began to impact passenger traffic. RPKs for economy seats grew by 10.9 per cent, and premium traffic increased by 23.6 per cent. Overall capacity was up 5.8 per cent resulting in a load factor increase of 4.5 points, compared with the previous year, to 74.0 per cent. Meanwhile, passenger traffic to the Americas increased 9.4 per cent.

BA noted that in 2003, March and April were the months most affected by the Iraqi war and SARS when premium traffic plummeted by 25 per cent, compared with 2002. The carrier indicated that overall market conditions in March 2004 remained similar to previous months—long-haul premium volumes continued to improve but short-haul premium traffic remained weak. At the same time, non-premium volumes remained very sensitive to price.

Travellers Wait to "Check In" as Booking Window Narrows

BA also announced plans to add more than 250,000 seats to long-haul routes this summer, including destinations in the U.S. and Mexico. BA noted that this move was a result of growing demand for longer-haul vacation destinations during the upcoming summer season.

Meanwhile, BAA, the international airports group, reported that passenger traffic in its seven U.K. airports rose 10.4 per cent to 10.8 million in March 2004. During the same month, traffic on North Atlantic routes was up 12.1 per cent. However, passenger traffic in March 2003 was quite weak because of the Iraq War.

Table 7. Percentage change in passengers carried

Carrier	Mar. 2004 vs. Mar. 2003
British Airways	+6.5%
EasyJet	+16.6%
Ryanair	+51%

Two of the U.K.'s major travel providers recently reported that leisure travel demand improved steadily through the winter season, with bookings picking up momentum after Christmas. TUI UK's winter sales results were more positive, showing a 7 per cent increase in booking revenues over the previous year, while sales at First Choice's U.K. division were on par with 2003. Both companies noted that late booking patterns were dampening advance summer booking levels. Still, TUI revealed that its cruise bookings for summer 2004 were 33 per cent ahead of last year's figures at this time.

ebookers plc, Europe's largest on-line travel agency (by gross sales) reported a substantial rise in internet bookings between January and mid-March, which grew 69 per cent over the same period last year. U.K. bookings were up 40 per cent, while the rest of Europe jumped by 107 per cent. The company also noted that the Madrid terrorist attacks appeared to have had little effect on its bookings.

The latest Travel Index by Opodo, a survey of travel industry members, revealed an increasing acceptance of heightened security measures for travellers. Of those polled, 67 per cent were in favour of the new biometric passport rules while 58 per cent supported the use of sky marshals on airplanes. When questioned about the impact of these security measures, half of the respondents said they believed they would result in safer travel. The survey also showed that the largest group of respondents (33%) believe the "grey" travel market (age 55+) will grow the most in 2004, followed by package holiday travellers (15%) and business travellers (10%).

According to the First Quarter Market Report by the Canadian Tourism Commission's (CTC) foreign office in the U.K., British tour operators initially reported higher demand for U.S. destinations over Canada earlier this year. However, this trend appears to have reversed itself in recent weeks as bookings to Canada were up 20 per cent over 2003 levels. The demand for ski holidays in Canada, the U.S. and Bulgaria proved to be quite strong, partly because of the favourable exchange rate for British travellers.

The CTC report also noted that the popularity of independent bookings appears to have surpassed that of traditional package bookings. Meanwhile, demand for adventure travel continues to rise as well-bookings in this category have grown 5 per cent annually since 2001.

France

In March 2004, Air France's passenger traffic (measured by RPK's) rose 5.2 per cent compared with March 2003, while capacity increased 3.9 per cent. During the same month, long-haul traffic climbed 5.2 per cent and international medium-haul traffic jumped 10.4 per cent. However, domestic traffic declined 1 per cent. For its fiscal year ended March 31, 2004, the carrier's full-year passenger traffic increased 1.7 per cent over the previous year.

Travellers Wait to "Check In" as Booking Window Narrows

Air France announced plans to boost its overall flight capacity by 9 per cent this summer, after nearly two years of little growth. Many of these gains will be seen on Asian routes, reflecting a recovery in travel demand to this region following the SARS outbreak last year. However, because Air France transferred some capacity to North American routes from Asian routes last summer, the carrier plans to keep air capacity on North American routes the same as last year. Air France also announced that it would implement substantial fare reductions on domestic and European airfares in response to escalating competition with low-cost carriers.

In its first quarter report, the Canadian Tourism Commission's (CTC) foreign office in France reported that tour operators ended 2003 with bookings down 7 per cent for the year, compared with 2002. Vacation packages sold for the year were down 5 per cent, while air-only bookings fell 16.4 per cent. Bookings for vacation packages to Canada were down 20 per cent compared to the previous year. In 2004, French travel providers are expecting a 7.5 per cent recovery in overall bookings.

The foreign office report also noted that on-line travel continues to rapidly expand in France. According to a recent study of internet usage, 34 per cent of French travellers booked their travel on-line in 2003. Almost half of the French population (46%) uses the internet, and of these users, 54 per cent have used the internet for researching and/or booking travel.

Germany

Lufthansa German Airlines reported a net loss of EUR 984 million (CDN\$1.6 billion) for its full-year 2003 financial results, ending December 31, 2003. In 2002, the airline posted a net profit of EUR 717 million (CDN\$1.2 billion). The airlines' revenues fell 6 per cent during 2003, reflecting the impact of the weak economy, the SARS crisis, the war in Iraq, and growing competition from the low-cost sector. However, the airline reported that it was optimistic about the likelihood of returning to profitability in 2004 because of commitments to implement further restructuring plans.

In March 2004, Lufthansa's passenger traffic rose 13.7 per cent, compared with a year earlier, although last year's figures were impacted by the war in Iraq. Meanwhile, capacity increased 8.3 per cent, which resulted in a 3.6 percentage point increase in load factor to 75.2 per cent. The airline noted continuing improvements in its traffic performance throughout the first quarter (January to March) of 2004.

Lufthansa also announced plans to revamp its business class on all long-haul routes over the next two years in an effort to further target the lucrative business travel market. Vancouver, Toronto, and many U.S. routes have already been upgraded with new amenities, including lie-flat seats and in-flight broadband internet access.

Meanwhile, German airport operator Fraport, reported that passenger numbers for Frankfurt Airport climbed 9.1 per cent in March 2004, compared with the previous year. The increase was mainly due to a surge in Eastern European traffic, although the airport noted that growth on North American routes was "above average" as well.

Thomas Cook AG, Europe's second-largest travel agency, posted an 11.7 per cent increase in its pre-tax profit to EUR 224.4 million (CDN\$371.4 million) for its first quarter ended January 31, 2004, compared with the same quarter of 2003. While the total number of customers served increased 2.8 per cent, travel prices decreased by an average of 9.7 per cent and the average trip duration fell 6.8 per cent, compared with the previous year. The company noted it was able to achieve its earnings through cost reductions. Thomas Cook also noted that in mid-March, overall bookings were up 4.3 per cent over the previous year.

According to the Australian Tourist Commission's latest German Monthly Market report, a DRV study showed that Germans are increasingly bypassing agencies and making more direct bookings in all travel categories. The study revealed that last year, the number of German trips booked through a travel agent fell to 37 per cent-down from 42 per cent the previous year.

*Travellers Wait to "Check In" as Booking Window Narrows***Italy**

Alitalia posted a loss of EUR 146 million (CDN\$241.6 million) for its fourth quarter ended December 31, 2003, not including extraordinary items and taxes. This figure is a slight improvement over the EUR 168 million (CDN\$278.1 million) loss posted in the same period the previous year. Passenger traffic for the period grew 10.6 per cent and capacity rose 6.9 per cent, compared with the same quarter of 2003. Passenger revenues increased 3.2 per cent, making this the only quarter in 2003 to see a rise in revenues. Alitalia noted that its long haul routes performed particularly well during the fourth quarter, with passenger traffic on these routes posting a growth of 13.9 per cent compared with a year earlier.

Unfortunately, the strong reaction of travel agents against new commission rates and strike actions by its workforce continued to weigh heavily against Alitalia's revenue targets into the first quarter of 2004, even though airfare yields have been improving. The fate of Alitalia hangs in the balance while the Italian government (a 62% stakeholder in the airline) decides on the scope of an aid package, which according to EU competition rules, must be presented to the entire Italian airline industry. Meanwhile, at the end of April 2004, Alitalia staff staged another wildcat strike at Rome's Fiumicino Airport in protest of the government's inaction, which grounded Alitalia's entire fleet.

According to Macquarie Airports, passenger traffic at Rome Airport grew 11.6 per cent in March 2004, boosted by a jump in international traffic. Traffic to other EU destinations increased 18.1 per cent, while traffic to destinations outside of the EU grew 18.6 per cent, compared with March 2003. However, last year's traffic performance was dampened by the effects of the Iraq War.

The Canadian Tourism Commission's (CTC) foreign office in Italy reported in its latest quarterly report that Italians appear to be returning to longer, more traditional holiday periods. A survey by Sociometrica revealed that 80 per cent of Italians planned to take at least 2 weeks of uninterrupted vacation time this summer, reversing the trend of shorter breaks that has emerged over the past several years. Italians are expected to increase their travel spending by 5.9 per cent this summer, and indicated a growing interest in holidays abroad. However, at the time of the survey, most respondents had not yet decided on a vacation destination, confirming the persistence of last-minute booking trends.

According to the Australian Tourist Commission, Italian consumer confidence in travel is rising, with many tour operators reporting "good interest in quotes and solid bookings" for a range of destinations. In March 2004, two major Italian travel companies reported a 20 - 50 per cent increase in information requests, compared with the same time last year, particularly for honeymoon trips and U.S. destinations.

The Netherlands

KLM Royal Dutch Airlines reported that its passenger traffic grew 8 per cent in March 2004, compared with the previous year, boosted by a 12 per cent jump in intercontinental business-class traffic. Air capacity increased 1 per cent, which resulted in an average load factor increase of 5.4 points to 82.5 per cent over the previous year.

KLM also announced plans to increase its summer capacity by 8 per cent compared with last summer. Most of these increases will be seen on Asian routes, which saw substantial cuts in the wake of the SARS crisis last year. However, the airline is planning to add capacity on Canadian routes, as well.

According to the Canadian Tourism Commission's foreign office in the Netherlands, Dutch tour operators have reported an increase in sales of vacation packages to Canada this summer. The most popular package type appears to be "nature," followed by outdoor/sports, and cities/resorts.

*Travellers Wait to "Check In" as Booking Window Narrows***Japan**

All Nippon Airways (ANA) posted a net profit of 24.8 billion yen (CDN\$309.2 million) for its full year ended March 31, 2004. This reverses a net loss of 28.3 billion yen posted the previous year. ANA attributed its profitability to recovering international traffic and restructuring efforts that offset the airline's declining performance in the wake of the SARS outbreak last year. The carrier noted that it was focusing on changing its business model to be more resilient to fluctuating demand.

However, the outlook for Japan Airlines (JAL), the country's largest carrier, is decidedly less optimistic. The airline announced it would slash 4,500 jobs, or 8 per cent of its workforce, by 2007 as a further cost-cutting measure. The airline forecasted a widening loss for its fiscal year ended March 31, 2004, due to rising fuel costs, and sluggish demand in the January - March quarter.

According to a recent Reuters news report, JAL's recovery from the effects of SARS has been more arduous than for other Asian airlines, partly because of JAL's reliance on Japanese travellers, who are "renowned for their caution in times of uncertainty." JAL is also more vulnerable to swings in international travel demand than ANA, because 50 per cent of JAL's revenues come from overseas routes compared with 20 per cent of ANA's revenues.

JTB Corp., Japan's largest travel agency, estimates that overall travel during the Golden Week holiday period (April 29 - May 5) this year would increase 3.6 per cent over the same period in 2003. While travel within Japan is projected to increase a modest 2.4 per cent, overseas travel is expected to surge 107.3 per cent, compared with the previous year when travel declined drastically in the wake of the SARS outbreak.

Narita (Tokyo) and Kansai (Osaka) International Airports anticipated a similar growth in travel for Golden Week. Narita expects passenger traffic to climb 70 per cent during this period, while Kansai expects a 90 per cent jump in traffic, compared with the previous year. In anticipation of the surge in Golden Week travel, the Japanese government announced plans to tighten anti-terrorist security measures at a range of transportation facilities, including x-raying travellers' shoes at airport security checks.

Kansai Airport also reported that flight frequencies could potentially reach record-high levels during the peak summer vacation season this year. The airport expects the number of flights during the peak travel period in August to reach 692 per week, just below the record-high of 700 per week seen in the summer of 2001.

The Canadian Tourism Commission's (CTC) foreign office in Japan recently reported that major Japanese wholesalers are switching sales strategies towards providing more travel products for FIT travellers, rather than package programs. The wholesalers believe that the Japanese FIT segment has proven to be a more resilient market in today's travel environment. The CTC also noted that Japanese trips to Canada this year are expected to return to 2002 levels.

Korea

Korean Air Lines (KAL) recently unveiled plans to upgrade its fleet and improve its international image, in an effort to become one of the world's top ten passenger airlines by the year 2010. The airline's strategies, which will cost an estimated US\$9 billion over the next ten years, include redesigning aircraft interiors, upgrading its business class and first class amenities, increasing its fleet size and other modernizations. The airline also intends to upgrade its cargo facilities.

The Korea National Tourism Organization (KNTO) reported that outbound Korean departures rose 13.1 per cent in March 2004 compared with a year earlier. In March 2003, departures dipped 5 per cent as the effects of SARS began to impact outbound travel.

The Canadian Tourism Commission's (CTC) foreign office in Korea reported that the Avian flu outbreak in Asia impacted outbound travel in the first quarter of this year, but more so for Asian destinations, rather than longer-haul destinations. Honeymoons, which traditionally peak in the spring and fall, tended to be diverted towards destinations that were free of Avian flu cases, such as Australia and Europe. The CTC also reported that Korean travel agents have been increasing their focus on the on-line travel market, particularly the FIT segment, in response to growing consumer trends.

Travellers Wait to "Check In" as Booking Window Narrows

The latest Korea Monthly Market Report by the Australia Tourist Commission noted that the April 16th general elections hampered travel demand in the period leading up to the elections. The leap month of the Chinese calendar system also had a negative effect on travel. For these reasons, the ATC anticipated an increase in travel package discounts.

Hong Kong

Cathay Pacific Airways posted a net profit of HKD\$2.54 billion (CDN\$446 million) for its second half ended December 31, 2003, a clear indicator of the airline's successful rebound from the substantial losses it suffered in the first half of 2003. The airline attributed its speedy recovery to pent-up demand, particularly in business travel, and discounted airfares that stimulated passenger traffic. Cathay also implemented aggressive cost-cutting measures to help mitigate plunging revenues during and after the SARS outbreak. The airline achieved a full-year net income of HKD\$1.3 billion (CDN\$228 million) for 2003, compared with HKD\$3.9 billion (CDN\$685 million) for 2002.

In March 2004, Cathay's passenger traffic increased 14.1 per cent compared with the previous year, although March 2003 traffic figures reflected the onset of SARS. Capacity rose 3 per cent and the load factor climbed 7.2 points to 73.6 per cent. The airline reported strong first quarter demand, with "steady growth in business traffic, particularly on long-haul routes."

Dragonair, Hong Kong's second-largest airline, reported strengthening business travel demand in March 2004 as well. The carrier's overall passenger traffic surged by 24.9 per cent compared with the previous year, driven by growth in its business travel market. The carrier warned, however, that overall yields remained under pressure.

After lowering its SARS alert level on April 6, 2004, the Hong Kong government issued a new SARS alert in late April after new SARS cases were diagnosed in mainland China. According to a Reuters report, the alert included increased health screening measures of airport and rail passengers.

The Canadian Tourism Commission's (CTC) foreign office in Hong Kong noted in its first quarter report that the World Travel and Tourism Council forecasted strong growth in Hong Kong's tourism industry in 2004, following the losses experienced during the SARS outbreak last year. The CTC also indicated that overall air capacity levels between Hong Kong and Canada were strong, with Air Canada and Cathay Pacific currently offering five direct daily flights.

A recent survey of 4.8 million airline passengers by Skytrax, a U.K. based aviation consultant, revealed that travellers rated Hong Kong as having the best airport and one of the top three airlines in the world. According to survey results, Hong Kong International Airport was rated as the best overall airport, based on comfort and usability. For best airline, Cathay Pacific Airlines was tied with Emirates and Singapore Airlines for first place, based on quality and service.

Taiwan

China Airlines, Taiwan's largest carrier, posted a net profit of TWD\$700 million (CDN\$29 million) in its first quarter ended March 31, 2004. This represents an increase of 53 per cent compared with the same quarter of 2003, although much of the increase was attributed to strong cargo traffic.

Meanwhile, EVA Airways, the nation's second-largest carrier, saw its first quarter earnings grow 85 per cent compared with the previous year. The carrier posted a net profit of TWD\$751 million (CDN\$31 million) for the quarter ended March 31, 2004. Like China Airlines, much of the earnings were attributed to strong cargo traffic, as well as a strong rebound in passenger traffic after last year's SARS outbreak. According to a Reuters news report, both of Taiwan's main airlines are planning fleet expansions in anticipation of rising passenger and cargo demand.

Travellers Wait to "Check In" as Booking Window Narrows

According to the Taiwan Journal, the Taiwanese Department of Health announced an elevation of the country's SARS alert in late April, after new SARS cases were confirmed in mainland China. The heightened alert involved the reactivation of certain border control measures such as taking the temperature of inbound travellers. The reappearance of SARS has raised concerns among Taiwanese travel agents, who have already received a rash of cancellations for trips to China.

The Canadian Tourism Commission's (CTC) foreign office in Taiwan reported that the outbreak of Avian flu impacted outbound travel to a number of Asian destinations during the first quarter of this year. The Taiwanese presidential election was also dampening travel demand, which in turn prompted airlines to offer discounts in an attempt to stimulate outbound travel in the period leading up to the election. The CTC also noted that the high value of the Canadian dollar was impeding the sales of travel products to Canada.

Australia

Qantas Airways launched its low-fare subsidiary, Jetstar, in late February, with a special promotion offering 100,000 seats to a number of domestic destinations for A\$29 (CDN\$28.94). Jetstar's main competitor, Virgin Blue retaliated by offering 200,000 domestic tickets for the same price. Jetstar reported that it sold more than 60,000 seats in the first 10 hours of taking reservations.

The latest travel statistics show that overall outbound travel from Australia jumped by 24 per cent in February 2004 compared to 2003. Holiday departures increased by 44 per cent, while overseas business travel climbed 13 per cent compared with the previous year. Meanwhile, leisure travel to North America increased by 35 per cent.

The Canadian Tourism Commission's (CTC) foreign office in Australia reported that pent-up demand and favourable exchange rates were pushing sales levels of North American travel products "through the roof." One major travel supplier reported "huge growth" on sales to the U.S. and Canada in the first quarter of 2004. According to the CTC, a number of travel wholesalers are expecting a bright year for the Australian travel industry in 2004. In the last several quarters, the Australian currency has been gaining considerable strength, which will help encourage further growth in the outbound travel market.

The CTC also reported that consumer confidence has reached record-high levels in Australia. In January 2004, the Roy Morgan Consumer Confidence Rating registered the highest rating seen in 29 years of measurement.

New Zealand

Air New Zealand (ANZ)'s latest operation statistics show that the airline's overall passenger traffic fell 2.3 per cent in February 2004, compared with a year earlier. While capacity remained close to last year's levels (up 0.5 per cent), load factor declined 2.1 percentage points to 73.1. Increased competition from the low-cost carrier segment forced the carrier to slash fares up to 64 per cent on Pacific Island services. However, ANZ expects "double-digit traffic growth" on its short-haul routes as a result of the discounts.

Statistics New Zealand reported that overseas travel by New Zealanders jumped 30 per cent in March 2004 over the previous year. Overall holiday travel rose by 37 per cent, and business travel climbed 19 per cent, compared with the same month in 2003. Travel to North America for holiday reasons fell by 14 per cent, although leisure travel to "Other Americas" rose 30 per cent.

The Canadian Tourism Commission's (CTC) foreign office in Australia reported that New Zealand's economy is beginning to weaken, although consumer and business confidence levels remain relatively high. The strong economy of the past two years is now being threatened by a number of factors, including the high value of the country's currency, high household debt levels and looming interest rate hikes. According to the CTC, the New Zealand dollar has risen in value by 25 per cent in the last year, compared with the U.S. dollar.

Economic Overview

North America

The strength of the U.S. economy should help support solid North American economic growth this year and into 2005. Canadian real GDP is expected to expand 2.8 per cent in 2004 and 3.1 per cent in 2005. The Conference Board of Canada expects that the Canadian dollar will average \$0.743 U.S. this year before slowly depreciating to average \$0.721 U.S. in 2005. Meanwhile, the U.S. economy is expected to expand by 4.3 per cent this year—the highest growth since 2000. U.S. growth will be led by solid gains in consumer spending as well as double-digit growth in equipment spending. The main risk to the current outlook remains the job market. While the surge in employment in March was encouraging, the U.S. economy must continue to generate solid job gains for the remainder of the year to ensure that the economic recovery is sustainable. While a cyclical upswing in the United States will boost the prospects of the Mexican economy in the short-term, growth will be constrained by the political paralysis that exists in the country.

Europe

Economic growth is expected to accelerate in Europe this year, after posting an anaemic 0.8 per cent real GDP growth in 2003. Unfortunately, the anticipated 2 per cent growth in 2004 will still be far below growth in most other parts of the world. Economic growth will continue to be constrained by weak economic activity in two of the region's largest economies, France and Germany. Belgium, Italy, the Netherlands and Switzerland are also expected to post real GDP growth below 2 per cent this year. The strong appreciation of the euro has hurt export growth and, to date, has not had a significant impact on reducing inflation. As a result, the ECB has left interest rates unchanged. Rate cuts are not expected in 2004 because the ECB believes that the economic problems in Europe are not attributable to monetary policy but are instead a result of the need for labour market reform.

Asia-Pacific

As European and U.S. demand for Asian commodities and manufactured goods increase, and as regional threats of SARS and the Bird Flu wane, solid economic growth appears possible for most countries throughout the Asia Pacific region this year and into 2005. In 2004, real GDP in the region is expected to increase by 4.1 per cent and growth of 3.2 per cent is anticipated for 2005. China is once again expected to lead the region in economic growth and the ongoing recovery in Japan should boost the region's economic prospects. Underlying economic fundamentals in Japan are strong, corporate profits are strengthening and the banking system is much healthier compared to a few years ago. Real GDP in Japan is expected to increase by 2.8 per cent in 2004 and 1.6 per cent in 2005.

Opportunities

According to a recent report by eTurbo News, the senior tourism market in the European Union is poised to grow dramatically in the next decade. This market will comprise greater numbers of travellers in the 50-plus age group who are healthy, discerning and security-conscious, with high disposable incomes. These travellers will seek out quality vacations that are secure, familiar and convenient. The Austrian Institute of Economic Research predicted that this travel market in Europe would reach 140 million by 2010.

Recent survey findings suggest that perceptions of safety and security are a high priority among many travellers, and could be an important feature in marketing a destination. A recent survey by the Southern California Tourism Safety and Security Association of tourists to its region revealed that most domestic and international travellers ranked safety and security as a key factor in planning a vacation or convention. Of those polled, 63 per cent of international travellers ranked safety and security as "10 out of 10" on a scale of importance. The average ranking of safety and security among domestic visitors was 8.9 out of 10.

Travellers Wait to "Check In" as Booking Window Narrows

A recently published survey by National Geographic Traveler magazine ranked five Canadian tourism destinations among the top-scoring ecotourism spots in the world. These included (in order of ranking): Cape Breton Island, Rocky Mountain parks, Quebec City, Quebec's Laurentian Highlands, and the B.C./Alaska Inside Passage. Aided by Leeds Metropolitan University in the U.K., researchers surveyed two hundred specialists in sustainable tourism, who ranked dozens of tourism destinations around the world. Rankings were based on environmental and ecological quality, cultural integrity, conditions of built heritage and aesthetic appeal, among other criteria.

Summary

As the tourism industry gears up for the summer-for most suppliers the busiest and most important time of year-persistent uncertainties exist regarding the strength of the rebound in store. While generally upbeat about their expectations, few suppliers are assured of a successful summer season based solely on their bookings to date. The events of the past few years have perpetuated a wait-and-see attitude among travellers, and their increasing reliance on the internet is resulting in even shorter booking windows.

Fortunately, there are a few factors that should work in favour of a travel recovery, including the diminishing effects of past geopolitical events and strengthening traveller safety confidence. However, concerns about the uncertain future of Air Canada and the recent terrorist activity in Europe still exist. In addition, other factors such as the high value of the Canadian dollar, escalating gasoline prices and the occurrence of, up until now, isolated SARS cases in China, will undoubtedly challenge the strength of the tourism recovery this summer.

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